



Premier Explosives Limited

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September 26, 2020

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 Symbol : PREMEXPLN

Dear Sir/Madam,

**Sub: Transcript of Conference call pertaining to the First Quarter ended 30th June, 2020
Results**

Please find attached the Transcript of the Conference Call hosted by, Stellar IR Advisors Private Limited, on 14th September, 2020 pertaining to, 'Premier Explosives Limited Q 1 FY 21 Earnings'.

This is for your kind information and record.

Thanking you,

Yours faithfully,
For Premier Explosives Limited

K. Jhansi Laxmi

K. Jhansi Laxmi
Company Secretary





“Premier Explosives Limited Q1 FY’21 Earnings Conference Call”

September 14, 2020



**MANAGEMENT: MR. T V CHOWDARY – DEPUTY MANAGING DIRECTOR
MR. C. SUBBARAO – CHIEF FINANCIAL OFFICER**



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Moderator: Ladies and gentlemen, good day and welcome to the Premier Explosives Limited Q1 FY'21 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Hina Agarwal from Stellar Investor Relations. Thank you. And over to you, ma'am.

Hina Agarwal: Thank you. Good morning, everyone. I on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited Q1 FY'21 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the quarter ended June 30, 2020. We have with us today the senior management team of Premier Explosives Limited, Mr. T V Chowdary – Deputy Managing Director and Mr. C. Subbarao – CFO.

Before we begin, I would like to state some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to company's performance have already been e-mailed to you. Now, I invite Mr. T V Chowdary to share his initial remarks on the company's performance for this quarter. Over to you, sir.

T V Chowdary: Good morning and thank you all for joining the call. As we are getting used to the new normal, we hope that everyone present on the call and their families are safe in the current situation. Also, on behalf of the entire team of PEL, we would like to take this opportunity to thank all those people who are fighting the coronavirus at the forefront.

The recent policies in the commercial mining and space industries throw great green shoots for PEL in both the business segments. In coal sector, with the aim to reduce import dependency of coal in ensuing years, government of India has set a target of 1 billion tons of coal production by 2023-24. To achieve the set target, CIL to invest Rs.1.22 lakh crores on around 500 projects related to coal evacuation, infrastructure and evacuation amongst other. Also, government's boost on private sector participation in commercial mining space and space activities are likely to provide huge opportunities for growth going forward. Escalating geopolitical tensions can thrust demand for defense products with a view to further strengthen India's defense position and mitigate any such future contingencies.

Now, coming to the company's major development, I am happy to share that PEL has recently received an order for development and supply of EDRM rocket motors for export. As you all are aware, we have successfully designed and developed four different rocket motors for export in the past. Now, we have received this order for fifth variant of rocket motor which is larger than the first four. The receipt of another order for export is the testimony of customers confidence in the technical competence of the company.



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The exogenous shock of pandemic impacted many companies during the first quarter. As appraised during the last quarter's earnings call, lockdown imposed to contain the spread of COVID-19 has impacted the production activities during the quarter. Our production activities were at halt from last week of March to third week of April '20. With relaxation in the lockdown we gradually started the production and currently operating at 30%-40% of our capacity utilization. During the quarter, our production and delivery timelines were impacted majorly due to delay in import of raw material and delay in pre-dispatch inspection of supplies which has resulted into subdued performance of the company. Further, it has impacted the working capital cycle of the company. We believe the overall economy is on the way to revival and our business operations will also return to normalcy soon.

Now, I would like to highlight key developments during the quarter in the defense segment. Let me first update you on the major orders in the order book, i.e., chaffs cartridges and pyro cartridges order. The order witnessed delay in execution on account of delay in import of raw material due to disrupted supply chain. We have received the raw material in the last week of June. We have started the execution of order and expect to complete the delivery over a period of 2020-21 and 2021-22.

Now, coming to Akash Missile Propellant, the company has received a new order for supply of booster grains and sustainer grains. We have already started the execution of the order and expect the delivery in the third quarter.

