



**Premier
Explosives
Limited**

The 'high energy' people

Q4FY14 Results

- on an explosive journey



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Business performance - I

- ❖ The company continued to enjoy strong growth in revenues at 14.8% YoY for Q4FY14
- ❖ Operating margins were 7.3% in Q4FY14, a drop of 420bps on account of drop in detonator prices due to sluggish demand caused by extended monsoons, restrictions on movement of explosives during general elections and higher repairs cost on Service contracts
- ❖ However, we are seeing revival in demand for detonator now and expect prices to rise
- ❖ Revenue growth in explosives was 3.8% YoY, while defence products showed an impressive rise of 90.8% YoY (56.5% QoQ). PEL registered highest ever defence products turnover in Q4FY14

Revenues (INR mn)	Q4FY14	Q4FY13	YoY (%)	Q3FY14	QoQ (%)
Explosives	279.4	269.1	3.8%	225.6	23.8%
Defence products	97.5	51.1	90.8%	62.3	56.5%
Services	34.2	37.9	-9.7%	43.9	-22.1%
Wind power	0.5	0.4	20.0%	0.7	-23.7%
Total	411.6	358.5	14.8%	332.5	23.8%



Business performance - II

- ❖ For FY14, the topline performance was impressive with 33% YoY growth
- ❖ Defence products were the key driver of overall revenues, and revenue growth in defence products was 97% YoY. On a full year basis, PEL achieved highest ever defence products turnover
- ❖ Operating margins for FY14 stood at 11.2% and PAT margins were at 6.3%
- ❖ Any revival in demand from mining sector and further growth in sales of defence products can enable margin improvement in FY15

Revenues (INR mn)	FY10	FY11	FY12	FY13	FY14
Explosives	738.8	731.4	849.7	805.0	1026.0
Defence products	52.4	89.9	89.1	136.1	267.9
Services	97.2	117.6	129.2	141.7	146.5
Windpower	0.5	4.9	5.4	5.5	6.7
Total	888.9	943.8	1073.5	1088.4	1447.1



Quarterly P&L

Particulars (INR mn)	Q1		Q2		Q3		Q4	
	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14
Net sales	254.6	367.9	204.1	338.5	275.7	333.5	359.6	414.1
Total expenses	209.3	314.7	205.8	303.1	264.0	289.9	318.0	383.7
Operating profit	45.3	53.3	-1.6	35.3	11.7	43.6	41.5	30.4
OPM (%)	17.8%	14.5%	-0.8%	10.4%	4.2%	13.1%	11.5%	7.3%
Other income	2.1	0.8	15.6	1.4	1.9	0.0	1.0	11.9
Depreciation	5.0	5.7	5.2	6.0	5.7	6.0	5.5	5.9
Interest	3.2	4.9	4.6	5.9	5.1	7.5	5.0	5.4
PBT	39.1	43.5	4.1	24.9	2.8	30.1	32.0	31.0
Tax	11.8	14.1	0.2	6.8	0.4	9.4	8.6	7.1
PAT	27.3	29.4	4.0	18.1	2.4	20.7	23.4	23.8
EPS	3.3	3.6	0.0	2.2	0.0	2.5	2.5	2.9



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
PAT	115.5	57.1	92.1
PAT (%)	10.7%	5.2%	6.3%
EPS	14.2	7.0	11.0

