



# Premier Explosives Limited



May 19, 2023

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

**Scrip code: 526247**

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: PREMEXPLN**

Dear Sir/Madam,

**Sub: Transcript of Conference call pertaining to the fourth quarter and year ended 31<sup>st</sup> March, 2023, results.**

Please find attached the Transcript of the Conference Call hosted by, Stellar IR Advisors Private Limited, on May 17, 2023 pertaining to, 'Premier Explosives Limited Q4 FY2023 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  
Q4 & FY 23 Earnings Conference Call”  
May 17, 2023



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

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

**Moderator:**

Ladies and gentlemen, good day, and welcome to Premier Explosives Limited Q4 and FY 23 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 star then zero 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, Mr. Mehta.

**Vishal Mehta:**

Thank you. Good afternoon, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited Q4 and FY 23 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the quarter and full year ended March 31, 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 may be 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 full year.

**T V Chowdary:**

Thank you, Vishal, and good afternoon, everybody. Thank you for joining the call. We'll begin the call with company's operational performance during the quarter and followed by the key industry updates.

In our last conference call, we have already informed about the new development on DRDO technologies, which has been already transferred to us, and we are fully working on those technologies. As we completed design and development of the products for foreign companies that is for export purpose, supply orders started coming.

And we have manufactured and delivered the first batch of supply order in the month of February and the last quarter of FY 2023. Execution of these production orders will be done and that is complete execution will be done in FY 2023-24. Now during the year, we have generated healthy cash profit of Rs. 16.5 Crores with our execution run rate, 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.

We had started the year with the order book of Rs. 389 Crores, and we have received order inflow of almost Rs. 340 Crores during the year, and we have reported the current outstanding order book as on 31st March 2023, stood at approximately Rs. 521 Crores, which translates into 2.58x of our FY 23 revenues. We have discussed the first export shipment of rocket motors for the overseas entity in February 2023.

Premier Explosives is the only qualified Indian company for counter measures and the only Indian company, which is in the export of fully assembled rocket motors. In addition to the rocket motors and warheads, production of mines against new orders is going on at Katepally plant. This is expected to give good boost to revenue in the coming quarters and financial year 2024-25. And in addition to the production facility for medium caliber ammunition is ready, and this facility also is expected to generate -- start generating revenue in the FY 24.

The defence revenues were affected during the financial year ending '23 due to the delays in clearances, but deliveries from departments that is export licenses and also the hardware issues the first delivery, which should have been done in the third quarter has come to fourth quarter and further deliveries will be regularized in the current year. Export billing also has deferred due to the delays of this and we are expecting this to be made up in the current year.

Now coming on the present industry status about the defence industry as previously stated and as you may be aware, India's defence sector has a robust industrial ecosystem and the Aatmanirbhar Bharat strategy has been working well with the Indian defence industry. And the Indian government's Make in India policy has also been promoting various industries, including the defence industry at large.

Supported by government's continuous efforts of policy and excellent support of the country's defence sectors. India accomplished an extraordinary milestone in defence exports in FY 2022-23. Exports have reached an all-time high of about Rs. 16,000 Crores, up by Rs. 3,000 Crores from the previous financial year. It has grown by tenfold since 2016 -17. India aims to spend Rs. 2.75 lakh Crores on defence equity in FY 2024.

Almost all the defence equipment will be purchased from Indian manufacturers to the dismay of the United States and Russia. India's defence imports are dropping year-on-year as the Indian defence sector strengthens. India's defence imports fell by 11% between 2013-17 and 2018-22, owing mostly cumbersome procurement procedure, efforts to diversify our suppliers and efforts to replace imports with homegrown products.

Coming to aerospace industry. With ISRO's success in establishing SSLV, that is a 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 fields, and these are expected to certify in the coming 3-4 years.

The mining industry where the coal is the major mining sector.

According to the Ministry of Coal, despite the hard environment and covered by Coal India, SECL and other commercial mines in the country, total domestic coal production output has risen to more than 892 million tons in FY 22-23, up by 14.65% from 778.1 million tons in FY 21-22 and it marks a historic movement for the coal industry in India.

The coal sector's contribution to economic growth has contributed to India's raise under the current government and will continue to meet the country's growing energy needs. India has substantial coal reserves and intends to begin exporting the dry fuel by FY 24-25. India is moving from a net importer of coal to net exporter of non-cooking coal.

As the government prepares to gradually reduce thermal coal imports by FY 24-25, India's coal output is expected to climb to 1 billion tons in the next fiscal year, up from 900 million tons this fiscal year. The Coal Ministry has revealed that the government has already set a target of 1.3 billion tons of coal output for FY 24-25 and a goal of 1.5 billion tons by FY 29-30. Keeping all these industrial sectors in mind, we expect a health growth for your company in the coming year. Thank you.

Now I request our CFO, Mr. Srihari to give our financial performance.

**Srihari Pakalapati:**

Thank you, sir. Good afternoon, everyone. The result presentation for the quarter has been uploaded in the stock exchanges and on the company's website. I believe you all may have gone through the stream. Now I would present the financial results for the fourth quarter and full year ended 31st March 2023.

