



Q1FY15 Results

surface to air



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Business performance

- ❖ The company revenues were down by 4.2% YoY at INR 351mn for Q1FY15
- ❖ Operating margins were 5.1% in Q1FY15 compared to 14.5% in Q1FY14. In contrast to our expectation, the realizations of detonators continued to drop due to sluggish demand. The drop in margins is also on account of increased cost of raw materials and lower selling prices in commercial explosives business.
- ❖ Revenue fall in explosives was 8.1% YoY, while defence products grew by 8.2% YoY. PEL's revenues from defence products are increasing steadily from INR 19.8mn in Q1FY13 to INR 57.5 mn in Q1FY14 to INR 62.2 mn in Q1FY15.

Net Sales (INR mn)	Q1FY15	Q1FY14	YoY (%)	Q4FY14	QoQ (%)
Explosives	249.2	271.2	-8.1%	279.4	-10.8%
Defence products	62.2	57.5	8.1%	97.5	-36.2%
Services	37.9	35.4	7.2%	34.2	10.8%
Wind power	1.7	2.2	-23.8%	0.5	240.0%
Total	351.0	366.3	-4.2%	411.6	-14.7%



Result update – Profit & Loss

Particulars (INR mn)	Q1FY15	Q1FY14	YoY (%)	Q4FY14	QoQ (%)
Net Revenues	351.6	367.9	-4.4%	414.1	-15.1%
Total expenses	333.7	314.7	6.0%	383.7	-13.0%
Operating profit	17.9	53.3	-66.4%	30.4	-41.1%
OPM (%)	5.1%	14.5%		7.3%	
Other income	1.9	0.8	135.3%	11.9	-83.7%
Depreciation	8.7	5.7	52.8%	5.9	47.5%
Interest	5.0	4.9	3.3%	5.4	-7.4%
PBT	6.1	43.5	-85.9%	31.0	-80.2%
Tax	0.7	14.1	-95.1%	7.1	-90.3%
PAT	5.4	29.4	-81.5%	23.8	-77.2%
EPS	0.7	3.6	-82.0%	2.9	-77.7%
PATM (%)	1.5%	8.0%		5.8%	



Quarterly – Profit & Loss

Particulars (INR mn)	Q2		Q3		Q4		Q1	
	FY13	FY14	FY13	FY14	FY13	FY14	FY14	FY15
Net sales	204.1	338.5	275.7	333.5	359.6	414.1	367.9	351.6
Total expenses	205.8	303.1	264.0	289.9	318.0	383.7	314.7	333.7
Operating profit	-1.6	35.3	11.7	43.6	41.5	30.4	53.3	17.9
OPM (%)	-0.8%	10.4%	4.2%	13.1%	11.5%	7.3%	14.5%	5.1%
Other income	15.6	1.4	1.9	0.0	1.0	11.9	0.8	1.9
Depreciation	5.2	6.0	5.7	6.0	5.5	5.9	5.7	8.7
Interest	4.6	5.9	5.1	7.5	5.0	5.4	4.9	5.0
PBT	4.1	24.9	2.8	30.1	32.0	31.0	43.5	6.1
Tax	0.2	6.8	0.4	9.4	8.6	7.1	14.1	0.7
Adj. PAT	4.0	18.1	2.4	20.7	20.1	23.8	29.4	5.4
EPS	0.0	2.2	0.0	2.5	2.5	2.9	3.6	0.7



Profit & Loss – Key indicators

Particulars (INR mn)	FY12	FY13	FY14
Net sales	1083.2	1094.0	1454.0
Growth in net sales (%)	14.8%	1.0%	32.9%
Operating profit	174.9	97.7	162.6
OPM (%)	16.1%	8.9%	11.2%
Other income	17.0	20.6	14.1
Depreciation	18.7	21.5	23.5
Interest	11.2	18.8	23.6
PBT	162.0	78.1	129.6
PBT (%)	15.0%	7.1%	8.9%
Tax	46.5	21.0	37.4
Adj. PAT	115.5	57.1	92.1
PAT (%)	10.7%	5.2%	6.3%
EPS	14.2	7.0	11.0