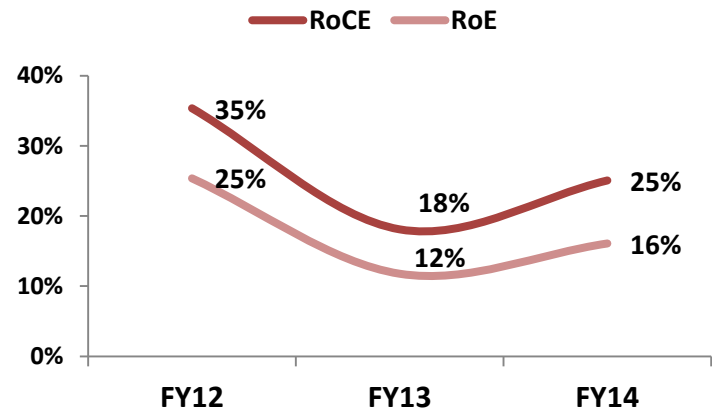
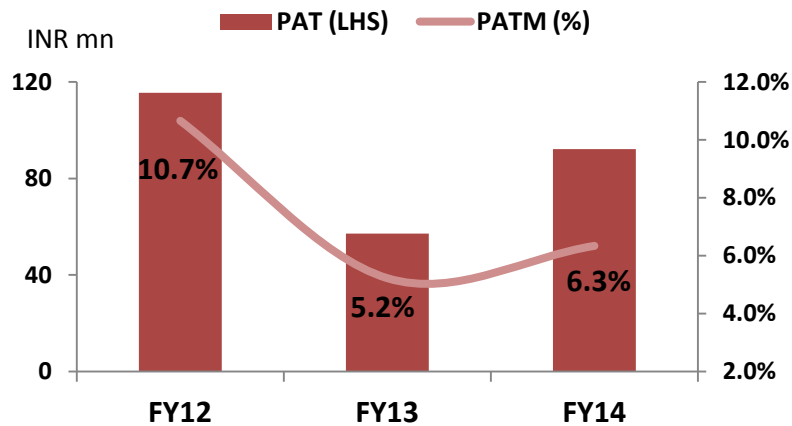
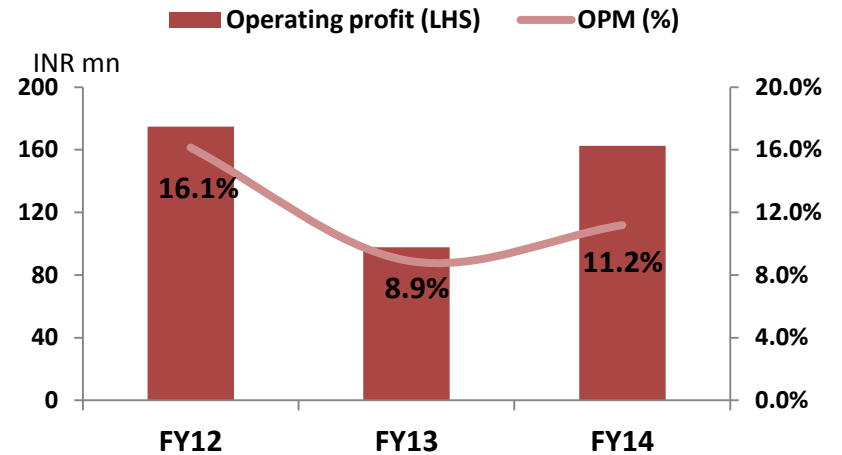
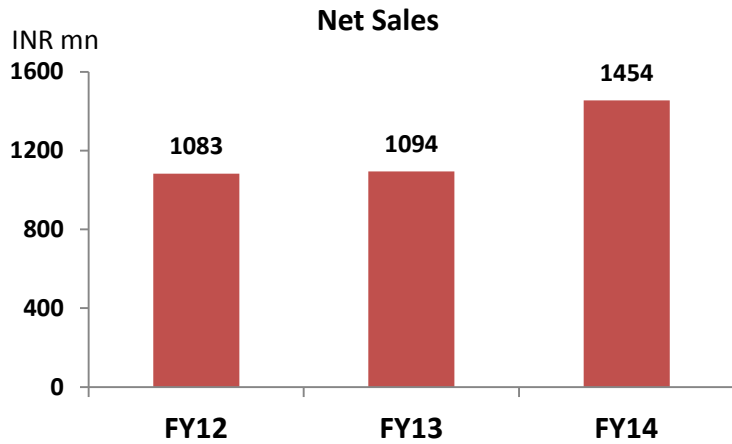


