Premier Explosives Limited

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January 30, 2024

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 Third Quarter ended 31st December, 2023, results.

Please find attached the Transcript of the Conference Call hosted by, Stellar IR Advisors Private Limited, on Thursday, January 25, 2024 pertaining to, 'Premier Explosives Limited Q3 FY2024 Earnings'.

This is for your kind information and record.

Thanking you,

Yours faithfully,
For Premier Explosives Limited

Kalakota Jhansi Laxmi
Digitally signed by Kalakota Jhansi Laxmi
Date: 2024.01.30 13:09:50 +05'30'

K. Jhansi Laxmi
Company Secretary
Encl: a/a

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"Premier Explosives Limited

Q3 and 9M FY '24 Earnings Conference Call"

January 25, 2024

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 ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Premier Explosives Limited Q3 and 9M FY24 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, sir.

Vishal Mehta: Thank you, Viren. Good afternoon, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited Q3 and 9M FY24 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the Third Quarter and Nine Months ended December 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 emailed to you.

Now I invite Mr. Chowdary to share his initial remarks on the company's performance for the Third Quarter and Nine Months. Thank you.

T.V. Chowdary: Thank you, Vishal. Good afternoon, everyone, and thank you for joining all. Premier Explosives continues to deliver on improving execution run rate apart from the past quarter, which saw a dip in revenue due to the geopolitical situation in Israel and around. We believe this will be corrected to the large extent in the current quarter.

Having said that, for the Nine Months of Financial Year ‘24, we continue to post robust growth of 64% in different segment revenue. In terms of order inflow and backlog, we started Financial Year '24 with an order book of almost Rs 521 Crores and as it peaked the new orders of Rs 731 Crores in the year till date.

Our current outstanding order book stands at approximately Rs 1,026.6 Crores, a strong growth of 71% year-on-year. and translates into 5.1 times of our Financial Year 2023 revenues. Execution of these orders will help us to bid for bigger and better orders from Indian defence industry as well as from the foreign defence entity.

Execution update of key order ahead, the countermeasures are there for under execution at various stages and expecting the commencement of billings from March 2024 onwards, subject to the clearance of user, significant portion of billing will be during Financial Year ‘24 & ‘25 for these orders.

Other orders from overseas, Bharat Dynamics and other PSUs and other large corporates, Indian corporates are being repeated as per the timeline. In addition to that, we have different types of orders from various entities and export orders for defence products alone is currently standing at Rs 124 Crores. We have successfully completed design and development for various international clients. establishing dedicated production lines for bulk production.

Future outlook of Premier Explosives.

Premier Explosives is the only qualified Indian company for countermeasures and the only Indian company, which specializes in the export of fully assembled rocket motors. In addition to the rocket motors and warheads, now Premier has entered into manufacturing of mines and ammunitions as well.

As I have mentioned in our last conference call, bulk production of Nipun mines has started, and the first instalment of these will be offered from pre-dispatch inspection in the fourth quarter of Financial Year '24. Premier has successfully completed the development of 40mm HEMP and HEDP ammunition for UBGL and HBGL under DCCP program of DRDO.

Now we hope we will participate in the RFPs being generated by paramilitary forces and Indian Army. We expect the production and supplies to start in the current financial year itself and in addition to this, the HMX and RDX plants and high explosive plants, which were earlier producing for self-consumption and also for domestic market started exporting.

We are -- more and more export orders are coming, and then we expect a big growth in this area in the coming years. Premier has also completed the bulk shock tube production plant, which has come into production as we are expecting a contribution from this plant in the coming years. In terms of cash flows, we have generated healthy cash profit of Rs 4.7 Crores in the Quarter 3 Financial Year '24 and Rs 30 Crores in Nine Months of Financial Year '24.

Along with steady execution of run rate, coupled with inherent features of our cost structure with respect to increased operational leverage in our business, leading to enhanced cash flow generation. The improved cash flows will be utilized to strengthen our balance sheet. We continue to remain optimistic about the defence and aerospace industry and will continue to work towards becoming a prominent player in the domestic as well as export space.

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

Srihari Pakalapati: Thank you, sir. Good afternoon, everyone. The result presentation for the quarter has been uploaded on the stock exchanges and on the company's website. I believe you all may have gone through the same. The revenue from the operations for Q3 FY24 stands at Rs 44 Crores as compared to Rs 37 Crores in the corresponding period last year, with higher growth of 19% year-on-year. Our operating profit for Q3 FY24 stands at Rs 4.9 Crores as compared to Rs 4.7 Crores.

The operating margin for the quarter stands at 11% in Q3 FY24. We reported a net profit of Rs 1.7 Crores compared to Rs 0.6 Crores in last year's similar quarter, with a growth of 190%.

Let me take you to the Nine Month performance. The revenue from the operations for Nine Months ended 31 December 2024, stands at Rs 185 Crores as compared to Rs 150 Crores in the corresponding period last year, translating into 24% year-on-year growth.