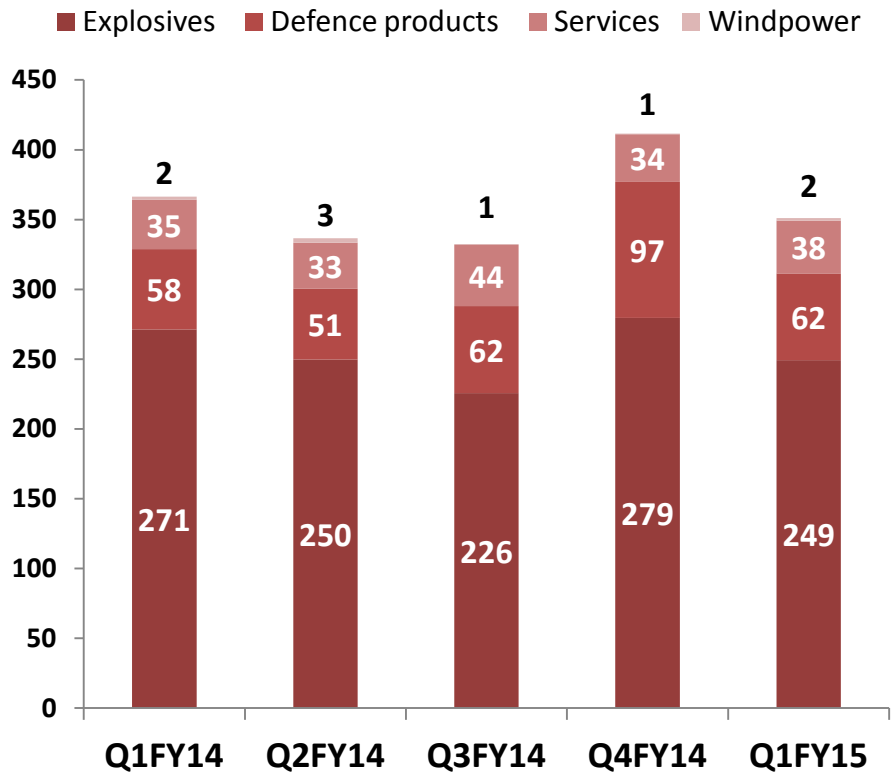
Balance sheet – Key indicators

Particulars (INR mn)	FY12	FY13	FY14
Share capital	81.3	81.3	83.6
Reserves & surplus	373.7	403.3	488.7
Non-current liabilities	90.8	115.6	115.4
Current liabilities	235.1	298.9	385.6
Total	780.8	899.0	1073.3
Non-current assets	430.5	491.7	520.9
Current assets	350.3	407.3	552.4
Total	780.8	899.0	1073.3