Balance sheet

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



* FY13: The drop in performance was due to an accident at the detonator plant



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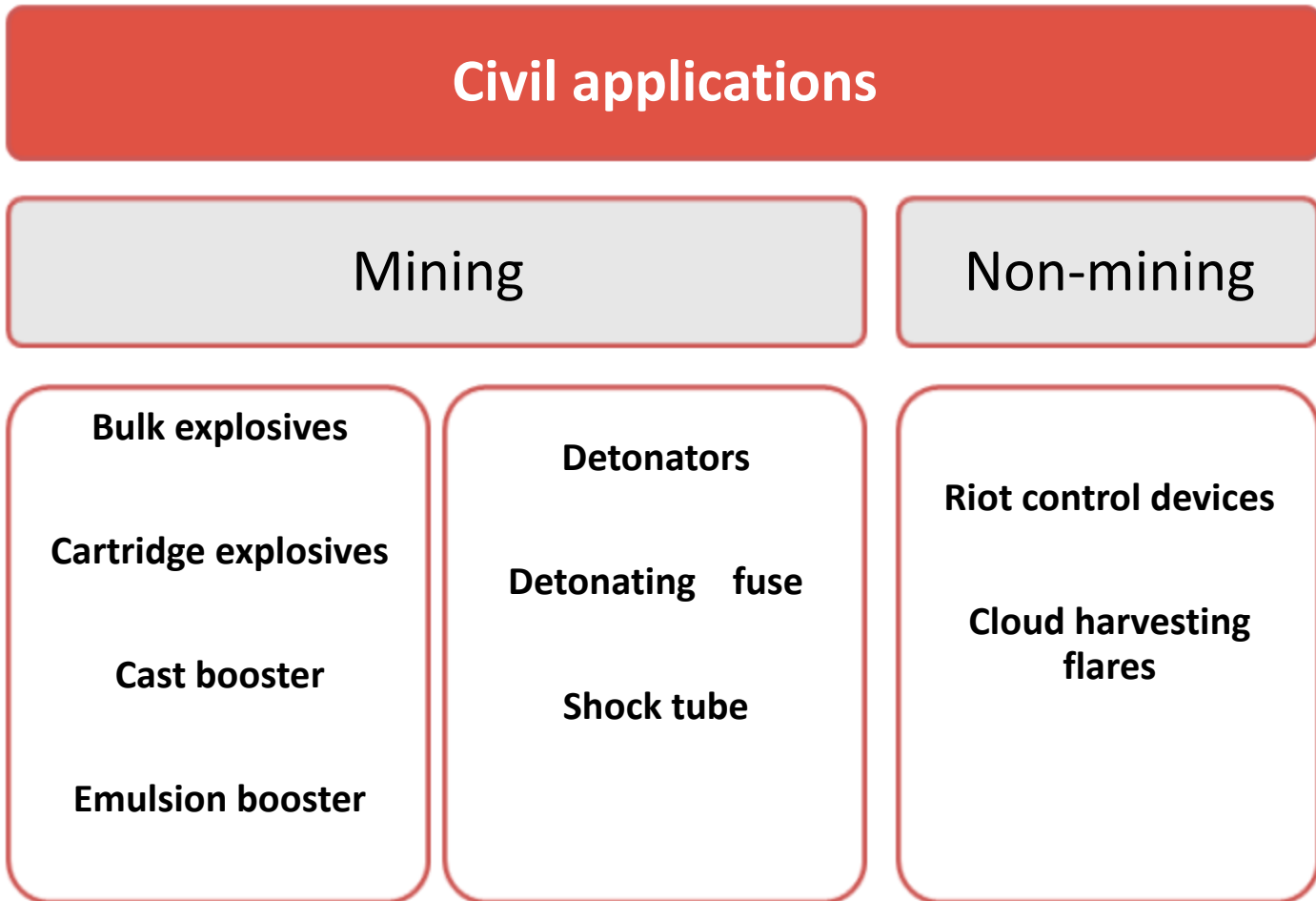
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Business divisions – Civil applications





Business divisions – Civil - Mining products

Cartridge Explosives

- Cartridge explosives are used in quarrying, construction, coal mines, lime stone mines etc.