The revenue from operations for Q4 stands at Rs. 52 Crores as compared to Rs. 60 Crores in the corresponding period last year, which is a degrowth of 13% year-on-year. Our operating profit for Q4 stands at Rs. 8 Crores as compared to Rs. 5 Crores with a growth of 64%. The operating margin for the quarter stands at 15%. In Q4, we reported a net profit of Rs. 2.3 Crores compared to Rs. 1.2 Crores in Q4 with a growth of 98% as compared to the corresponding period last year.

The revenue from operations for the Financial Year 23 stands at Rs. 202 Crores as compared to Rs. 199 Crores in the corresponding period last year, translating a

marginal growth year-on-year growth. Operating profit for FY 23 stands at Rs. 26 Crores as compared to Rs. 22 Crores with a growth of 16% as compared to last year.

The operating margin of 13% in FY 23. The net profit in FY 23 stood at Rs. 6.7 Crores compared to profit of Rs. 5.6 Crores in last year, which recorded a growth of 19%. Company has declared a dividend of Rs. 1.7 per share for the Financial Year ended 31st March 2023.

Now coming to the order book. The company's current total order book stands at Rs. 521 Crores out of which Explosive business comprises around Rs. 90 Crores. The higher-margin defence segment is at Rs. 304 Crores, which is 58% of our total order book, and the service segment that is operational maintenance is around Rs. 127 Crores.

The order book represents a strong growth over the previous years. We are confident that with our continued execution run rate, our forthcoming quarters will continue the growth trajectory.

With this, we now open the floor for questions and answers. Thank you very much.

**Moderator:** The first question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited.

**Dixit Doshi:** Congratulations on a good performance. Sir, my first question is regarding the order book. So if you can mention the execution time line we are expecting for Explosive and Defence sector?

**T V Chowdary:** Yes, the Explosive and Defence section, the execution time line is 1 year, 12 months, out of which because of the delays happened in the last financial year. Yes. It's most of the orders, they are all of 1-year execution period.

**Dixit Doshi:** Because you expect that this Rs. 304 Crores of defence order book we have, that will be mostly executed entirely in FY 24?

**T V Chowdary:** That is the plan. What happens is, this execution, the production is in our hand, but deliveries, they have to be affected only after reinspection and clearance. And in case of exports, after getting the export license from government, which sometimes they are delaying the process of deliveries. So otherwise, they are all supposed to be executed in the current year.

**Dixit Doshi:** Okay. So let's say, as per the agreements, they are supposed to be executed this year, and considering some delays also, we can execute it in 15 to 18 months.

- T V Chowdary:** Yes.
- Dixit Doshi:** Okay. And in the current year, our revenue from defence and services was Rs. 98 Crores. Can you just mention how much was the defence and how much was the services?
- Srihari Pakalapati:** Rs. 82 Crores from defence, sir, Rs. 16 Crores from services.
- Dixit Doshi:** Okay. Now this year, our order wins were quite good, Rs. 340 Crores order win we have. If you can just guide us through, let's say, what kind of order win we are expecting next year, FY 24? And which are the major orders we are expecting or any highlight you can mention, let's say, where we have participated in the tender and -- or any major tender opening up this year?
- T V Chowdary:** See in the rockets and Propellant segment, the existing orders itself will keep coming. Repeat orders will keep coming towards that because as we are producing these and they're providing to assembly to be real. The orders are expected to continue for the existing missile, that is MRSAM and Astra in the coming 2 to 3 years.
- And also, the export orders also, now only the partial quantity only submitted into order, and we are expecting this further to increase in the next financial year and the year later. So, these are the things which will continue for the coming 2, 3 years. In addition to that, the new areas that is mines what we are making for ranks and different kinds of mines and also ammunition, which is going to be added in the next financial year and the next.
- Dixit Doshi:** So, can we expect that similar Rs. 300 Crores, Rs. 400 Crores order win per annum will we continue?
- T V Chowdary:** Yes. That's what we are expecting.
- Dixit Doshi:** Or it can be even -- I mean it can be even higher or more or like in that range we can continue?
- T V Chowdary:** It can be, we are also expecting some big orders in emergency procurement from MOD in the areas like where we are the present existing Indian supplier, that is the Counter measures. I think that -- once that is finalized, and that should add a big boost to our base.
- Dixit Doshi:** Okay. And you mentioned that repeat order can come for MRSAM, Astra. I think recently, BDL has signed the MOU for Rs. 8,000 Crores order for Akash also. So can we expect some order from that also this year?