Operating profit for Nine Months FY24 stands at Rs 43 Crores as compared to Rs 18 Crores in the corresponding period last year, which saw a robust growth of 148%. The operating margin stood at 23.5% in Nine Months ended 31 December 2023. Net profit in Nine Months stood at Rs 21 Crores compared to profit of Rs 4 Crores in last year, which has showed a tremendous growth of 394% year-on-year.

Now coming to the order book. The company's current total order book stands Rs 1,027 Crores, out of which the higher margin defence segment forms a majority of Rs 889 Crores, which is 87% of the total order book. Explosive segment stands at Rs 22 Crores and Service Segment, which is the operational and maintenance stands Rs 115 Crores.

During the quarter, domestic order book is at 88% and export order book is at 12% of the total order book. The order book represents a solid and strong growth over the previous year. We are very much confident that our continued execution, run rate and the export forthcoming quarters we'll be continuing with the growth trajectory.

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

Moderator: The first question is from the line of Dipen Vakil from InCred Equities.

Dipen Vakil: Sir, my first question is on the lines of the geopolitical issue that you mentioned. Sir is it possible for you to give more light into where we are seeing this impact. And right now, if we are seeing an impact on receivables, so how are the -- how is the demand currently from these geographies?

T.V. Chowdary: The demand is, you know, all the orders are in place and then we already have there only -- and we have produced the products. They are in the inventory. Now deliveries because of the war conditions there, initially the flights got affected and also now you know that the ships also in the Red Sea are affected because of the -- that, the deliveries are taking time.

Now we find that these conditions within Israel have improved and normalcy has come. Industry is working and orders are going on. It's only a question of delivery and we are expecting that this February month itself, we should be delivering it.

Dipen Vakil: So my understanding is that there's only the logistic -- logistics is currently the issue for Israel geography, but not on the pricing front or receivable front. Am I correct?

T.V. Chowdary: Yes.

Dipen Vakil: Okay. And do we expect that to be rectified say, by fourth quarter or it will take some more time?

T.V. Chowdary: Yes, already people started traveling between Israel and India. So books also started. So I think there is some little bit regular activity.

Dipen Vakil: Got it. Got it. Sir, my second question is on the line of sir, as a high energy manufacturer, what would be your key raw materials that you use? And how is the pricing scenario for those key raw materials currently? Like are they -- how are the levels versus year-on-year?

T.V. Chowdary: Different raw materials because we are not one single product manufacturer like only mining explosives since we have multiple products, raw materials are also quite diverse. And right now, except some two items, most of the raw materials are all produced within the country, and we are working within the country.

Dipen Vakil: Okay. Okay. Okay. Sir, my last question is, you mentioned some opportunities in ammunition. Sir, what kind of opportunities are we seeing in the ammunition side? Because we are seeing a lot of participation competition in terms of increasing even from the private players. So what kind of opportunities do we see in ammunition front going ahead?

T.V. Chowdary: Up till now, the ammunition is either being produced by ordnance factories are being imported. So now it is opening up to private industry for producing and then supplies as per Atmanirbhar Bharat. So we are focusing on the medium caliber ammunition whereas others have established small caliber and others. So we expect that this is going to be a good area of growth.

Dipen Vakil: Any order -- so this is like a 1-year horizon or more than that? So is it like -- when can we start expecting some deliveries or execution to start in this space?

T.V. Chowdary: We just completed the products trial and completed establishing the production facility and completed the product price. Next when comes the NCNC trials with the user and then various other checks and all those. So these things, they will take at least two, take the order shape 2 to 3 years.

Moderator: Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

Abhishek Poddar: This is -- first question is regarding the margins. So if you could give some clarity, is it because of the lower defence revenues that the margins have come down to 11% because clearly, in the first half, the defence revenues are much higher.

T.V. Chowdary: Exactly sir. You are right.

Abhishek Poddar: Okay. So sir, in the last call, we had mentioned that we're looking at about 26% to 28% kind of margin on the defence orders. So that outlook remains as it is?

Srihari Pakalapati: Yes sir.

Abhishek Poddar: Understood. Second is given the large order book that we have of Rs 10.3 billion, is it that our hands are too full and we will be waiting for taking another large order or it's not like that and you continue to look at the major orders? And if you can give some color also that in, what products would you expect major orders in the next 1 - 2 years' time frame?

T.V. Chowdary: No, we are working against procuring further major orders and doing. It's not that our hands are full. Different product mix keeps on changing. So we can't decide that 1 product, we have a big order that means our hands are full. I have explained this in my last call also, I think. Am I clear?

Abhishek Poddar: Yes. So sir, just trying to understand, given the production facilities that we have built up in Katepally and all our execution has ramped up. So what key products would be targeting where the potential is more for us to get orders?

T.V. Chowdary: We have one in Katepally and also from export orders from Israel and also domestic. So what happens is these orders when we receive the order. It takes 6 months to build up the tooling system and also components and the procurement of raw materials and all those. So after we receive the order after 6 months or something, the production starts, then there will be pre-dispatch inspections so all those. So we are going through that. Our capacity, there is no issue of capacity. We have enough capacity.