Touching upon Astra Missile recently defense acquisition council has cleared the purchase of 248 indigenously developed Astra beyond visual range air-to-air missile for Indian airforce. PEL is the sole supplier of propellant for the said missile and we expect to receive the order in coming months. BramHos aerospace, joint Russian-Indian developer of the BramHos Supersonic Cruise Missile received approval by government of Russia and India to export the missile to third countries. This opens up the huge opportunity. With the completion of technology transfer of BRAMHOS propellant PEL would be well placed to capitalize this opportunity.

With government thrust on defense sector, we believe the ordering activity to thrive in near-term and PEL being an established player in defense sector is well-placed to capitalize on the same.

Now, I request our "CFO, Mr. Subbarao to share the Financial Performance."

C. Subbarao:

Thank you, sir. Good morning to everyone. The real presentation for the quarter has been uploaded on the stock exchanges and on the company's website. I believe you all have gone through the same.

Now, I would present the financial highlights for the quarter briefly. As all of us are aware, the lockdown that was imposed to contain the spread of COVID-19 pandemic has adversely affected



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the company's operations and financial results for the quarter ended June 30, hence the results for this quarter are not comparable with the corresponding quarter last year on comparative basis.

The total income for Q1 FY'21 stands at Rs.230 million, lower execution and sales in both mining and defense businesses could not absorb the cost fully, the company incurred loss of Rs.25 million at the bottom line.

Regarding the order book, the company's total order book now stands at Rs.4,826 million, out of which Explosive business comprises around Rs.552 million, Defense segment Rs.2,489 million and Services, that is operational, and maintenance was Rs.1,785 million. With this, we now open the floor for questions-and answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dixit Doshi from Whitestone. Please go ahead.

Dixit Doshi: Sir, firstly, we have Rs.483 crores order book. Can you just explain the timeline of execution in terms of all three different segments of Explosive, Defense and Services?

C Subbarao: Out of the total order book, like we discussed even in the previous call, the major part, which is around Rs.180 crores is from SHAR for operations and maintenance which is for a period of around 9-years. Rest of the orders are executable in the next 18-to-24-months.

Dixit Doshi: Sir, now that in our Explosive division, the order book left is only Rs.55 crores and looking at the quarterly run rate I think this will get executed within this year only. So, are we seeing any new tenders in explosive or are we planning to get any orders in near future, or we will be focusing only on the defense going forward?

T V Chowdary: We are parallely working on Explosives also; Singareni tender is going on, apart from that we are also working on several export enquiries and executing the export orders. So, we expect it to improve further.

Dixit Doshi: We are expecting some orders during this year. If you can just quantify if possible?

T V Chowdary: Singareni orders are still being negotiated and it expects to be around Rs.44 crores.

Dixit Doshi: Sir, can you give the breakup in terms of product wise in Rs.250 crores of defense order book?

C. Subbarao: In that approximately Rs.70 crores would be for the chaffs; around Rs.74 crores is the RDX and HMX, and there are orders for Akash both sustainer grains as well as booster grains, MRSAM is there, LRSAM is there. So those are the other things where Rs.4 crores, Rs.5 crores, Rs.10 crores kind of individual amounts. Still there are pyrogen igniters, all these account for the balance.