- Srihari Pakalapati:** Yes, yes.
- Dixit Doshi:** Okay. And typically, if I -- it is my understanding right that 3% to 4% is the kind of opportunity that we cater?
- T V Chowdary:** Yes, please.
- Dixit Doshi:** Yes. So it's my understanding right that for any missile, Akash or Astra, the value of that missile, 3% to 4% is typically our opportunity?
- T V Chowdary:** Very difficult to say because it changes from missile to missile.
- Dixit Doshi:** Broad range would be -- I mean, historically, whatever we have executed, if you can just give a broad range that will also be helpful.
- T V Chowdary:** In case of Akash, our -- that is Propellants and energetic materials, the component is higher than that 4% or 5% whereas in case of other missiles where the seekers and the electronic systems and onboard computers, they are the cost-based components. In that case, this will come down in terms of percentage.
- Dixit Doshi:** Okay. So this Propellant plus energy would be what, 7%, 8%?
- T V Chowdary:** That is in case of Akash we can take. But in case of this other Astra and MRSAM such missiles, it will be around that, I think the below 5%.
- Dixit Doshi:** Okay. Okay. And so what I understand that in Akash, we give only the Propellant or energy product. But when we export, we give the full rocket motor system, right?
- T V Chowdary:** Yes, you're right.
- Dixit Doshi:** So in terms of export, this 7%, 8% will become much higher?
- T V Chowdary:** Yes.
- Dixit Doshi:** Okay. How much can you mention?
- T V Chowdary:** No. In terms of export, we do not know the other end -- customer's end no, what is the -- what kind of sticker system electronics they are going to add. So we do not know the final land price, sales price. We cannot comment on our percentage.
- Dixit Doshi:** Okay. And in terms of export, what I understood is, let's say, over the last 1-1.5 years, whatever orders we have executed those are mostly for the testing things. And once they tested and the product is proper -- matches the quality, then the real order or a big



order we can expect. So can we expect some big orders this year? Or it is still in the testing phase and maybe big orders will come in FY 25?

**T V Chowdary:** No, we have already received production orders which now we already started production. Like you have mentioned in my -- the first consignment was dispatched in February. So now every month, we have to keep on delivering 1 type of rocket, 100 numbers per month and another type 50 numbers per month. So already production process started for 4 different types of rockets and also warheads.

**Dixit Doshi:** Okay. Just a couple of things, and then I join back in the queue. So in this BDL or in Akash, we are the sole supplier, right?

**T V Chowdary:** No. There are other suppliers also, but we are the largest supplier, maximum quantity we have supplied in past, even now we are supplying. But otherwise, there are others also who took technology from DRDO for producing Akash propellants.

**Dixit Doshi:** So for that, it's like BDL decide the quantity or it's the tender system?

**T V Chowdary:** It's a tender system. L1 process, L1 entry.

**Dixit Doshi:** Okay. And last thing on this Rs. 304 Crores of order book in the defence, how much would be export?

**Srihari Pakalapati:** It was about Rs. 104 Crores.

**Dixit Doshi:** Rs. 104 Crores.

**Moderator:** The next question is from the line of Vijay Goel from ICICI Securities. Please go ahead.

**Vijay Goel:** My question was on the Explosive segment. So basically, we have done 42% growth in explosives with Rs. 103 Crores of revenues. So I just wanted to know how much explosive volumes we have done for this year and last year, FY 22 and FY 23? Basically, I just wanted to understand how much of this 42% growth was driven by volumes and how much it was driven by realizations?

**T V Chowdary:** Yes, Mr. Goel, if I understand correctly, you are asking for the volumes?

**Vijay Goel:** Yes, yes, yes.

**T V Chowdary:** This is tonnage that we have?

**Vijay Goel:** Yes. Yes, sir, in tons.

- Srihari Pakalapati:** No. For bulk explosives, we have done about 7,500 tons in 1 location and about 500 tons in other locations, about 8,000 tons, we have done last year.
- T V Chowdary:** Growth is mainly because of the pricing rather than the volumes.
- Srihari Pakalapati:** So the bulk explosives has gone up almost double. I think there was a growth of 100% last year.
- Vijay Goel:** No, sir, I mean, 8,000 tons of volumes you have done in FY 23. And what was in FY 22?
- Srihari Pakalapati:** FY 22 was almost about 4,000 tons only.
- Moderator:** We have the next question from the line of Karan Gupta from Varanium Capital. Please go ahead.
- Karan Gupta:** Yes. So my question is related to the total capex we are planning for the next 2 to 3 years. And this segment, how much capex we are planning and in segmentation -- segment-wise break-up in the capex.
- Srihari Pakalapati:** So we have -- we are -- we have the plan to incur at least about Rs. 25 Crores to Rs. 28 Crores capex in '23, '24. So which is mainly -- almost all the capex is required for the defence only, not for admitting more of the commission, some nominal amounts.
- Karan Gupta:** Okay. So Rs. 25 Crores to Rs. 28 Crores.
- Srihari Pakalapati:** Yes.
- Karan Gupta:** Okay. And full goes to defence sector?
- Srihari Pakalapati:** Sorry, I didn't get?
- Karan Gupta:** This Rs. 25 Crores to Rs. 28 Crores.
- T V Chowdary:** Major quantity will go to defence sector -- Major amount is for defence sector.
- Karan Gupta:** Okay. And anything for capacity expansion in terms of volumes?
- Srihari Pakalapati:** No. Actually, this capex is required to strengthen our existing facilities and maybe adding some production lines and storage facilities. Exactly this amount is not required. I mean, it's not for the -- increase in the capacity.
- Karan Gupta:** No, this I understood about this capex. But in future, 2 to 3 years any plans sir? Increasing the capacity of bulk explosives or your packaged explosive?

**T V Chowdary:** Bulk explosives, it is -- we have no plan of increasing the capacity because we have really great capacity and the licensed capacity also. We are only planning to increase the storage capacity because nowadays, the bulk explosives are more dependent on the imported ammonium nitrate. So there -- the storage gives us additional strength. So a small part of it goes from the increase in the storage capacity. Defence sector, we have already established the facilities for production. But like our CFO said, most of this goes for adding some balancing equipment because when the product changes, it is supposed I give an example.