Abhishek Poddar: Right. And in Pinaka what is scope of work. You have mentioned Pinaka Mark I and Mark II we can manufacture. What is the scope of work there, sir?

T.V. Chowdary: We have qualified for manufacturing of propellants and other energy components, not the entire Pinaka rocket motor. But in future, right now, the two companies are already doing that. If there is further opportunity, then we can enter that deal.

Abhishek Poddar: Understood. Sir, just 1 last question from my side. You did mention on opening marks regarding design development for various clients and you have established production rights. Could you give some clarity that what products you're looking at for these international clients?

T.V. Chowdary: So right now, we are producing with different rocket motors for Israel and also warheads. So what happens, one rocket you design. And then when the bulk supply you do, the related fixtures, tooling, we have to make that, building up the sufficient quantity of fixtures and tooling for a production batch of a lot of 50 - 100 numbers in 1 batch that is called production line building. And once you do that, then you do the mass production.

Abhishek Poddar: Right. So the current order book would reflect rocket motors, but fixtures and tooling is something that you would expect in future, is it?

T.V. Chowdary: In what we are having production orders that we have already done. It has started production. Future orders when they come, it will be like that, when we're receiving orders and developing orders and then building the -- this is called the production line building, the tooling and fixtures related to that product. And then you produce the bulk. Right now, we're already doing that.

Abhishek Poddar: Understood, sir. Okay, thank you, sir, and I'll join back in the queue. All the best.

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

Jayesh Shah: Sir, my questions again relate to this problem in Israel. Can you quantify what is the extent of sales lost? And would it be entirely made up in the fourth quarter?

T.V. Chowdary: They are not lost any sales, order is very much in hand.

Srihari Pakalapati: Dispatches are getting delayed. things are in hand and we're unable to make a billing.

T.V. Chowdary: It's only dispatch in the logistics delays, that's all.

Jayesh Shah: Right. So if I see that you had a second quarter, you had defence revenues of Rs 54 Crores, which has dropped to Rs 22 Crores. So entire Rs 30 Crores is what is lying in inventory and will result in sale in the fourth quarter?

T.V. Chowdary: Yes, they are at different -- in fact...

Srihari Pakalapati: No, no, actually, we are expecting this to happen. But in fact, even we have achieved in advance because of the material getting struck when we are unable to -- because of the logistics issues, our customers have rated with the advance also against these stocks. So the only thing is a matter of dispatch. That is actually to happen somewhere in February.

Jayesh Shah: Right, right. Yes. But the amount is roughly around Rs 25 - 30 Crores?

Srihari Pakalapati: Somewhere nearby.

Jayesh Shah: Okay. And just to reconfirm your emergency orders for shaft are supposed to begin from February to August for around Rs 500 Crores? So fourth quarter would really be lumpy now because of this Rs 30 Crores and say, Rs 100 Crores of the emergency shaft order of Rs 150 Crores. Is my understanding broadly correct?

Srihari Pakalapati: No, whatever is -- I mean, shifted from third quarter, there will be accounting. But again -- the execution of the emergency orders is under process. And I think we are expecting some quantities to be built in somewhere around the end of the month. -- I mean, this quarter -- the coming quarters. But I think, again, depending on the PJ inspection, clearance from the MoDs and all, there are a lot of different parts. But we are expecting some billing to happen in the last quarter, some billing.

Jayesh Shah: Okay. Understood. No problem. And just coming back again...

Srihari Pakalapati: Not that Rs 100 Crores or Rs10 Crores but we are receiving some billings. It again depends on the clearances from the MoD and PJ inspection.

Jayesh Shah: Right, right, right. And again, going back to this Rs 30 Crores, what is stuck in Israel, will you experience higher cost due to freight and all? Or will that be totally passed on? So is your initial margin impact? Or will there be a cost escalation and lower margins?

T.V. Chowdary: Freight and transportation is not in our scope. Our prices are factory prices. So that is not going to affect us.

Jayesh Shah: I see. Okay. And what was the actual order inflow in this third quarter?

T.V. Chowdary: So I think it was about Rs 23 Crores.

Jayesh Shah: Rs 23 Crores. Okay. Thank you. That's all. Thank you, very much and best wishes.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management Private Limited. Please go ahead.

Niraj Mansingka: Thank you for the opportunity. Sir, we had spoken last quarter that we start deliveries on February for...

T.V. Chowdary: A little louder, sir.

Niraj Mansingka: Sir, we had said in the last quarter that we'll be delivering the start deliveries of the chaffs and flares in February 2024. But right now, you're speaking of March, which is subject to defence approvals. So any thoughts on how -- there is a possibility that there might be more shipment in Q4 itself and maybe shifted to the next year financial year? Is it a possibility?

Srihari Pakalapati: Actually, there are no timelines, because actually the supplies have to be made within such a time. There are no separate schedules in between. But we are trying to make some billing in somewhere this year itself, some billing. But again, some issues like PDAs and clearance from defence is all subject to -- every time, it is subject to their clearance only. But it is part of the billing only.