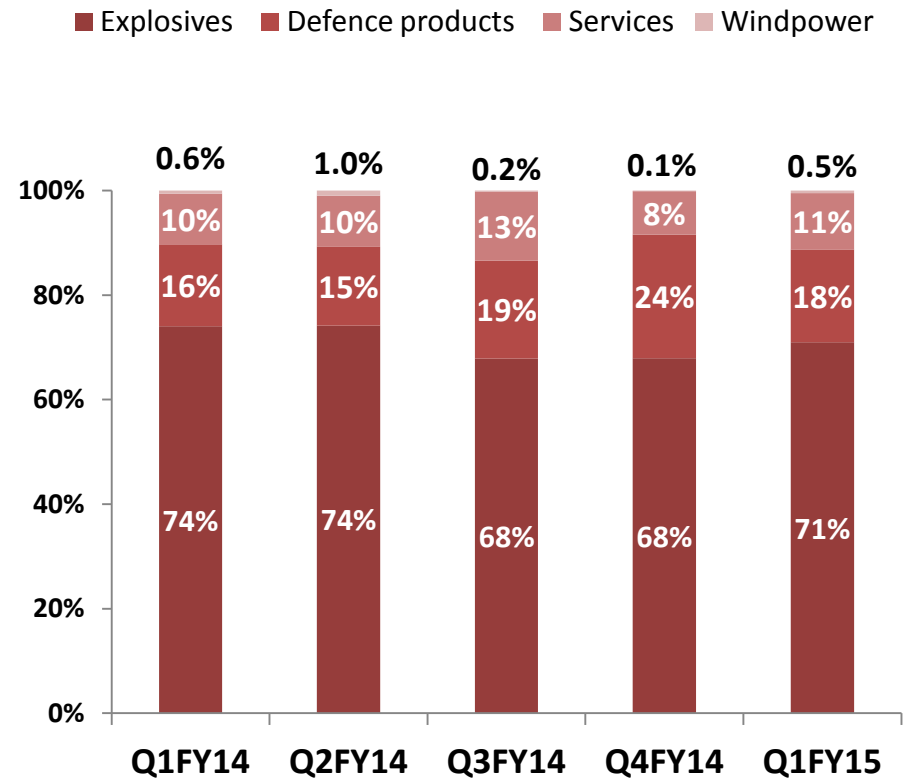


Performance snapshot

Revenue breakup (INR mn)



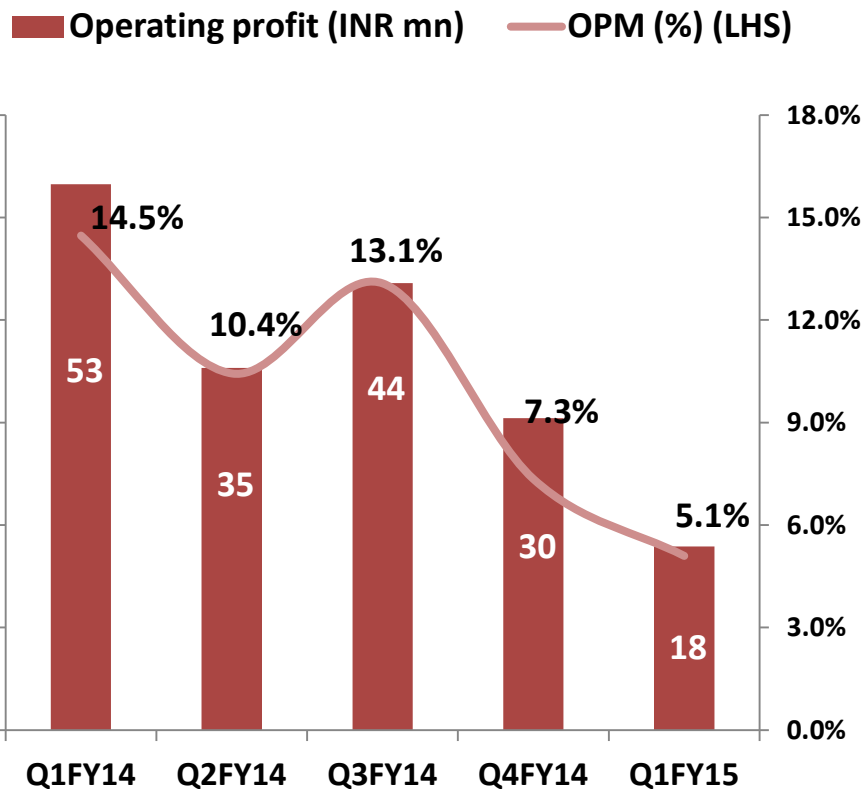
Revenue breakup (%)