Bulk Explosives

- Precursor emulsions are manufactured at centralised facilities.
- Final product is manufactured by mobile processing units (shown below) at mining site and poured directly into blast holes





Business divisions – Civil - Mining products

Cast boosters

- High detonation pressure explosives, used in blasting relatively insensitive bulk explosives
- Detonator initiates cast boosters, which in turn initiates bulk explosives



Detonators

- A device used to trigger the explosives
- Electrical and non-electrical detonators



Detonating fuse

- Flexible, water proof cord having PETN core
- Used to simultaneously detonate explosive charges across a fairly large area from a single detonator





Business divisions – Civil - Mining products

- ❖ PEL manufactures entire range of explosives and accessories
- ❖ PEL derives demand for explosives mainly from core sectors such as mining coal, iron ore, lime stone which inturn are driven by demand from power and infrastructure sectors.
- ❖ Share of explosives and detonators in PEL's revenue mix at ~70%
- ❖ PEL uses advanced chemical (NHN) for detonators vs. conventional primer (ASA) used by competitors. NHN is safer and environment-friendly
- ❖ Indian industrial explosives market ~750,000 MT
- ❖ PEL's order book for mining products stands at INR640mn



Business divisions – Civil - Non-mining

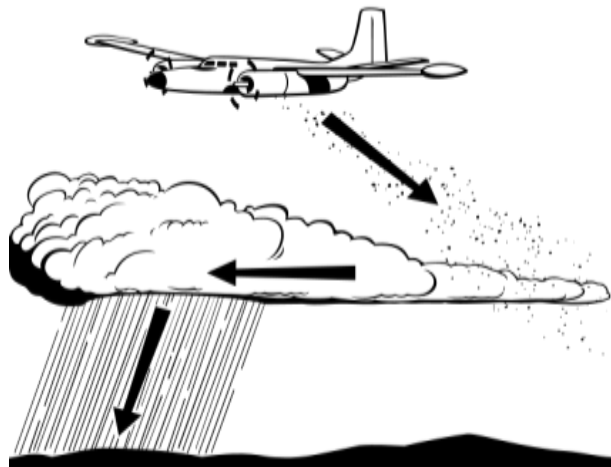
Riot control Devices

- Tear gas grenades
- Customers: State police dept., Indian Military, Navy, para-military forces, Central reserve Police force



Cloud harvesting flares

- Hygroscopic chemicals are dispersed in the clouds to increase the precipitation.





Business divisions – Defence & Space

Defence & Space applications

Propellants

Pyrogen igniters
Case-bonded
propellants
Free standing
grains
Fuel rich
Gas generators

Pyros

Pyro cartridges
Pyro actuators
Smoke / flash
generators
IR generators
Specialized squibs

Explosives

CL - 20
HNS - IV

Explosive
bolts

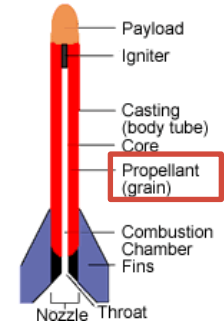
BKNO₃ Igniters



Business divisions – Defence & Space

Propellants

- Used in a propulsion systems for rockets and missiles



Pyros

- A pyro cartridge, is an electrical initiator, used to ignite the contents of the igniter for propellant combustion



Explosive bolts

- Explosive bolts are meant for opening the front and rear covers of the transport and launch vehicles or disconnecting two parts.





Business divisions – Defence & Space

- ❖ PEL manufactures high energy materials used as propellants in many prestigious Indian missiles
- ❖ PEL is the only Indian private entity in the niche market of Solid propellants for defence use
- ❖ PEL has been manufacturer-partner in various missile programs with:
 - Advanced Systems Laboratory, DRDO | Bharat Dynamics Ltd | Research Centre Imarat for various missile such as Akash, Astra and several Surface-to-Air Missiles
- ❖ The share of defence products in the revenue mix is ~20%
- ❖ Compared to the Explosives products, defence products have a superior margin profile
- ❖ PEL has proved its capabilities in producing defence products and has bagged repeat orders for solid propellants
- ❖ With product approvals already in place, PEL has distinct edge over other private players who are looking to enter in the hi-tech business