T.V. Chowdary: This total -- played in four tranches, four instalments, not more than that. So, we have to wait for the first instalment to prescribe quantity to be ready and then offer all together. We cannot offer whatever is ready and then cleared in this financial year and go to next year. So because of that reason, there will be always an uncertainty whether it will come in the last week of this year or it will go to the first week or second week of the next year, it's like that.

Niraj Mansingka: Got it. And sir, if I -- if we really think from the Israel issue, which is happening, what we have been thinking is there would be more increase in the demand of rocket motors because of the use of -- consumption of the missiles and etc. So I'm surprised on the delay in the shipment. So can you give some color on the fact that globally, there are a lot of shortages of the defence consumables. So any impact it can have you on a better revenue from the export market?

T.V. Chowdary: Actually, the export orders what we are executing were placed on us before the conflict started. So this cannot be linked to that. But about the increase in the demand and all those, I don't think we'll be able to comment on that.

Niraj Mansingka: Okay. Got it. And the last question, you had given a guidance of Rs 300 Crores of revenue for FY24 and Rs 500 Crores for FY25. So does our FY24 revenue guidance continues to stay? Or is it -- would be lower for this year?

Srihari Pakalapati: Maybe around 10% plus or minus may happen.

Niraj Mansingka: Around Rs 270 Crores...

Srihari Pakalapati: FY25 will be much better than what you were talking.

Niraj Mansingka: Okay. Got it. And sir, last question on the ammunition on the RFPs. Can you give some color on the RFPs on the large RFP that is delayed in opening up? So any comment on that.

T.V. Chowdary: No, those RFPs, it is not known. Almost, we are -- these are what we are talking on the new RFPs coming. These are coming specifically for the Made in India products. The old RFPs were the imports of foreign technologies and all that.

Niraj Mansingka: Okay. And when do you expect the paramilitary forces ammunition orders to flow through?

T.V. Chowdary: See, they're in the different stages, RFI, RFP, and then user trials and all those. Now they are at the user trails stages. So once user trials are completed, I think they will come shortly around. I mentioned earlier, these things to come to bulk production stage, they may take two to three years.

Niraj Mansingka: Right, right. And sir, how many companies would be probably qualified for the user trials?

T.V. Chowdary: Right now, this -- under DCCP program, they have -- two companies have worked with DRDO, one of them is Premier.

Niraj Mansingka: Okay. Got it. Thank you, sir.

Moderator: Thank you. The next question is from the line of Santanu Chatterjee from Mount Intra Finance Private Limited. Please go ahead. Hello, Mr. Shantanu Chatterjee?

Santanu Chatterjee: Okay. Thanks a lot for this opportunity, sir. Actually, I want to get much more -- greater clarity in your order book position. As you have mentioned that Rs 23 Crores order inflow was there in the quarter three itself. But if I look after your current presentation, sir, in Q3 presentation, you have mentioned that YTD order book inflow was Rs 731 Crores. And in your last Q2 presentation, you have mentioned up to 30 September, YTD order book was Rs 615 Crores. That means order inflow for Q3 was Rs 116 Crores. Why this disparity, sir?

Srihari Pakalapati: We will check and come back, sir.

Santanu Chatterjee: Because, sir, if I look after that you have executed Rs 44 Crores order book in this quarter, you have recognized revenue of Rs 44 Crores. So last 30 September, your order book was Rs 1,054 Crores. So if I deduct that thing, so order book will come back to Rs 1,010 Crores. And if you add back Rs 160 Crores, then your order book will be in the vicinity of Rs 1,126 Crores. Instead of that, you have mentioned that current order book is Rs 1,026 Crores. So there is a Rs 100 Crores mismatch of order book.

Srihari Pakalapati: One second. I think there is an issue of this GST. In the Rs 615 Crores, I think GST was excluded. I think here, the GST was added.

Santanu Chatterjee: Actually, in the presentation itself, you have mentioned -- in both presentations you have mentioned that, that order book was excluding GST.

Srihari Pakalapati: Correct, but I think it was including GST. But anyway, we'll check on that.

Santanu Chatterjee: Okay, sir. And sir, what kind of order book you are envisaging for the next couple of years?

T.V. Chowdary: I think that at present that this will continue, sir, the way the conditions are appearing, current trend of -- we'll be able to maintain the Rs 1,000 Crores order book continuously.

Santanu Chatterjee: Okay. And sir, is there any need for capex to support your upcoming opportunities?

T.V. Chowdary: As of yet, we don't have, but we'll definitely share by the end of the year, if there is any.

Santanu Chatterjee: Okay, sir. I will come back into the queue, sir.

Moderator: Thank you. The next question is from the line of R K Laddha from YES Investment. Please go ahead.

R K Laddha: Good afternoon, sir. Thank you for giving me the opportunity. My doubts have been cleared in earlier questions. So now no question from my side. And all good wishes for your future. Thank you.

T.V. Chowdary: Thank you.

Moderator: Thank you. The next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: Hi, sir. Thank you for the opportunity. I have two questions. One, would it be safe to assume that our current order book of Rs 1,026 Crores will be executed in the next 12 to 15 months?