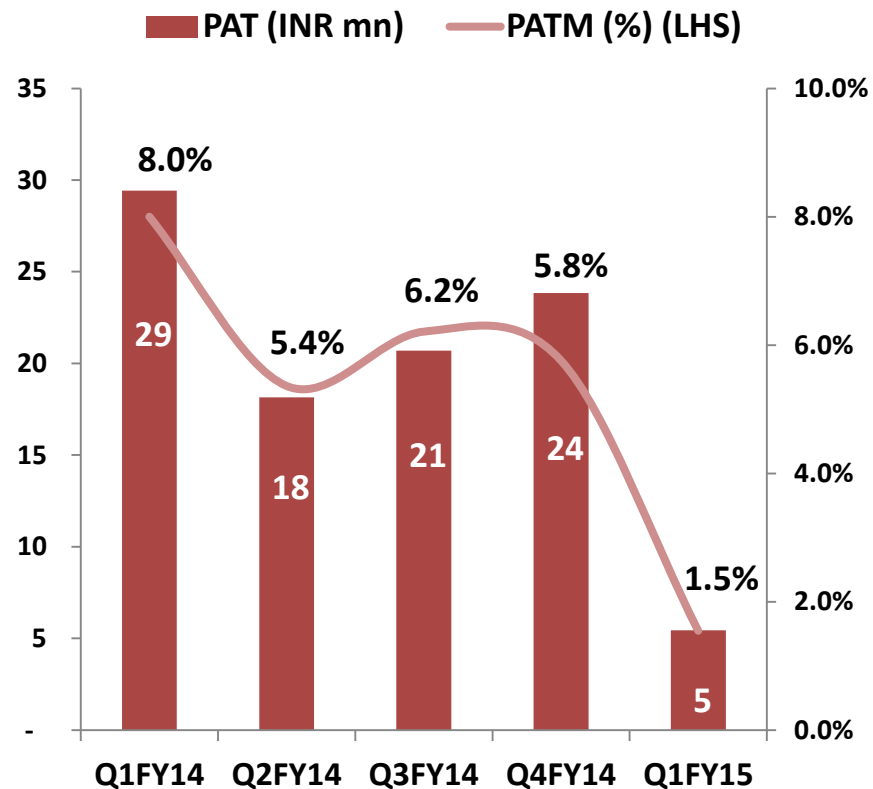


Performance snapshot

Operating profit



PAT and PAT margins (%)





Key highlights – Defence products

- ❖ Union Budget increases allocation to defence by 12.4% to INR 2,290bn, for FY15
- ❖ New Government's first steps toward indigenizing defence industry:
 - a. FDI cap raised to 49% from 26%
 - b. More than one Indian company will be allowed to hold balance 51%
 - c. 100% overseas ownership permitted where investment is bundled with state-of-the-art technology
- ❖ PEL has signed NDAs and MOU with global missile players to capitalise on the opportunities arising from Defence Offset policy
- ❖ McKinsey's Spring 2013 report on Government estimates India's defence spending will total nearly \$150 billion by 2017 out of which \$3.4 billion would be towards missiles
- ❖ PEL is fully capable of meeting the technical specifications and future demand from Indian defence sector
- ❖ In acknowledgment of PEL's research capabilities it has entered into agreement with IIT, Madras for research in high energy materials.



Key highlights – Explosives

- ❖ Demand for detonators, which are sold through trade channels, continue to be weak from mining and infrastructure sector
- ❖ Revival in detonator demand is expected in Q3FY15 (after monsoon)
- ❖ Indian explosives industry is estimated to be INR 30bn p.a. and is expected to grow ~8% CAGR on back of growth plans of user industries viz. mining and infrastructure
- ❖ The industry remains fragmented with around 10 major manufacturers and 45 small units. PEL is 6th largest manufacturer of explosives in India
- ❖ Premier also exports detonators and detonating fuse to S.E Asia, Middle East & Europe. Exports contribute to about ~10% of revenues
- ❖ No major Capex is envisaged for explosives business in the near to medium term