Business divisions – Service contract

- ❖ PEL derives ~10% revenue from service contracts with:
 - Solid Propellant Plant and Solid Propellant Booster Plant of Satish Dhawan Space Centre SHAR, Sriharikota
 - Solid Fuel Complex, Jagdalpur of Advanced Systems Laboratory (due for renewal in Oct. 2014)
- ❖ With its technological ability, PEL is able to create this niche service offering and is able to generate recurring income from it
- ❖ The contracts generally have a long term tenure of 5-10 years



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Defence products business – to propel growth

- ❖ Defence indiginisation
 - 12th Five-year plan: To increase domestic procurement from 30% to 75%
 - Raise FDI limit – currently at 26%
- ❖ Defence offset policy: 30% domestic procurement for foreign orders above INR 3000mn
- ❖ PEL has already entered in NDA, MOU and IOP with foreign suppliers
- ❖ PEL has distinct ‘First mover advantage’ in terms of product approvals and R&D capabilities. High entry barriers for other players
- ❖ Margin profile superior in Defence products vis-a-vis mining products



Conventional businesses – steadily growing

- ❖ As per Planning Commission of India, the production of coal is expected to reach 795mn tons by FY17 –
- ❖ This translates to ~8% CAGR for coal mining as well as explosive manufacturers
- ❖ The explosives market is highly competitive and tight on margins – yet PEL has strong order book
- ❖ Improvement in outlook for infrastructure development and power sector – can act as demand drivers
- ❖ Any revival in mining industry to further improve demand prospects. The lifting of mining ban in Goa & Karnataka is a positive indicator
- ❖ PEL's production capacities exceed current demand projections. No major capex required for explosives business in the near to medium term



New government's plan of action

❖ For defence sector:

- Modernize armed forces, and increase the R&D in defence, with a goal of developing indigenous defence technologies and fast tracking of defence purchases
- To emerge as a global platform for defence hardware manufacture and software production
- Encourage private sector participation and investment, including FDI in selected defence industries
- Encourage domestic industry to have a larger share in design and production of military hardware and platforms for both domestic use and exports, in a competitive environment

❖ For energy sector:

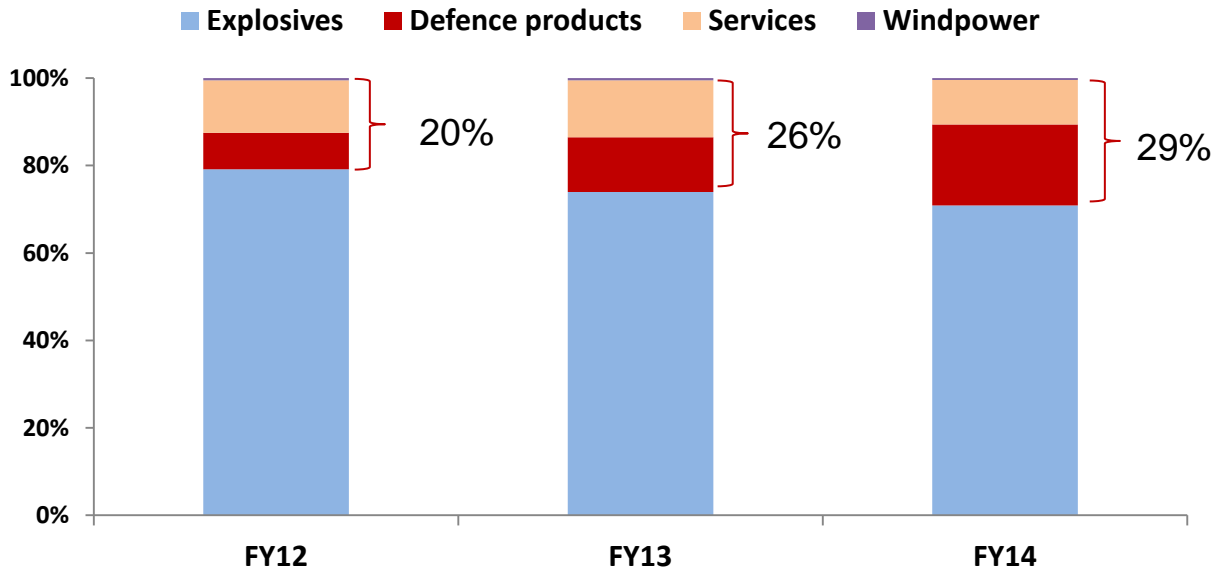
- Focus on generation and distribution of power as a national security issue
- Take Steps to increase the domestic coal exploration and production, to bridge the demand and supply gap