Srihari Pakalapati: A significant portion will be executed in the next 12 months, a significant portion of that.

Khush Nahar: Okay. And the second question, the tax rate has been on the higher side for the last couple of quarters. So are we trying to shift to the 25% tax rate going ahead? Or this will be maintained?

Srihari Pakalapati: Here, we used to have some MAT arrear, we used to cover under MAT, and we had some credits and now we are coming into the regular tax end of it.

Khush Nahar: So we can say from quarter four, it will be 25% only?

T.V. Chowdary: Exactly, yes. We are gradually moving to the 25%.

Khush Nahar: Okay, sir. Thank you. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Shubham Upadhyay from The Microcap Minute. Please go ahead.

Shubham Upadhyay: Thank you for the opportunity. I'm Shubham Upadhyay from the Microcap Minute. So basically, most of my questions have been answered, but I wanted to ask about the operating margins, which have been a little bit under pressure for this particular quarter. So when do we see that those margins coming back to the Q2 FY24 level I think will be 28%.

T.V. Chowdary: Didn't understood.

Srihari Pakalapati: I think he wants to know is 28% margins.

Srihari Pakalapati: So actually, this depends on the product mix and the segment of revenue. Normally, if the product mix -- depends on the product mix since we have got so many products. So some products are giving good margins. Some others are not giving that much margin, first part. Second part, as you are aware that, I think we have got different segments here defence is comparatively performing well. So again, the performance of every quarter depends on the segmental revenue as well as product mix. So it may vary. So first two quarters was good because of the product mix and segmental revenue.

Shubham Upadhyay: Okay. So my second question, you -- like a lot has been asked about Israeli conflict. So my question is a little bit more specific. Do we see some kind of revenue contribution in quarter four from the Israeli conflict, like do we see, because there have been delivery issues, right? So do you see any revenue contribution if that delivery issue will get resolved in Q4 FY24?

T.V. Chowdary: Yes, please. We are expecting the -- all the shortfall of third quarter will be made up in the fourth quarter.

Shubham Upadhyay: Okay, thank you. I will remain on this one.

Moderator: Thank you. The next question is from the line Prathamesh from Proinvest Nirmiti. Please go ahead.

Prathamesh: So even I had a question on the order book. So can you just clarify that whether we have lost orders this quarter? And also if possible, if you can just check the PPT? And if there are any changes, can you just share the revised PPT on the stock exchange? And my second question is, apart from Israel, do we see any other opportunities for export in the defence segment?

T.V. Chowdary: Yes, we are already exporting and then some more opportunities are also in pipeline.

Prathamesh: Yes. And the first question, like have we lost any orders this quarter?

T.V. Chowdary: No, no, no. we have never loss any order once we have received, we have never lost any order.

Prathamesh: Okay. And in the earlier participant question, you said that you maintain Rs 1,000 Crores order book comfortably, but like now after we execute the chaffs and flares order like, I guess the order book could be down by Rs 500 Crores approximately. So do you see any large orders in the near term, let's say, in the next two quarters?

T.V. Chowdary: We look at the chaffs and flares itself as a regular continuous uptake will be there. May not be of Rs 550 Crores every year, but yes, Rs 300 Crores to Rs 400 Crores will be there. In addition to that, I told you we are adding the mines and ammunition and also RDX and HMX exports we've started. So all those things together, we believe we can maintain that.

Prathamesh: Okay. So like Rs 300 Crores is like -- what is required annually by the IAM. So can we assume that?

T.V. Chowdary: Sorry?

Prathamesh: For chaffs and flares like the annual requirement is around RS 300 Crores for the IAM. Like is that assumption, correct?

T.V. Chowdary: It is only an assumption.

Prathamesh: Okay. Got it.

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

Nikhil Jain: Thank you for the opportunity. And just a couple of questions. So one is, let's say, given the current geopolitical situation, is there any tailwinds that you are seeing in terms of defence preparedness by different countries and geographies and hence, an increase in inquiries for yourself?

T.V. Chowdary: Yes. We are seeing a lot of activity. We are getting queries and all those from Europe also. It's not just Israel alone, we are getting queries from different areas of Israel and we are also exporting like we mentioned, RDX, HMX demand for explosive raw material also has gone up.

Nikhil Jain: Okay. Much better. And the second thing is that -- so besides the ammunition part, is there any other new product that you are currently, let's say, working on and which has gone into commercial production zone?

T.V. Chowdary: Like we have mentioned, we are doing high explosive components, high explosives for different UAVs and rockets and defence and all those where we are not the direct prime vendor, but we are sub-vendor to other corporates. So those activities are continuing. Those also should significantly contribute to the growth.

Nikhil Jain: Okay. Fair enough. Thank you.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: So based on the previous question about the revenue for FY25, so you said, based on the order book, we have significant portion will be executed in 12 to 15 months. So is it fair to assume the revenues could even be higher than Rs 600 Crores?

Srihari Pakalapati: I think we should reach in and around that.

