"Premier Explosives Limited
Q1 FY '25 Earnings Conference Call"
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MANAGEMENT: **MR. T.V. CHOWDARY – MANAGING DIRECTOR – PREMIER EXPLOSIVES LIMITED**
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MODERATOR: **MR. VISHAL MEHTA – STELLAR INVESTOR RELATIONS ADVISORS**

Moderator: Ladies and gentlemen good day and welcome to Premier Explosives Limited Q1 FY '25 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 "*" & "0" on your touch-tone phone. Please note this call is being recorded.

I now hand the conference over to Mr. Vishal Mehta from Stellar IR Advisors Private Limited. Thank you, and over to you, sir.

Vishal Mehta: Thank you. Good evening, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited Q1 FY '25 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the first quarter ended June 30, 2024. Today, we have with us 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 shared on the company's website and exchanges.

Now I invite Mr. Chowdary to share his initial remarks on the company's performance for the first quarter of Financial Year 2025. Thank you and over to you, sir.

T.V. Chowdary: Thank you, Vishal. Good evening, everyone and thanks for joining.

Premier Explosives continues to deliver an important performance, improved performance, as mentioned in the earlier calls. As I have mentioned during the last quarter con call, if we have already reviewed the pending revenues in the last quarter from the Israeli export, this has shown an exponential jump in the revenue during the last year and also due to an emergency order from Ministry of Defense.

And going ahead, we are expected to receive new orders from the Ministry of Defense on regular intervals in a similar quantity. During the quarter 1 of financial year 2025, our revenue has grown compared to previous year, same period, which is a good growth for the company and even our operating margins have been showing a stable growth momentum.

Our current outstanding order book stands at Rs 899 Crores and translates into 3.31x of Financial Year 2024 revenue. During the quarter, some of the big orders have been executed and this will help the company to bid for bigger and better orders from Ministry of Defense as well as Indian Defense industry and foreign defense entity.

Our orders are at different stage of execution and our order execution from various entities such as Bharat Dynamics, Overseas and PSU are being repeated and processed as per schedule. Our defense orders alone are currently standing at Rs 765 Crores.

Coming on the recent updates, as you all know, the company will be doing a capex plan as your company has received the letter from The Industrial Promotion and Investment Corporation of Odisha Limited, IPICOL informing the State Level Single Window Clearance Authority through an in-principal approval for setting up defense explosives, raw materials and ammunition plant in **3 Phases** at Rayagada District with a total investment of about Rs 864 Crores.

Coming to future outlook.

Premier is the only qualified Indian company for countermeasures and the only Indian company which specializes in the exports of fully assembled rocket motors. In addition to the rocket motor, warheads -- also Premier has entered into manufacturing and exports. Premier has entered into manufacturing of mines and ammunitions as well through Atmanirbhar Bharat initiative. Indigenisation lists have been promoted by MoD and Defense Ministry for various defense products, which need to be manufactured domestically for the defense sector instead of being sourced via imports. This will also help the future growth of Premier participating in the list.

As I mentioned in conference calls, we have supplied first lot of Nipun Mines in the month of May, June 2024 and the supplies of balance orders are to be scheduled to complete the Financial Year 2024 - 2025. Premier has successfully completed the development of 40mm HEAP and HEDP ammunition for UBGL and HBGL as per the DCPP program of DRDO. Now we hope that we'll be able to participate in RFPs being generated by paramilitary forces and Indian Army. We expect the production and supplies to start in the current Financial Year, that is Financial Year ending 2025. In addition to the Board statement, the company has also started exporting RDX and HMX, Commercial Explosives Divisions are performing well and expected to continue in coming years also.

In terms of cash flow, we have generated healthy cash profit in the quarter 1 of financial year '25. Along with steady execution of run rate, coupled with inherent features of our cost structure, we expect to increase operational leverage in our business. This will lead to enhanced cash flow generation. The improved cash flows will be utilized to strengthen our balance sheet. We remain positive about the defense and aerospace industries, and we'll continue to see -- become a major participant in both the domestic and export markets in these areas.

Coming to the Defense industry. It gives me great pleasure to announce a significant milestone in India's defense sector. India's defense sector has achieved a significant milestone in self-reliance, its domestic production reaching a record of Rs 1.27 Lakh Crores in 2023 - 24, a 16.8% increase from the previous year. Over last 5 years, defense production value has risen by over 60%. The Ministry of Defense reported that public sector undertakings accounted to 79.2% of this output. Defense exports also grew surpassing Rs 21,000 Crores. This growth highlights India's commitment to becoming a leading global hub for defense manufacturing. A role being played by Premier also gives us a great pleasure and pride in exporting the defense products.

Now coming to the aerospace industry. Micro, small and medium enterprises play a pivotal role in boosting India's aerospace sector by providing essential components and services. However, the factor faces challenges such as high cost and limited access to advanced technology. Government support through policy interventions, financial assistance and infrastructure development is crucial to enhance the competitiveness of MSMEs and ensure sustainable growth in the aerospace industry. This support can help India become a global leader in aerospace manufacturing also.