We produce propellants and rocket motors, but all are not same. Different rockets have different motors, different sizes, different propellants. So specific product is produced. You have to -- depending on the requirement, you may have to add additional facilities and capacities. Really, we cannot say it is for increasing the capacity, but utilization of the present capacity.

**Karan Gupta:** Okay. Fair enough. And this ammonium nitrate part -- the price has come down, right, from around Rs. 65,000 to Rs. 60,000 per ton. Is it chartable.

**T V Chowdary:** Yes. You are right.

**Karan Gupta:** So compare we are purchasing the most of the industry players are purchasing it, mainly we are importing this thing, right?

**T V Chowdary:** Yes.

**Karan Gupta:** Sir, any reason risk can you share this thing if it's not the confidential thing?

**T V Chowdary:** Price, simple thing is imported price is lower than the domestic -- local price available.

**Karan Gupta:** Okay. So domestically, like some chemical companies, also manufacturing this ammonium nitrate part. So we are not availability to these prices. So that's why we are importing. So do you see a major exporter of ammonium nitrate in the overseas market?

**T V Chowdary:** Beg your pardon, please repeat the last sentence.

**Karan Gupta:** Yes. So major export of this ammonium nitrate in the overseas market, who is the country or player?

**T V Chowdary:** Mostly, it comes from the Eastern block.

**Karan Gupta:** Okay. So extremes of any regions or any major player who are exporting majorly to all worldwide?

- Srihari Pakalapati:** No. That is not our duty.
- Karan Gupta:** Okay, that is confidential.
- T V Chowdary:** Nothing confidential, but it's not our area that we have ready information to share.
- Moderator:** The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.
- Niraj Mansingka:** Just wondering to know about the -- you are 1 of the sole suppliers for a lot of products in the propellants and missiles. And can you share us when you see the scale-up of this happening? Or is there a possibility that despite being a full approved supplier, those products may not be bought by the government in longer term also? Just wanted to know some thoughts of yours.
- T V Chowdary:** So from the order book, you will understand that at least the coming 2 years, that indicates the current status to you. And we have several things which are lined up, like I have shared in my speech that we have already absorbed some of the technologies from DRDO, which are going to meet the requirements. And government also is going to list them in the negative list for imports.
- That is nowadays, it is called positive list for a local production. So we expect a good continuance of the growth, like so many products which you mentioned apart from the rockets and missiles, we have counter measures, we have mines we have warheads, which are now all of them are taking off. These are the new additions to our kitty.
- Niraj Mansingka:** We are aware of that. I think we have been discussing that on the call also that these have been taking off for but the order book is actually, if you see the order book of yours, actually it is coming down over the last 4 quarters. The defence order book been down from 360 to 300 range. So just wanted more color on it that are you still seeing that traction there or you see some more delays with the government and coming up with orders -- further orders.
- Srihari Pakalapati:** Further orders?
- Niraj Mansingka:** Yes, because if you see the order book that you were carrying a year back, it was Rs. 346 Crores, now it is back down to Rs. 302 Crores in defence side. So you have actually gone down on the order book, despite the government's intention and entire media releases of a lot of buying from the domestic side. So is this just you see a temporary slowdown? Or do you see larger delays in executing or getting more orders in the future?

- T V Chowdary:** The current order is an ongoing process. While we are executing the others on hand, we are also participating in the RFPs, which are in the process, and you know that you yourself commented, we are the - 1 of the very few players in this line. So we are quite confident that it will continue.
- Niraj Mansingka:** Okay. And the other question is how much supply to MRSAM and LRSAM will scale up and in the production for -- in the near future?
- T V Chowdary:** As on date, MRSAM offtake will be in the range of 20 to 25 only per month. This will continue like this in the coming 4, 5 years.
- Niraj Mansingka:** Okay. Okay, got it. So any other products that you think can -- we should look at in terms of largest growth in revenues or order book for you?
- T V Chowdary:** There are others which are in pipeline like QRSAM, NGRM and Astra. All these now are yet to be productionized. We have already participated in the development and succeeded we are marked as a qualified vendor. Now they have to get converted into bulk volumes.
- Niraj Mansingka:** Okay. And few times back -- a few quarters, 1 or 2 quarters back, you had said that Astra is tapered down and you're looking at -- or Akash is tapered down, we're looking at Akash Prime whenever it takes over?
- T V Chowdary:** The thing more towards Astra and MRSAM that's what I told. Not only that, you can add to that exports.
- Niraj Mansingka:** Okay. And exports are mostly on the rocket motor, right?
- T V Chowdary:** Yes.
- Moderator:** The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My first question is on the motors -- the Rocket Motors division. So we have, I think, the capacity of 200 per month. So if you can talk about what is the current run rate that we are doing? And at peak, what is the peak sales we can do as well as if you can talk about the margins, they are getting this full year?
- Srihari Pakalapati:** Sorry, can you repeat, please?
- Aman Vij:** So rocket motors, we have a capacity of around 200 per month. Is that right?
- T V Chowdary:** No. I don't know this statement of 200.