Rahil Shah: In and around it, okay. And the EBITDA margins, so it was covered, but again, just to clarify, based on the order book you have and the kind of orders in it, you might get an idea, right, that we can sustain the 28% margins quarter-on-quarter, so that we can end the year with those kind of margins as well for next year?

Srihari Pakalapati: So again, as we have been explaining, the margin depends on the product mix and the segmental revenues. So this I think could be -- it's not that we can just say 28% or 20% So you can see the good margins impact in coming quarters, and there were some low margins in the third quarter. So we have to stick going forward, let us see and it depends on the product mix only.

Rahil Shah: But that's what I'm asking. So based on the kind of order book and the orders on hand, you can't get an idea if the product mix will...?

T.V. Chowdary: 18% to 20% is what we expect on our average.

Rahil Shah: 18% to 20% quarter, okay.

T.V. Chowdary: Yes.

Rahil Shah: Okay, sir. And you said the loss we saw -- like not exactly the loss, but the impact we had in quarter three because of the Israel situation will be recovered in quarter four?

T.V. Chowdary: Yes.

Rahil Shah: Okay, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mithun Aswath from Kivah Advisors. Please goa head.

Mithun Aswath: Sir, just wanted to attend, over Rs 1,000 Crores of order book, and you mentioned that this will be executed over the next 12 to 15 months. So do you see a significant jump in FY25 revenue? Because at the current rate, we would maybe end the year in the Rs 250 sort of Crores mark. So just wanted to understand, is there any sort of number that you're looking at in terms of revenues in the next couple of years?

Srihari Pakalapati: We mentioned a significant portion of the order book, but not all the order book because there are some long-term orders also. So there is -- so we have been the previous -- I think we should be able to hedge good some there in around by Rs 600 Crores.

Mithun Aswath: Sorry sir, Rs 600 Crore is it?

T.V. Chowdary: Yes, in and around.

Mithun Aswath: Okay. Okay. So for FY'25, we are looking at about Rs 600 Crores?

Srihari Pakalapati: Top line -- I mean it's not a guidance, but there is a fair possibility.

Mithun Aswath: Okay, okay. And I'm just trying to understand what stops it from doing that? If it's a fair possibility? What is -- once you have the order, is it that -- sometimes the orders slow down or something?

Srihari Pakalapati: it is not that, we can do that it's just **[0:39:26 inaudible]** the calculation in the paper, there are some execution challenges that we are adding. We need to address, okay. Hope you understand.

T.V. Chowdary: Order schedules are different from the formal CG or other things.

Mithun Aswath: Got it. And in terms of margin, sir -- on the defence side, we will continue to maintain the margins that we have or with the size of orders becoming larger -- is that going to be a challenge? Or it depends on which products they have different margins. Just wanted to get a sense on this?

T.V. Chowdary: Yes, the margins, you cannot expect the same margins all the time and nowadays -- and it's becoming more difficult when you are a single vendor or a limited vendor are there. So yes, we hope to maintain the same margins.

Moderator: The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management.

Abhijit Mitra: The question is -- the first question is on margins. I think a couple of prior participants also inquired on the same. If I look at your gross margin, your gross margin has actually increased to 68%. So it doesn't seem to be a product mix-driven EBITDA margin decline. It seems to be purely fixed overhead being higher because revenues were lower. Should that be the right understanding of looking at it? Because I could see a huge increase in your gross margin sequentially. So it doesn't seem like that any segment of the products that you have executed would have led to a lower gross margin and hence, the margin have declined. It's just that the revenues and long-run, fixed overheads are not compensated by that kind of execution?

Srihari Pakalapati: That is one part. Moreover, the margins are -- basically the margins in defence should be more. But comparatively what is the fixed cost, which has been -- it has been added to the inventory number most of…

T.V. Chowdary: Actually, this explains, if you look at our share of the -- business share of defence and aerospace and industrial explosives. Year-on-year, if you look at it, you'll be able to make out this difference. The years when we were doing more of industrial explosives, margins were lower. And once we decide it, we will do less and less on that and concentrate more on this, the margins have gone up. So instead of quarter-to-quarter or month-to-month, if you look at year-on-year, this will be clear to you.

Abhijit Mitra: Got it. And with next quarter execution of this rocket motors, the entire Israeli order would be out of the book?

Srihari Pakalapati: No, sir. That order will be there for the next couple six months to nine months. We are working with other requirements also. Now presently, we are in the development stage. By the time we execute these those will come into production stage.

Abhijit Mitra: Okay. And notwithstanding it being an assumption, when do you expect the next order inflow of Rs 300 Crores to Rs 400 Crores of chaffs and flares. I mean, what is your best case? When can we expect the next order inflow of Rs 300 Crores to Rs 400 Crores of chaffs and flares?

T.V. Chowdary: I cannot say that one go we'll get Rs 300 Crores to Rs 400 Crores of that, it will be split into multiple orders.

Abhijit Mitra: I'm more interested in terms of the order cycle. So from a conceptual understanding basis, if the last order was placed in July, August so much...