- T V Chowdary:** It should be long list of orders. I do not think it is possible to quantify each order.
- Dixit Doshi:** Now sir looking at the export, if I see, it is good to see that we got the fifth order from Israel aerospace, but still these are small orders like Rs.5-10 crores. So, if you can explain the size, so obviously they must be currently testing our capability but if you can explain the size of opportunity let us say in two-three years' time, how big is the opportunity from the Israel aerospace?
- T V Chowdary:** As on date the size appears to be small but we have entered into new space, this is similar like LRSAM, Astra, initially we developed the technology and today we are the sole supplier. Like that this also once we have proven that we have developed and all those, now these are expected to be converted into bulk production like Akash in coming one- or two-years' time.
- Dixit Doshi:** So, can this become like a Rs.50 to Rs.100 crores of regularly orders every year?
- T V Chowdary:** Yes, we can expect to go up to about Rs.50 crores at least, that is what are the indications.
- Dixit Doshi:** In export we have also received orders from some client from Turkey. So apart from Israel aerospace, what would we be our targeting in terms of products and countries?
- T V Chowdary:** You are already aware; we are producing ammonium perchlorate which is an important raw material in the propellants. So, we are trying to market that. Apart from that, many products we are working are import substitutions in defense line, part of Make in India, ammunition, mines and bombs amongst others. Our Katepally plant is ready, I am happy to announce that we received all the licenses for all the products to be produced. Also, our trial production for RDX and HMX is completed. Now, we are expecting a regular production clearance license from PESO. Katepally plant already started producing.
- Dixit Doshi:** So, in last three, four years, we have always heard that there is a huge opportunity in Indian defense sector, but a lot of times we have seen that the orders actually get delayed. But same could not be the case with exports. So, let us say given our size in whatever product we have, can we expect that let us say in three years time or four years time the export itself can become a Rs.100 crores size in our book?
- T V Chowdary:** Difficult to confirm, but yes, we can always look forward. Export license is another thing, which is government export license which is important because in India first time we are exporting rocket motors. So now we got the license for export. Like that we have to get for other products and all those. It is a little bit stretched process. So, it may not happen the way we expect immediately. Even exports also can take time.
- Dixit Doshi:** And recently Bharat Dynamics have received order for MRSAM, and they are eyeing a strong order book in next six months to one year time from Akash, Astra and some other missile. So,

if you can elaborate our opportunity size? And also, in which of the products we are the sole supplier?

T V Chowdary: We are not aware of their action plan regarding Akash in the sense what they received and MRSAM as well. As far we are concerned, as on date for MRSAM, we are the only qualified propellant manufacturers and suppliers. So, if Bharat Dynamics or anybody is going to manufacture MRSAM, as far as we know that we have to only supply propellant. Our propellant only is qualified, but we have no idea about their plans. And in Akash, yes, we are the qualified player, we have already crossed more than 2,200 numbers of propellant grains and anybody is going to make Akash will be supplying that.

Dixit Doshi: But if you can quantify how much order we can get in next one, one and a half year's time from these missiles?

T V Chowdary: Bharat Dynamics, yes, they are expecting another 500 numbers of Akash missiles. But it is going to be more of MRSAM and Astra. In case of both missiles, we are the sole suppliers of propellant as on date. So definitely it is a very big opportunity. We are expecting to receive major orders from this segment in the coming two, three years.

Dixit Doshi: But if they get let us say 500 in these orders, so how much orders in terms of absolute order roughly would then translate into us?

T V Chowdary: See, the 500 missiles require 500 propellant grains. Today three players in that area. So, it depends, L1, L2, L3....

Dixit Doshi: How much could be the one propellant price?

T V Chowdary: We do not want to disclose because these are price-sensitive.

Moderator: Thank you. The next question is from the line of Sadanand Shetty from True Equity Advisors. Please go ahead.

Sadanand Shetty: What is the status of mines and warheads from the Katepally project, is it also being commissioned now?

T V Chowdary: We just got our license for manufacture of mines and bombs. And we are assembling mines with ARD technology transfer. It is almost ready in our existing plant. Now finished product will come from Katepally plant.

Sadanand Shetty: When is the timeline sir?