Key highlights – Services

- ❖ PEL gets ~10% revenues by operating and maintaining solid propellant production facilities of ISRO at SHAR, Sriharikota (A.P.) and Solid Fuel Complex (SFC) at Jagdalpur (Chattisgarh)
- ❖ This Government Owned Company Operated (GOCO) model gives PEL an advantage in terms of its staff getting exposed to latest practices in propellant manufacturing
- ❖ The SFC contract is due for renewal in October 2014 and PEL is actively pursuing its renewal



About PEL - Technology minded management

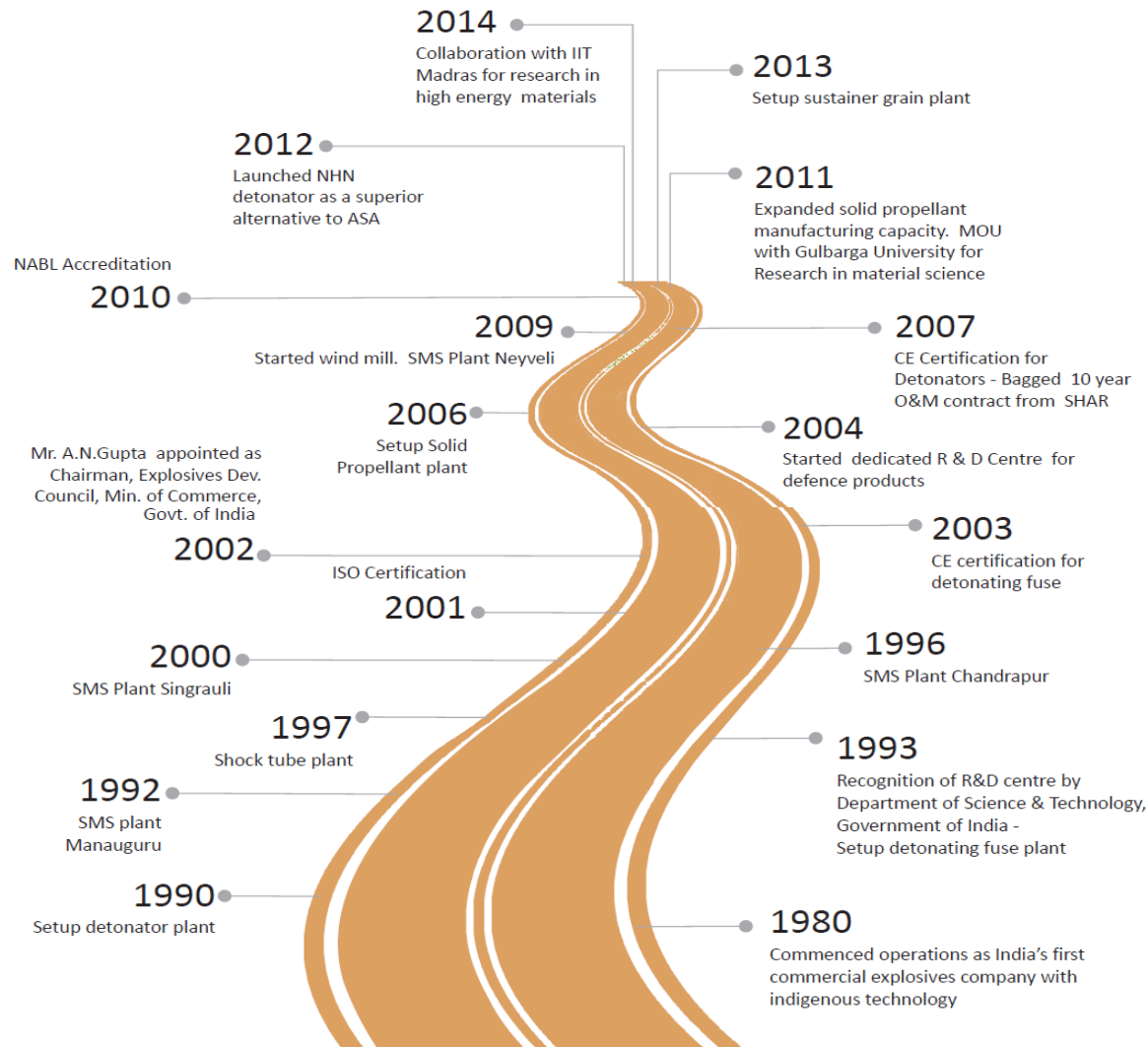
- ❖ Promoted by first-generation technocrat Dr. A.N.Gupta.
M.E. (Mining Engineering)
Recipient of 'Pickering and ISM Medal' from Indian School of Mines, Dhanbad
- ❖ Executive Director – Mr. T.V.Chowdary,
Chemical engineer with 31 years experience in production of chemicals, explosives and solid propellants
- ❖ Director (Marketing) – Mr. K.Chalil,
AIME-Mining graduate with over 40 years of experience in major mining, quarrying and explosive industries
- ❖ Director (Production) – Dr. N.V.Srinivasa Rao,
M.Sc, Ph.D. (Chemistry) with 35 years of experience in production of explosives & accessories and chemicals