T.V. Chowdary: These are not predictable because these are not regular consumption or something, these things. So these decisions are taken by MOD based on their stock levels and then, and they all build up. So this -- like I answered earlier, this is an assumption. Our assumption is done on past experience. So probably mid of the year or end of this calendar year, I think the RFPs may be out or…

Moderator: The next question is from the line of Rupen Masalia from RN Associates.

Rupen Masalia: My question is pertaining to space opportunity because ISRO is now in the process of transferring the technology, especially small satellite launch vehicle technologies to private sector. And we being a maintenance partner of ISRO since the last decade or so. So in the light of that, over the next, say, three to four years, where do you see this business specially space-related and small satellite-related business scaling up? So that's my question.

T.V. Chowdary: Yes. The space opportunities, yes. After I think four or five years, we are expecting this will become -- this opportunity will grow into a bigger level in five or six years' time. And we are very much there. if you remember, we are already producing the strap-on motors for PSLV. And we are also participating in different programs of SSLV and right now that other GSLV and all those. So some, we are directly participating, some we are participating along with other bigger corporate, where the money is a bigger issue investment.

Rupen Masalia: So would it be fair to presume that in the next four to five years, this could be maybe say, Rs 400 Crores - Rs 500 Crores kind of annual opportunity?

T.V. Chowdary: Yes, we are expecting.

Moderator: The next question is from the line of Sarjeet Yadav from Mount Intra Finance Private Limited.

Sarjeet Yadav: I have a question regarding the Brahmos. and Pinaka. Pinaka you said that you have successfully kind of the trials. So are we looking to bid for this or just keep it as one of – so that's where we can partner in the future. Secondly, about Brahmos their ToT was an induction. But at what stage are we there? And if you can just clarify that.

T.V. Chowdary: It's at a stage where I think very soon in one or two months' time, we'll be into that because now already trial production has started. They are in the process post-curing operations are going on in the plants at Brahmos. And the other question you asked, please repeat.

Sarjeet Yadav: So again, Brahmos, are we expecting any future revenue from....

T.V. Chowdary: Yes. Pinaka was you second…

Sarjeet Yadav: Pinaka was second question. You said that you have developed successfully. So are you expecting some revenues are you going to participate in...

T.V. Chowdary: Yes. We already have an order for Brahmos. We have an order -- trial order, which we are executing now. So once that is through, then we'll get the bulk orders for them.

Sarjeet Yadav: Okay. My second question is regarding the orders. Are we expecting any orders in the last quarter? Anything pipeline which is going on with the users.

T.V. Chowdary: Which one?

Sarjeet Yadav: So we have Rs 730 Crores order as on date. So in the last quarter, are we expecting any orders? Are we participating in tenders? Or its -- go to the next year?

T.V. Chowdary: Last quarter, not many are expected because we have already got in the third quarter order from BDL for Astra and MRSAM which we are already executing now.

Moderator: The next question is from the line of Shubham Thorat from Perpetual Capital Advisors.

Shubham Thorat: Just two little clarifications that I needed. The first one is, can you share what are the sustainable margins for two of our revenue segments that is explosives and defence? I mean what are the margin differentials between both of them?

T.V. Chowdary: This, I think many times this question is coming. In the present competitive world we don't want to put so much of on that margins. I think we have given enough answers and indications on that.

Shubham Thorat: Got it. And second thing is that sir, can you just share is there any seasonality between our product mix quarter-on-quarter?

T.V. Chowdary: Sorry?

Shubham Thorat: I meant, I want to say, I mean, whether in a specific quarter, our revenue mix is tilted more towards defence. Is there some seasonality of that kind in our revenues?

Srihari Pakalapati: So the product mix keeps changing segmental revenues keep changing. Last quarter, the defence revenue was more this quarter, defence revenue is less. It depends on the billing cycles and all that.

Moderator: The next question is from the line of Yashi Lohia from the Microcap Minute.

Yashi Lohia: So I wanted to ask you what is your production capacity now? And are we planning to expand it given the fact that we are having an inflow of orders and the positive outlook that we have right now?

T.V. Chowdary: As of date, we have no plans of increasing production capacity. Present capacity is good enough for the orders in hand and also the future orders expected.

Yashi Lohia: Okay. So secondly, like as you have already mentioned that with the same product mix, you have different margins. So can you give us the highlight what -- which of your products gives you the highest secure margin?

T.V. Chowdary: Sorry, can you repeat, please?

Yashi Lohia: Like which products or which segment of your business gives you the highest margins?

T.V. Chowdary: Yes. Defence segment gives highest margins.

Yashi Lohia: Okay. So the Defence sector gives highest margin?

T.V. Chowdary: Yes. Depends upon the criticality of the technologies and depends upon the safety aspects and on those the margins will depend. So industrial explosives, there are 40 players working on that. And here, this is a critical area, which there are limited players are there, and a lot of -- based on the technical criticality, but margins are higher in defence and aerospace.

Yashi Lohia: Okay. So like, are we planning to target some other segments also?

T.V. Chowdary: Sorry, what do you want to know?

Srihari Pakalapati: Other segments.