- T V Chowdary:** ToTs do not depend on us and it is dependent on ARD and HMRL. Because of this pandemic, there is no travel between Hyderabad and Pune. Because of that reason they are getting a little delayed. It may take another two months. Now we propose to them instead of traveling, whether we can have full detail documents and then exchange our reports. Now, that process is going on. We hope that in two months it will come through.
- Sadanand Shetty:** In your opening remarks, you talked about commercial mining opportunity. Can you please deconstruct and elaborate how is the incremental opportunity? You also mentioned big opportunity commercial mining opening.
- T V Chowdary:** Yes, as imports are reduced and more and more areas of mines opening, and proportionately that will increase the opportunities for mining explosive. And we are having our bulk explosives plants established and located strategically in different areas, so we have a better reach to different new mining areas which are going to happen.
- Sadanand Shetty:** In the recent past, your operating margin has been very erratic. This business today reached a stage where we can say operating margin would be relatively stable and we can actually forecast where it can be.
- C. Subbarao:** Our company has some element as fixed expenditure. So when the top line really grows especially in the defense, that margin will be better. So we are working to get back to the normal margins like previous years.
- T V Chowdary:** Overall, the mining explosives margins are thin because of the competition and if you look at it every year the prices are reducing, not increasing, so margins are coming down, no doubt, that is the reason. We look forward for more and more defense by remaining in the business, we are not quitting the business, we will remain in the business, but we will look for other businesses also. And Premier Explosives being 40-years-old company, today we are the oldest operating company in all the lines. So yes, definitely comparatively our margins are thinner, but we are working on those.
- Moderator:** Thank you. The next question is from the line of Hardik Jain from ISG Securities Private Limited. Please go ahead.
- Hardik Jain:** Sir, can you help me with the current debt number on the books? Debt must have increased during the year because of...
- C. Subbarao:** Debt is as of March'20 was about Rs.7 crores. That moratorium is allowed by Reserve Bank of India. So two quarters moratorium installments have come in and then we have taken the moratorium opportunity, we did not pay, but after end of the August, they were saying, RBI is replying in the Supreme Court, what kind of moratorium and including interest during the

moratorium period, these are the questions are being done. Two installments we have already paid to HDFC Bank. But if RBI or Supreme Court allows, then they told they would reverse it. That is the term loan which is availed from HDFC Bank. There is no other bank who has given us the term loan.

Hardik Jain: Now since we have hardly any sales from explosive, because the major part of the order book is now from defense. So I think the EBITDA margins only depend as you said will be much higher than what we get in explosives. So once this order get start executing the margin percentage is much higher than what we were doing earlier. Is that assumption right?

C. Subbarao: That is a correct interpretation. Our focus is on improving the turnover and absorbing the fixed cost and delivering better margins, so there is where all the efforts are going on.

Hardik Jain: But now because this order book will be executed over two years and then the services order book will be executed over nine years, but can we see again Rs.200 crores sales happening in next two years?

C. Subbarao: Next year itself, we should reach Rs.200 crores. This year, we are still trying for that number but going by whatever happened last year that is little difficult.

Hardik Jain: Even this year you think that we may try and reach that number?

T V Chowdary: We will try, yes.

Hardik Jain: You mentioned the payment is getting delayed from the government and the defense. So we may execute the orders. But do we expect unusual delays from the government?

C. Subbarao: While we are in the defense business, whatever asset it may help to some extent, but overall in terms of payment by defense take longer and we have to go with this scenario in the coming months or quarters also.

Hardik Jain: But then in that case, we will have to meet some working capital loan or additional limits from the bank because if that is the case, we will have to find it through something?

T V Chowdary: If any requirements for additional funding, yes, we have to approach the banks and get that. But we are trying to keep at minimum possible rather than going and borrowing.

Hardik Jain: Government has announced some negative list of some 101-products. So do you think we make some products that can benefit out of it?

T V Chowdary: Yes, we have already gone through the list and identified the products where we are going to get the benefit. One of the important products which are already doing is countermeasures and then



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other rockets and missiles where we have the strength and then the bombs are there, ammunition also now at Katepally we have started. So there are areas where we have the advantage which we have already written to the government.