- Srihari Pakalapati:** Where did you get this statement?
- Aman Vij:** The 1 on the previous calls, you have said we can maybe expand it to 200 per month.
- T V Chowdary:** We have a large license capacity. We have a license capacity for 100,000 numbers of topline rocket motors per annum. That is our license capacity. And we also have a huge capacity. The only thing is to add more, we may be requiring some more additional equipment, metals, tooling and some balls like that, which we keep on as the orders come, we keep on doing. So 200 is not our limitation.
- Aman Vij:** Okay. Okay. Sorry. And as of now, what is the run rate that we are doing?
- T V Chowdary:** Yes. The present current orders on hand around 200 numbers per month we are doing including export and domestic.
- Aman Vij:** Okay. So that was the confusion. So -- and in terms of, say, we are doing around 2,400 motors per year. So what is the sales that we are getting because of that?
- T V Chowdary:** So basically, the major portion of the defence revenue is coming from there only.
- Aman Vij:** Okay. Yes, yes.
- Srihari Pakalapati:** Major portion for defence, for the FY 22-23 came from the rocket motors and propellants only.
- Aman Vij:** Okay. Okay, sir. I thought it is more for the propellants for the missile versus rocket motor. So has the shift happened that now rocket motors is contributing much more than the propellants for the missile?
- T V Chowdary:** Yes. Propellants for the missile is only propellant. This is including raw, but it is not the contribution part. It is the volumes. The rockets where we are exporting, the volumes are large. Per annum, we are talking about almost 2,000 numbers. And the balance 400 -500 numbers only come for the domestic market.
- Aman Vij:** No, I was talking in terms of sales breakup. So for FY 23, the defence sales that we did, what was the breakup of motor versus, say, the rocket or -- sorry, the propellants for missiles?
- T V Chowdary:** It's just the exports of rockets has just started. Like we said that the first consignment has gone in the month of February. So this year, I think we'll be able to monitor that and then see that.
- Aman Vij:** Okay. Okay. And in terms of...

- Srihari Pakalapati:** '23, '24 onwards. '22, '23, we have just started, and we have done some first batch of small quantity.
- Aman Vij:** Okay. Okay, sir. So in terms of the current order book of around Rs. 300 Crores, what is the split of, say, the rocket motors and...
- T V Chowdary:** About Rs. 100 Crores. Yes. I think we can have some figures and some discussions on this after the first quarter of the current year.
- Aman Vij:** Sure, sir. My second set of question is, so last 1 call, you had updated us on ammunition grenade that we were doing some development cum production orders. So if you can update us what is the status of that? And what kind of sales are we expecting from this Ammunition grenades in this year?
- T V Chowdary:** Ammunition grenades, the transfer of technology part that is development. It is DCP program with DRDO is completed, and our production facility also is completed. So - right now, this is against the development order that we have done, and we are participating in different RFPs. So we have to see for the maturation of those RFPs and getting orders. So as on date, except the development order, we don't have any order on hand for this product.
- Aman Vij:** But you had talked about this like 1 lakh orders demand.
- T V Chowdary:** We have participated in RFPs. So we have to wait for them to be finalized.
- Aman Vij:** Okay. Okay. So is it expected the result of those RFPs coming in FY 24? Or it will take a longer time?
- T V Chowdary:** These are being procured by MOD as well as paramilitary forces and CRPF and all those. The paramilitary forces and CRPF there, the quantities will be less but they are expected to come earlier, maybe in the current year itself. But MOD orders, the processing and all takes longer time.
- Aman Vij:** Okay. And out of the 1 lakh was combined or 1 lakh was only MOD you had talked?
- Srihari Pakalapati:** One lakh was only MOD.
- Aman Vij:** Okay. So for paramilitary forces and CRPF, what could be the size?
- T V Chowdary:** Maybe we are expecting that can be another 30,000-40,000 per annum.
- Aman Vij:** Okay, sir. And we should expect some orders in first half or second half of the year in this paramilitary force?

- T V Chowdary:** Not in the first half, because now we have completed the development work. Now user has to come in and see them, that part will be there.
- Aman Vij:** Okay. So I thought the trials were also done. Trials are remaining as of now?
- T V Chowdary:** Trials with DRDO and the self those are completed. Now we are offering to -- we have already offered to user. Now, they have to come.
- Aman Vij:** Okay. So that will happen in the first half and then finally, orders in second half. Is my understanding correct?
- T V Chowdary:** Yes.
- Aman Vij:** Okay. Okay, sir. My next question is, so you've talked about future growth drivers include QRSAM, NGARM and Astra. Do you think any of these will get into commercial production in FY 24? Or if you can talk about some time line according to your estimates? And when can we see this contributing to revenue?
- T V Chowdary:** The QRSAM, we can expect in the next financial year, that is QA '24,'25. Presently it is there already -- BDL is the integrator for Astra. Astra is expected. We are expecting at Astra by the end of this year. It will come in fact, into a bigger bulk order. Otherwise, right now, it is small small quantities only going on, 20 numbers, 25 numbers like that. And QRSAM development is completed, but we are expecting this in '24, '25, probably it will come.
- Aman Vij:** NGARM?
- T V Chowdary:** NGARM, it is the rocket motor development, that is our part, is completed. But the entire missile assembly, that part is still going on. So the commercial production will start only probably in the year '25, '26. That's what I'm thinking.
- Aman Vij:** Sure, sure, sir. And we are hearing a lot of news regarding these new platforms like Prithvi, and others also LRSAM. So any parts we might take in those also?
- T V Chowdary:** LRSAM and MRSAM is same. We are doing both. The name only is different. LRSAM is naval version and MRSAM is army. So both are okay. We are doing -- and Prithivi, no we are not in Prithivi.
- Aman Vij:** Okay. And sir, are we present in this very different category, ATGMs, like Nag, Amogha and Helina. So are we present in those also?
- T V Chowdary:** Right now, I don't see these -- some of them are being done with double-based propellants. We are not in double-based. But we are in the new generation ATGMs