PEL is best placed to participate in the opportunities that will arise, especially in the defence products



Revenue mix set to change

- ❖ The proportion of revenue from Defence products and Services (low competition-high margin) is expected to rise vis-a-vis proportion of revenues from Explosives (high competition-low margin), over the next three years
- ❖ The change in revenue mix could lead to change in margin profile, as well
- ❖ Total order book for FY15 stands at INR 1000mn, of which ~36% is contributed by Defence products and Service contracts
- ❖ The revenue mix chart below shows rise in share of Defence products and Services from 20% in FY12 to 29% in FY14





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Technology-minded management

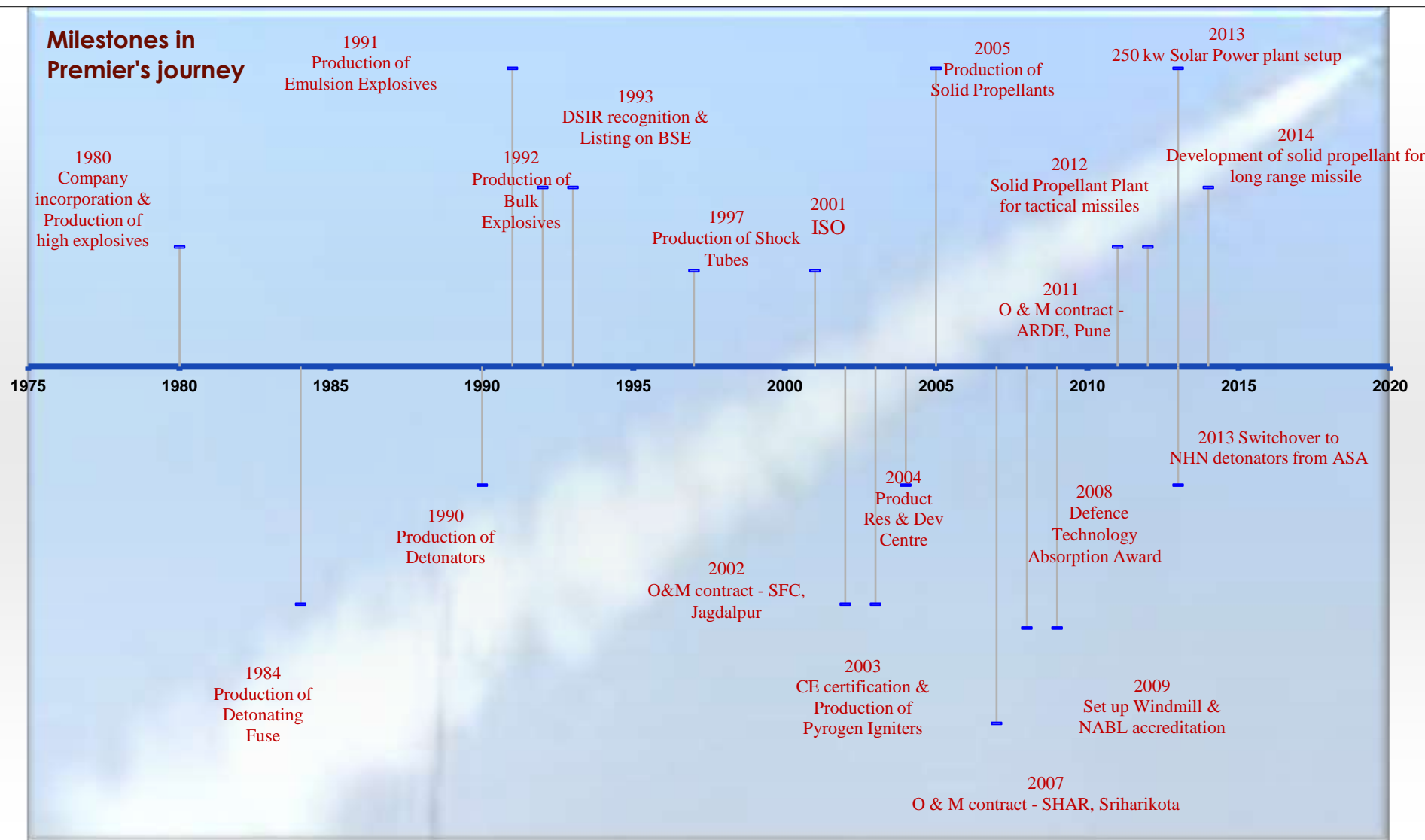
- ❖ Promoted by first-generation technocrat Dr. A.N.Gupta.
M.E. (Mining Engineering)
Recipient of 'Pickering and ISM Medal' from Indian School of Mines, Dhanbad
- ❖ Executive Director – Mr. T.V.Chowdary,
Chemical engineer with 31 years experience in production of chemicals, explosives and solid propellants
- ❖ 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.S Rao,
M.Sc, Ph.D. (Chemistry) with 35 years of experience in production of explosives & accessories and chemicals