- Hardik Jain:** So what products do we plan to make in Katepally?
- T V Chowdary:** Katepally plant's full list is rockets, missiles, mines, ammunition - medium caliber and large caliber, bombs, (BMCS) Bi-Modular Charge Systems, also compounded HMX, RDX products, and we propose to make fuses also in Katepally.
- Moderator:** Thank you. The next question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.
- Milan Shah:** Sir, we have announced that VRS, we are going to rearrange 78 workers at Peddakandurkuru plant, and the payment is in next installment. How much is strength of this plant and what is the period to pay the workers?
- T V Chowdary:** In the month of July, VRS scheme was introduced and in six months time we have to make the VRS payment.
- C. Subbarao:** Strength is about 500, out of which, 78 opted for the VRS.
- Milan Shah:** We have a product of NHN base detonator which technology we have provided to US company. Is there any opportunity to other countries?
- T V Chowdary:** As on date, no. If somebody approaches, yes, we can always transfer.
- Milan Shah:** Is this product patented in USA or India because we are world number one in this product?
- T V Chowdary:** No, we have not patented it.
- Moderator:** Thank you. The next question is from the line of NK Arora, an individual investor. Please go ahead.
- NK Arora:** My first question is when is the production of RDX likely to start and get exported?
- T V Chowdary:** First, we have received permission for trial production from PESO. We just completed trial production. And today we are approaching PESO to give us the commercial production. So it may happen in a week or 10-days time, afterwards we will start.
- NK Arora:** Secondly, there has been a large order for Pinaka Rocket launches from the government of India. So is there order for Pinaka Rocket also?



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- T V Chowdary:** Right now there is no order for Pinaka Rockets with us. Currently, Pinaka Rockets are being produced by Ordnance factory, Itarsi.
- NK Arora:** Thirdly, we were supposed to get a piece of land near SHAR by the government of Andhra Pradesh. So what is the progress on that?
- T V Chowdary:** Land is identified, surveyed it and it is marked for PEL and now it has gone to Commissioner of Industries for his comments and approval. Government has to pass through several stages and steps and approvals. So it is in the process. It has almost crossed I think 60% of the hurdles.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone. Please go ahead.
- Dixit Doshi:** Sir, it has been almost a couple of years of RSP tender. Any update over there?
- T V Chowdary:** Original RSP got cancelled. Now, new RSP has to come.
- Dixit Doshi:** Secondly sir, we have received first order for Katepally from Vikram Sarabhai for solid propellant. Once it gets continuous, I think they have good plans in terms of PSLV launches every year. So what kind of opportunity is this? And I think if I remember correctly, around 1, 1.5-years back, we had some issues with the diameter of some products. So if you can elaborate?
- T V Chowdary:** Diameter of the product? No idea. But yes, Katepally for strap on motor for PSLV, the work has already started and we have done the trial casting for VSSC and sent the samples and reports to them because again the problem here is the travel, they are not able to travel here and we are not able to travel there. So only reports are being exchanged and comments are going on. So right now the big batch, the new mixer which we installed at Katepally, the live trial batch of propellant is completed, now it is under testing and the moment they clear it, then we have to go for the casting activity of big motor. I do not know what is the issue about the diameter.
- C. Subbarao:** Maybe what I guess is at the time of setting up the plant, what size of diameter we are targeting at Katepally, that discussion might have happened in the conference call, that is in the Progen now.
- Dixit Doshi:** You mentioned that there was some delay in order execution of chaffs in place due to delay in the import of raw material. So can we expect some penalty from the client or due to the COVID we have got the extension in terms of order execution?
- T V Chowdary:** We got an extension by only three months. Further, we are trying for penalty removal if any. And they also understand, they know the problem and they are considering positively.
- C. Subbarao:** Basically force majeure clause in the order period.