and small ones, new ones, we are there on it. And we are also DCP partners. And the other productionizing agencies, we have MOUs with them.

**Aman Vij:** Okay. Okay. So out of this, you are explaining the small one. So small ones will be, which ones if you can name some platforms.

**T V Chowdary:** One is VSHORADS you must have heard about it?

**Aman Vij:** Yes.

**T V Chowdary:** I think the platforms and names other than going into those things. Then we have other agencies also where we are working for UAVs, warheads for UAVs and all those. So those are the areas where we are expanding for future.

**Aman Vij:** Okay. So nothing on this Amogha and Nag side because these got double propellants.

**T V Chowdary:** Yes.

**Aman Vij:** Okay, sir. Sir, my final question is in terms of defence orders the contribution -- the order inflow. So we have Rs. 300 Crores orders. So what kind of execution are we expecting as well as what kind of additional orders are we expecting for FY 24?

**Srihari Pakalapati:** Actually, we -- as per the schedule, we are supposed to deliver at least Rs. 240 Crores in FY 23-24, which is again subject to the clearances from the department. And it depends on the export licenses and logistic issues. But as a schedule, we have proposed to deliver at least 240 Crores in defence.

**Aman Vij:** Okay. And the additional orders we are expecting apart from our current order book?

**Srihari Pakalapati:** There are a lot of orders in pipeline, we are expecting some large orders in the near future. But at this moment, we cannot comment on that.

**Moderator:** The next question is from the line of Rupen Masalia from RN Associates. Please go ahead.

**Rupen Masalia:** See, my questions are pertaining to a longer time horizon say, next 3 to 4 years, considering your capabilities in high energy materials, and capacity and of course, the tailwind provided by the indigenous drive by the government of India. So where do you see defence and aerospace business scaling up over next 3 to 4 years, that is 1 part.

Second is like you are trying to climb up the hierarchy of value chain by being currently a component or subsystem supplier to being a system integrator. So in the light of debt over the next 3, 4 years, where do you see the market profile climbing up? Currently, I mean, whatever margins you are enjoying in defence and aerospace business at

EBITDA level or maybe EBIT level. So next 3 to 4 years, the questions are scalability then climbing up the value chain hierarchy and of course, margin profiles. So if you can elaborate on these aspects?

**T V Chowdary:** Growth-wise, like you also said, the defence sector is growing and all those. And apart from defence, the aerospace, we have not discussed until now, in none of the questions it appeared. Aerospace is one area where new satellite launch vehicles and all those are going to come in. The private sector is also going to join and does other things. So that is one area in the coming 3-4 years, we see a big growth in addition to the existing ones. And you are aware that counter measures 1 of the products which we make. Now it has become totally indigenous making India only cannot import. So we are expecting to continue these further orders and increase in that area for the coming 3-4 years, which is also a good contributor and we have enough capacity to produce.

**Rupen Masalia:** So sir, would it be -- yes, will it be fair to presume that in the next 3 to 4 years, you can do of annual business Rs. 700 Crores, Rs. 800 Crores kind of revenue from defence and aerospace, with around say, 25%-30% margins at EBITDA level? Would it be fair?

**T V Chowdary:** Yes, that turnover target, yes, we also have such figures, but we are a little conservative in announcing those. But yes, we have that. And the EBITDA level percentage of 30% to 40% expectation is a bit high.

**Rupen Masalia:** No, 25%-30% I'm saying 25% to 30%, not 35%, 40%, 25% to 30%.

**T V Chowdary:** We are targeting 15% to 20%.

**Rupen Masalia:** Okay. At EBITDA level?

**T V Chowdary:** Yes.

**Moderator:** The next question is from the line of Chirag Shah from White Pine Investments. Please go ahead.

**Chirag Shah:** Sir, most of the questions have been answered. One very basic question I had. I was just looking at your past order book and its conversion to revenue. That ratio seems to be very low. It is in the range of 40% to 50%. So now with Rs. 520 Crores of order book that we have what will change that the conversion ratio will improve significantly? That is one. And the second, based -- the past order book that you share, for example, in FY 19, you had Rs. 388 Crores and so on and so forth. Has there been any cancellations which have happened during the course of the time afterwards. There are 2 questions.