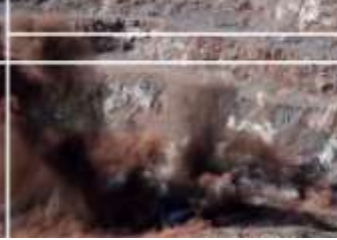
Sharp research focus has lead PEL won several awards including the "Defence Technology Absorption Award 2007" from DRDO, presented by the Prime Minister of India

PEL is built on a strong foundation of research and innovation



**Milestones in
Premier's journey**

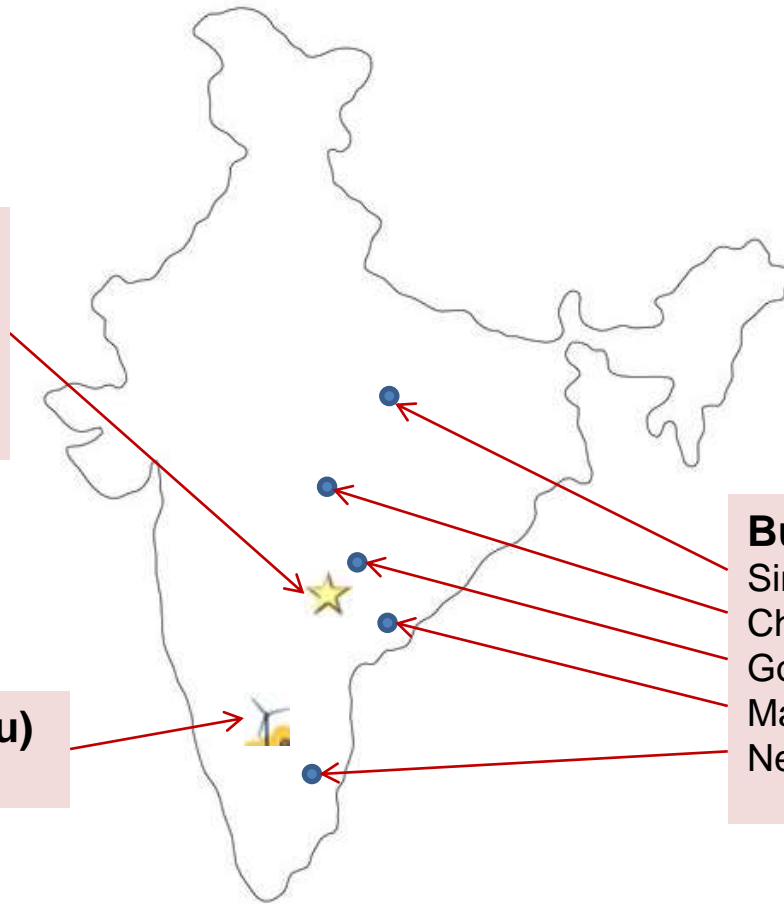




Strategic presence across India

Peddakandukur (A.P.)

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



Pushpathur (Tamil Nadu)

Windmill

Bulk Explosives

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



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