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- Dixit Doshi:** And how much invested in Katepally plant?
- C. Subbarao:** About Rs.60 crores.
- Moderator:** Thank you. The next question is from the line of SA Narayanan from Capricorn Research. Please go ahead.
- SA Narayanan:** I need an understanding of the financials. I notice the salary benefits and all that go with employee benefits seems to be disproportionately high as a proportion of revenue. Just to give you a couple of numbers; it is 49.5% of revenue in Q1 FY'21; 31.4% in Q4 FY'20; 24.5% in Q1 FY'20 and 30.5% for the full last year FY'20. I mean, these numbers are so large. Normally in our results we do not see such large employee benefits, I just want to check is my understanding correct and if so, why would it be a large proportion of revenue?
- T V Chowdary:** See, the nature of commercial explosives that is detonators and all, they are manpower-intensive. But this figure includes our service contracts also where it is nothing, but major cost is the employee expenses at SHAR and as well as Chandrapur where we are operating service contracts, major expenditure is manpower only. So this figure appears big when compared to other period.
- SA Narayanan:** And you would believe this will be the norm?
- T V Chowdary:** Yes, as far as the service contract is concerned, this will be the norm.
- SA Narayanan:** What you are telling me is this is the cost whether incurred directly by the company or through contract workers. So all put together in one form or the other human resources cost, is coming to this percentage, would this be the norm, I am just validating it?
- T V Chowdary:** You got it correctly that we have service contracts at SHAR as well as Chandrapur. Service contract is whether we employ directly or through contractor. This is the cost of the manpower.
- C. Subbarao:** Like you have told in terms of the percentages, that is very much right, but if you see the absolute numbers, they are more or less same for the adjustment for the inflation; one year it maybe 48, next year it maybe 52, like that it would be there. Like earlier we have discussed, when our top line goes up, our margins improve, that is because it is absorbed in all the fixed cost, that is the major point. And like Mr. Chowdary has told ours is old or 40-years company. So historically our people are on permanent payroll compared to new entrants who came into this line of business maybe after 10-years or 15-years after we started, they started with the contract labor where more flexibility is there.



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- T V Chowdary:** This is one point, but again, 50% of our total manpower of the company is engaged in our service contracts. So whereas when we talk about the turnover of the company, percentage of manpower expenses, everything is clubbed and then compared with the revenue.
- SA Narayanan:** To continue in the same way, you are saying it is related to the top line as Mr. Subbarao said and therefore when the top line goes up, therefore have an adjacent question, what steps are we taking to step up our revenue towards a growth of 20% CAGR, how do we propose to achieve it if we got that in our plans?
- C. Subbarao:** In terms of CAGR growth on the top line, certainly, yes, it is important, but our focus mainly has been now on the defense and of course taking whatever the commercial business that will come through. Whether 20% CAGR or not, but the target would be more on the bottom line even through lesser growth in the top line.
- SA Narayanan:** I do not want to know short-term this quarter because people like us buy for five years, eight years, ten years in a company like Premier Explosives, so what would be the bottom line CAGR we can look forward to take a three to five year view, can you guide?
- C. Subbarao:** Maybe at the end of this year, we will try to do that because first quarter is not good but let us think fresh and come back.
- T V Chowdary:** Like we have mentioned about the new product line which is being added at Katepally, long list of new products, all are new, like mines, bombs, ammunition and all those, we expected this is going to bring the future revenue and also top line and bottom line. Probably by the end of the year the figures will be more clear.
- SA Narayanan:** I agree this is an exceptional year for everyone all of us put together. The fact is if you give a thought in a normative year, if we normalize it, what would you internally consider three to five year bottom CAGR?
- C. Subbarao:** We are not really ready now for that number.
- Moderator:** Thank you. The next question is from the line of Dhvani Mehta from Sanghvi Investment. Please go ahead.
- Dhwani Mehta:** Sir, as you have mentioned currently that we are operating at 30-40% utilization level, when do we expect to reach the normalcy in the business operations from now onwards?
- T V Chowdary:** In another two months time we should come back to normalcy.
- Dhwani Mehta:** Basically by the start of Q3?