- T V Chowdary:** About your observation of 40%, there's I think that happened in terms of 2 orders which we received, that is export orders where because of the ongoing war and all those, the licensing -- export licenses were not issued. Because of that, we had to withdraw from those orders. Other than that, I think we are executing everything.
- Chirag Shah:** No, I was just looking that your overall order book that you have given in the presentation and I was looking at subsequently a revenue number.
- Srihari Pakalapati:** Overall order book, there is a major component is from O&M, operation and maintenance. This contract for the short, which is there for long tenure, which is for 10 years. So even at this moment, we have Rs. 127 Crores, which is to be executed in the next 7 years. So this is a fixed contract. Every year, you got some Rs. 16 Crores to Rs. 18 Crores continuously. So this, you cannot average it because this is a major component, which comes for the next 7 years. Rest of the order book is normally we are making it to 55% to 60%.
- Chirag Shah:** Okay. And so then if you added to the next year order book or the order book that you give at the end of the year is a fresh order, and not a carry forward of the past order also?
- T V Chowdary:** Current selling, that is last year's selling of order book, that is going on. Execution is going on. And like I mentioned, due to delays in the pre dispatch inspections and other things. And those orders have flown into the current year. That's executed in current year.
- Chirag Shah:** Okay. So last year of Rs. 390 Crores order, whatever has not been done and which is not cancelled, gets added to current year Rs. 521 Crores order book, right?
- T V Chowdary:** Yes.
- Chirag Shah:** Someone should look at it, and that would have been the trend over the year. That's how you give your order book, sir?
- T V Chowdary:** Yes.
- Chirag Shah:** And sir, just a clarification. This O&M order is an ongoing order, right? So every year, you must be getting some O&M order?
- Srihari Pakalapati:** No, no, sir, it is a long tenure contract for 10 years, which we received in 2020. So out of which we have just completed 3 years and 7 years is still left.
- Chirag Shah:** Okay. So you just keep on reducing that number every year?

- T V Chowdary:** Yes, exactly.
- Chirag Shah:** Okay. And the second question, generally, are there order cancellations, which happens and you have added to the order book and then suddenly, government decides not to procure. Is it a frequent picture because over last 5 or 6 years...
- Srihari Pakalapati:** No such things. It happened once in about 2 years back for Turkey and that was...
- T V Chowdary:** No. It is not any cancellation of orders. It is our cancellation because the government of India did not give the license. That's what I told you. Two export orders for explosives that is high explosives, which we booked. Finally, we had to inform them that we cannot supply because the government of India did not give license for exports. So other than this, there is no cancellation of any order, at least of my knowledge.
- Chirag Shah:** And just 1 thing, sir, of the Rs. 400 Crores of order book of Rs. 395 Crores order book ex of O&M, you are saying 60-odd-percent can be converted subject to the availability of licenses and other parameters that you indicated.
- T V Chowdary:** Right.
- Chirag Shah:** Is that the fair way to look at it?
- T V Chowdary:** No, actually, I don't understand this convertibility of 100% it will be converted. Sometimes it happens that this year, because of these reasons, it may overflow to next year. Then loss of this year becomes gain of next year. So do we call that as only partial execution.
- Chirag Shah:** No, no, fair point. I was just trying to understand that.
- T V Chowdary:** Yes, because there is no cancellation, and we are executing all the others.
- Moderator:** We have the next question from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My question is on the space side. So you've talked about we are already doing solid propellants for SSLV vehicles. So among the other vehicles like GSLV and PSLV, do we also supply anything for those vehicles? And also...
- T V Chowdary:** No. We are not making for SSLV. I think you've heard wrongly. We are making for PSLV. PSLV, there are Strap-on motors, PSOM-XL, those we are making in our facility. And SSLV, yes, we have participated in SSLV in our ongoing service contract at Sriharikota. And the new plant of SSLV and all those discussions have going on

their plant and all those. But as on date, SSLV production is not there. It is only being there in Sriharikota.

- Aman Vij:** Okay. Okay. So on the PSLV side, sir, so last 2, 3 years, in terms of...
- T V Chowdary:** We are doing the strap-on motor for PSLV and we still hold orders for three more motors in hand, which will complete in this current year.
- Moderator:** Also, the participant has left the queue. We move on to the next question, which is from the line of Anant Jain, an individual investor. Please go ahead.
- Anant Jain:** My first question is on the artillery grenade side. I just want to understand in terms of MOD approval, what -- where are we for that item?
- T V Chowdary:** So this is -- this we are manufacturing under DCP program. DCP program is development and production partners with DRDO. So ARDE and -- with ARDE hand holding, we are working on it and ARDE is interacting with the MOD for clearance and all those. So we have already submitted to MOD that we are ready with the product and all those. So now they have to come and then see the probably -- they will decide that this is only from my side. The facility inspection and the product trial testing of the product that has to be done still by the user.
- Anant Jain:** Okay. Because what we keep hearing is that there is a lot of shortage in terms of these grenade, artillery grande, but we still don't see any fast movement happening on this. That's what we keep hearing about it. At the same time...
- T V Chowdary:** You are right about the shortage. There's requirement demand, that's why DRDO, ARDE laboratory is working on this, and they are very closely monitoring and day-to-day interaction is going on and samples are tested and tried and done and all those. There are 4 variants in it, out of 4 variants, 2 are the main requirement. And those 2 are already developed and demonstrated to ARDE, Now MOD we have to demonstrate.
- Anant Jain:** My second question is again on the same thing because MHA, we were expecting, MHA order somewhere around March, April time stream. But what are the reasons for the delay there?
- T V Chowdary:** Not known sir. We are not analyzing from their side because usually, it happens, the MHA or MOD emergency procurement itself takes 3, 4 months. So regular procurement, it may go to anything 6 months to 1 year before they are finalized.
- Anant Jain:** And for these grenades that we are making, is this also is like 100% made in India and we don't have any imported components in this?