Sharp research focus has lead PEL won several awards including the "Defence Technology Absorption Award 2007" from DRDO, presented by the Prime Minister of India

PEL is built on a strong foundation of research and innovation



Major milestones

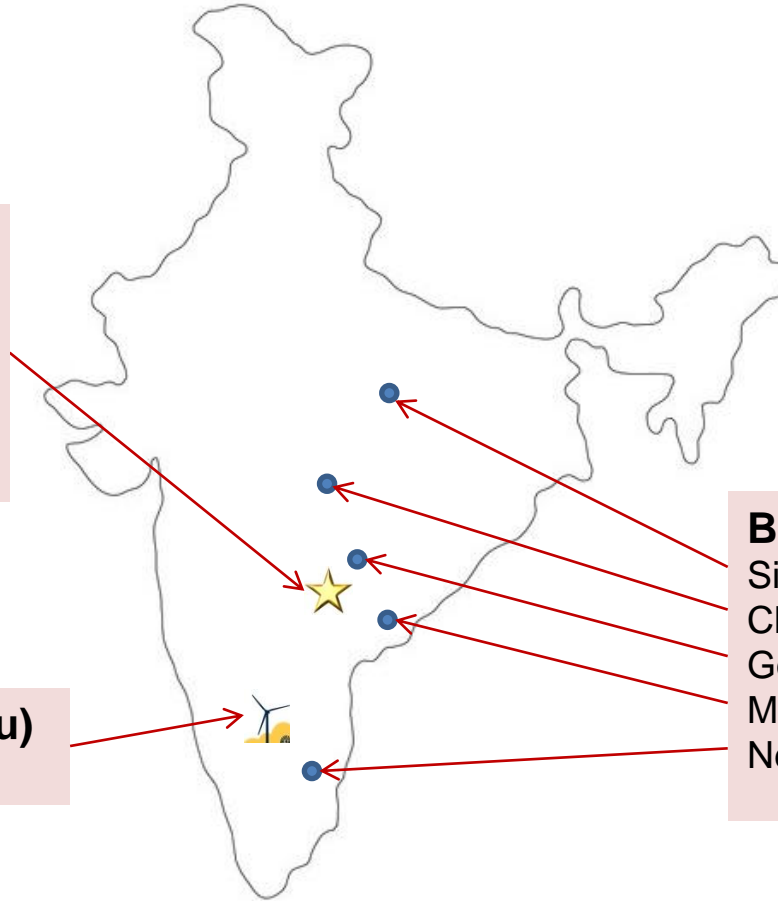




Strategic presence across India

Peddakandukur (Telangana)

Detonator, Detonating fuse,
Packaged explosives,
product research &
Special Products Divisions



Pushpathur (Tamil Nadu)

Windmill

Bulk Explosives

Singrauli (Madhya Pradesh)
Chandrapur (Maharashtra)
Godavarikhani (Telangana)
Manuguru (Telangana)
Neyveli (Tamil Nadu)



For further queries:

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