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- T V Chowdary:** Yes.
- Dhwani Mehta:** Sir, I wanted to know the CAPEX plan for FY'21-22, have we planned anything?
- T V Chowdary:** Present look out is for consolidating our Katepally plant and then plan for the other CAPEX.
- C. Subbarao:** Whatever maintenance CAPEX, Rs.1-2 crores, can be there and the only big thing that would be in the pipeline would be SHAR like Mr. Chowdary has already explained, but it has still some time to think about that in terms of financial, projects and all that but first let the land allotment be completed, then we have to make plans for that.
- Dhwani Mehta:** As you mentioned, what will be the maintenance CAPEX plan for FY'21 and FY'22, if you could just quantify that?
- C. Subbarao:** Some balancing equipment that kind of thing can come, it can be Rs.2-3 crores.
- Dhwani Mehta:** Also sir, if I could get the update on the Bramhos missile like when do we expect the ToT transfer to complete?
- T V Chowdary:** It should be over by this time but because of this, it got delayed, maybe coming two months we will complete it. In fact, we are waiting for the hardware for taking up the first casting.
- Dhwani Mehta:** Also sir, can you throw some light on the BRAHMOS opportunity and size of this particular program?
- T V Chowdary:** Numbers wise, it is expected to be about 20 per annum, that is the volume indicated by the project.
- Dhwani Mehta:** And sir, adding to it, then we also have the Pralay Missile program, you also mentioned. So that will also be on similar lines?
- T V Chowdary:** Yes, Katepally will be busy with Pralay and PJ-10, that is BRAHMOS and strap-on motors for ISRO and small rockets for export.
- Moderator:** Thank you. The next question is from the line of Suhas Naik, an individual investor. Please go ahead.
- Suhas Naik:** I have a couple of questions. First is on the explosives actually or commercial mining. What is ailing that segment here because that is the one which I guess we are losing money, so can you just let us know what are the problems there actually and is there a possibility that we will overcome those problems and start making money there?

- T V Chowdary:** Like I mentioned earlier, today we are the oldest company in this business with built up of large overheads. And while saying that, there is a large competition and the margins are very-very thin, every year because in the reverse tendering process, the prices are only coming down, they are not going up. So the whole industry is suffering but we being the oldest and our suffering is more. But yes, like you have seen about the VRS scheme what we have given and then we are trying to reduce the highly paid people in this line of business and depend more on the leaner overheads and then use the experience and train manpower more towards the defense product where the margins are high. So that is one of the most important activities we have taken up now.
- Suhas Naik:** How much we are losing in this segment if I can ask?
- T V Chowdary:** Only in the previous quarters if you look at it, we are losing where the reasons are many, but otherwise in normal conditions, we are not losing.
- Suhas Naik:** So the whole issue is the amount of scale up there. Our revenue is also short, our order book is also on the Rs.55 crores there. So, are you looking at scaling up the operations or looking at controlling cost out there?
- T V Chowdary:** We can scale it up and we have that plan provided that the prices are good. But with the present prices, we have no plans of scaling up but utilize our resources and maintain.
- Suhas Naik:** Second question is in terms of the visibility because in this business defense contracts take a lot of time to come and the whole process is quite long. So you know the pipeline of tenders that we are participating in as of now. So does that give you any idea about how much likely new order intake going to be say over the next six to nine months?
- T V Chowdary:** Orders on pipeline visibility is there to almost another Rs.40, 50 crores, but the execution will come in the next financial year.
- Suhas Naik:** In this financial, how much you are likely to execute sir?
- C. Subbarao:** Let us see after second quarter is over because we will know what are the things in the pipeline ready for dispatch like that and importation of raw material schedules will be known maybe in a one month or so.
- T V Chowdary:** What was to be executed in the last quarter of previous year, now we have executed. So like uncertainties are happening because of all that.
- Moderator:** Thank you. The next question is from the line of Dr. Sunil Katri from Premier Explosives. Please go ahead.



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- Dr. Sunil Katri:** Is there any likelihood of any foreign collaboration in the aerospace industry?
- T V Chowdary:** Right now, we do not see anything sir. We are working with ISRO closely for their requirements and then we have identified vendors for all energetic components of space and all those.
- Moderator:** Thank you. The next question is from the line of Vivek Agarwal, an individual investor. Please go ahead.
- Vivek Agarwal:** My question is any revenue guidance for Q2?
- C. Subbarao:** No, we cannot disclose that way.
- Vivek Agarwal:** Or any revenue guidance for the full year, even a wide range, not a specific number?
- C. Subbarao:** No-no, because of whatever the first quarter numbers and all that, let us not commit anything now.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.
- C. Subbarao:** Thank you all the participants. Like we said earlier, we are trying our best to improve the margins top line, bottom line and that process will continue. Thanks a lot.
- T V Chowdary:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Premier Explosives Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.