T.V. Chowdary: Hello? Madam, what exactly you want to know?

Yashi Lohia: Yes. So I was asking that are we planning to give on -- like expanding on different segment, like your business, I mean that is already there. We are, but are we, like, planning to go on different, a little different also? Like, defence and explosives maybe already?

T.V. Chowdary: The present capacities and our things are good enough. We have no plan to expand any capacities. But, yes, sometimes, because this is going through reverse standard process, sometimes we may, the others may take a lowest bid and then take the quantities which we will not be able to take because of our pre-accuracies of the product. So that keeps on changing. We are still in the other segment also that is mining segment and also defence and aerospace. All segments are open.

Moderator: Thank you. The next question is from the line of Santanu Chatterjee from Mount Intra Finance Private Limited. Please go ahead.

Santanu Chatterjee: Thanks once again. My question is what kind of incremental revenue expectation we have from the service segment of the business?

T.V. Chowdary: You are asking about the incremental increase in the revenue from different sector. Am I correct?

Santanu Chatterjee: On the target segment, sir, you are reporting three different business segments, right? One service, thereafter explosives, and third one is defence. So, now my question is, what kind of incremental revenue expectation we have from service segment of the business?

Srihari Pakalapati: From Service segment, okay. No, no. That is linked with -- see, the service segment, the contract value picks for the tenure, but there is a price escalation clause, which is linked to consumer price index. So every year that based on the consumer price intake, it keeps on going up. It can also go down also. But it is normally goes up only, and it goes by that. There is no fixed increment.

Santanu Chatterjee: Okay. And the same thing will apply for explosive. So what kind of growth you are expecting in the explosives business?

T.V. Chowdary: Explosives business, the prices, if you look at it, every year prices are reducing. The industrial explosives business. All India prices, Singareni collieries it prices. So, we have to survive under those conditions by our own efficiencies and all those. And we are working, because we are being technocrats.

Santanu Chatterjee: Okay, sir. And the last one, if I can actually push, you have got multiple questions on the margin front, sir. But my question is just can you share the reported margin profile of your three segments? Gross ideas, sir, thumb rule idea about the gross margin of your three different business segments?

Srihari Pakalapati: So, it depends. It varies. It depends on the product to product, sir. Actually, we are not doing the single product. We are doing the multiple products. It depends on the requirements of the customers. So, the margins from each product to product, even in different systems, get changed. It is very difficult to, I mean, specify the margin for the total segment.

Santanu Chatterjee: We understood, sir. Like your blended margins, as per your expectation will hover around 20% to 25%. So -- and you are expecting that defence will give us better margin than the rest of the two business. So that's why we want to understand just a ballpark figure, actually. What kind of margin we can expect from the rest of the two businesses?

Srihari Pakalapati: It depends on the mainly commodity prices, sir. So, when the commodity prices were more, so there was some pressure on the margins. But now, when the commodity prices get stabilized, the margins are also getting stabilized. So, it varies, sir. It is not that you can say the fixed percentages on that. It varies, sir. It depends on so many other optional factors.

Moderator: Thank you. The next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: Yes. Thank you for the opportunity again. Sir, my question was on the raw material side. So could you tell us how much percentage of raw materials are imported in our product basket?

T.V. Chowdary: As on date, percentage of imported raw material is very, very low for us. We hardly imported one or two items. That's all.

Khush Nahar: And so would it be safe to say that our supply chain for the raw material is stable within the winter also? Or are we seeing any issues regarding the availability of raw materials?

T.V. Chowdary: As on date, there is no issue. We are able to get material. But in future, with the -- now you are seeing that there is a lot of increase in the space and other sectors. So current raw material facilities probably they need to increase further capacities and all these things.

Khush Nahar: There might be some constraints going ahead is to that?

T.V. Chowdary: Yes. Because coming 4, 5 years, there appears to be a steep increase in the space requirement. And India also has going more and more for a Atmanirbhar India and Made in India, imports are reduced in the missile and the rocket and on those also. So more indigenous production, there's more demand for raw materials.

Khush Nahar: Okay, sir. And just one last question. So the defence -- the 87% that we have of the order book on the defence side, so all these orders would be the higher margin businesses, say, 25% plus margin business?

T.V. Chowdary: Yes, the defence, like we have mentioned already defence orders are on higher side of margin. Yes, all these are defence products only.

Moderator: Thank you. Next question is from the line of Shreya Jain from Niveshaay. Please go ahead.

Shreya Jain: Yes. Sir, my question was regarding the export orders. I wanted to know will the Red Sea crisis in any way further affect the shipment of our export orders?

T.V. Chowdary: Which crisis?

Shreya Jain: Red Sea.

T.V. Chowdary: Red Sea crisis. Yes, to overcome that, we are, we mean our customers, because transportation and logistics are in there, so they are planning to ship more by air rather than by sea. That's what is now going on.

Moderator: Thank you. As there are no further questions, 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 for your confidence in the company and supporting us and for all the trust you have. And then I hope that it will continue in the same way and then it will further improve. Thank you very much.

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