- T V Chowdary:** Yes. Right now, what we are making are with 100% Indian components, but we may have to look about some imports in future, some of the components.
- Anant Jain:** What is the reason for that, sir? Because I think these have to be made in India only as per the government requirement.
- T V Chowdary:** As on this, we are dependent on MIL, that is Munitions India Limited for some energetic components. So depending on their policy of availability, making it available to the other industry, our import will effect. If they operate and they can meet our requirements then we need not go for imports or anything. But otherwise, we have to look for another alternate sources.
- Anant Jain:** One other question is, sir, because -- I mean, and this is mainly because of the concern of all in the order book, of course, you all understand that the long-term opportunities there for us, but this fall in order book from last year to this year from -- on the defence, I just wanted to understand in terms of -- either in terms of tenders or bids or in terms of RFPs. If you can give us some understanding as to where we were last year and where we are now, just to get a flavour of how our order book can shape up going ahead? If you can give some value?
- Srihari Pakalapati:** We received the major orders in defence only in somewhere around April and May. And there has been significant increase in order book from defence during the year '22, '23. Out of which, there has been some execution. So -- but if you compare it to the last '22 March order book, there is -- still there is a significant increase.
- Anant Jain:** So I understand that, sir. I totally understand that.
- Moderator:** Mr. Jain, I would request you to kindly rejoin the queue. There are other participants who are waiting for their turn. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Yes, the line was cut earlier. So continuing with the previous participant question. So in terms of number of bids and number of tenders we are participating for defence, if you can talk about bid price or in terms of number of tenders that has come, is it increasing compared to last year? Or is it the same levels only, if you can quantify in that?
- T V Chowdary:** Yes, much more than last year.
- Aman Vij:** Okay. Okay. So -- and on an average, so if you have won, say, Rs. 300 Crores worth of orders...

- T V Chowdary:** Right now, we have participated and then still in the process and all those almost Rs. 600 Crores worth tenders are there.
- Aman Vij:** Okay, okay. So this Rs. 600 Crores whatever result be, will come out and then our order book will increase based on this. And out of this, normally, what is our filtrate in terms of do we participate for Rs 600 Crores, do you expect Rs. 300 Crores out of it or even higher?
- T V Chowdary:** See, in case of counter measures and all those, we are the single vendor, single qualified vendor endogenous. So we are the single vendor, so we expect the entire quantity to be received by us once they're finalized. In case of other tenders and all those, we are only 2 vendors, 2 or 3 vendors and where generally L1 and L2 both get based on the 60-40. So everywhere will be there.
- Aman Vij:** So that is very hard thing to know. So roughly counter measures out of this Rs. 600 Crores tenders will be how much?
- Srihari Pakalapati:** So I think a major portion is relating to counter measures only.
- Aman Vij:** Is it like more than 50% as counter major?
- Srihari Pakalapati:** Much more.
- Aman Vij:** Okay. So that means then if almost there's a very good chance you can get that. Sure, sure, sir. And the expected time line of this tender?
- Moderator:** The next question is from the line of Manoj Shah from Laxgov Investments. Please go ahead.
- Manoj Shah:** Yes. My question is for any sport export orders, do you need to take export license permission from the government on a case-to-case basis or there's a list of friendly countries from where you can export if you get an export order, you can execute the order, you don't need to go for a license?
- T V Chowdary:** So every hazardous product, which is listed in the items, we have to take license case to case, order to order, we have to approach and take license. And generally, where we are dealing with friendly countries and all those, we don't get any issue, and we get. But recently, like I was talking some big order from Turkey and the Ukraine, we had to lose because there was a refusal.
- Manoj Shah:** Okay. I've got another question. Like your revenue mix has been changing from earlier, you used to have explosives and effective explosives. Now you are getting more into defence. The revenues from the defence increasing day by day. So your profile is

almost 50-50 mix kind of sale, okay? I think if I see the last year number. So if in FY 22 the defence revenues were much higher. So how do you see it shifting up going forward, next 2-3 years, if I'm talking about?

**Srihari Pakalapati:** So this is an exceptional case. As explained earlier, a lot of turnovers has been -- defence turnover has been deferred to next year due to the explained reasons. But the composition may not be the same in future.

**Manoj Shah:** So you're probably more than 50% of revenue will come from the defence side that we can going forward. That's what we can expect?

**Srihari Pakalapati:** Yes, it should be more in line with the previous year.

**Manoj Shah:** FY 23?

**Srihari Pakalapati:** Yes. No, FY 22. FY 23 is an exceptional case as we explained.

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. T V Chowdary for closing comments. Over to you, sir.

**T V Chowdary:** Thank you very much. I hope we could answer around the questions which are listed and all those. And I thank all of you for having patience and then being with us and supporting us, and we look forward to further growth and better future. Thank you very much.

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