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

Srihari Pakalapati: Thank you, sir. Good evening everyone. The result presentation for the quarter has been uploaded on the stock exchanges and on the company's website. I believe you may have gone through the same. The revenue from operations for Q1 FY '25 stands at Rs 83 Crores as compared to Rs 62 Crores in the same quarter last year, which shows a growth of 34% year-on-year. Our operating profit for Q1 stands at Rs 16 Crores as compared to Rs17 Crores. The operating margin for the quarter stands at 19%. We reported a net profit of Rs 7.3 Crores compared to Rs 8.2 Crores in the last year's single quarter.

Now coming to the order book. The company's current order book stands at Rs 899 Crores, out of which the Defense segment order is majority of Rs 765 Crores, which is equal to 85% of the total order book. Explosive segment stands at Rs 28 Crores and Service segment, which is Operational & Maintenance Services segment stands at Rs 107 Crores. During the quarter, the domestic order book stands at 92% and export order book is at 8% of the total order book.

The order book shows a solid and strong growth towards the previous year. We are very much content that with our continued execution, run rate in the forthcoming quarters will be continuing with the growth trajectory.

With this, we will now open the floor for questions and answers.

Moderator: Thank you very much. The first question is from the line of Niraj Mansingka from White Pine Investments Management Private Limited.

Niraj Mansingka: I just had a question on the execution of chaffs order. When do you see the scale up of the revenues from your side because the order has been received some time back, and the run rate of revenues are yet to show that scale up for the chaffs and flares?

T.V. Chowdary: Yes. The chaffs and flares order together we are dependent for deliveries on some components or imported components, which got delayed due to the Red Sea problem. This was mentioned by me in the last con call also. Now the material has come to us, and the process is going on. And the first consignment of chaffs are expected to be delivered in the month of September.

Niraj Mansingka: But sir, would there be some -- in the past, we have seen some penalties being given by the government because of the delays. So would that be applicable? Or is the penalty not applicable because of the delay...

T.V. Chowdary: That will be applicable because government has no role in this. So the delays cannot be attributed to government or anything. So we have -- once we cross that, LD will be applicable to us.

Niraj Mansingka: Okay. And what was the -- any range of the LDs that can come to us in amount or percentage?

Srihari Pakalapati: No. Actually, that depends on the delivery schedules. We are expecting the deliveries to be delayed by another 2 to 3 months. So the LDs are almost -- so as for the contract, I think there are LDs which is equal to almost 15%.

Niraj Mansingka: So it's 15% a year you are talking?

Srihari Pakalapati: 15%, yes, to the maximum LD.

Niraj Mansingka: Okay. So if it's 2 to 3 months, assuming it's 3 months, is it right to say it is around 3%, 4% or so?

Srihari Pakalapati: Sorry?

Niraj Mansingka: If it is 3 months of delay, then LD would be how much? Like it'd be around 3% range or 15% range?

T.V. Chowdary: No. Normally, the LD is about 1.4% for every week, I think by after -- I mean, after 10 weeks automatically we will be reaching almost higher slab of the trailing range.

Moderator: Thank you. The next question is from the line of Avi Agrawal from Arihant Capital Markets Limited. Please go ahead.

Avi Agrawal: Yes, I wanted to know your outlook about the order book since I can see a slight decline in the order book from March '24. So how do we see the order book going ahead? And the margins, as shown on a year-on-year comparison basis, the EBITDA margins are around 27% and right now, we are around 19%. So what's your outlook on that?

Srihari Pakalapati: So first thing is there has been some execution during the last 3 months and because of that, the order book has come down, especially in the defense side, first part. Second part, I think exactly during the quarter, there were no significant inflows. There were no significant order inflows during the particular quarter, which will not be the case in future, first thing. Second thing, the order -- I mean, our EBITDA margins are about 19% as compared to last year, it was about higher price, but it depends on the product mix basically. So it varies between 19%, 22%, 23%, 24%. So it varies, it depends on the product mix.

Avi Agrawal: So what is the guidance you would like to give for data margins going forward?

T.V. Chowdary: Like always, we give the indication, in the range of around 18% is the EBITDA. Otherwise, some quarters, it may be higher, some quarters it will be lower. So consistently, we'll have to think about that level.

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

Sarjeet Yadav: I had a question regarding the current order book. I really see the majority of the order book from chaffs and flares, and we expect it to be executed during the next few quarters. So what are the new orders we are looking at, which may fulfil the order book and maintain the guidance of each and every industry which was given in the last quarter?

T.V. Chowdary: We are participating in multiple RFPs from defense industry and other industries, and it is not a regular flow from every month-to-month basis. So definitely, we are expecting that chaffs and flares also there is RFP, which we are participating, and for other rocket motors. And also, parallelly, we are getting the export orders also. So we hope that we'll be in the range of same, Rs 800 Crores to Rs 1,000 Crores, it will be maintained.

Sarjeet Yadav: So by the end of this year, approximately same order book will remain?

T.V. Chowdary: Yes. We expect.

Moderator: Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have couple of questions. The first one is essentially going on Niraj question further on the LDs. Now since this Red Sea crises is something that is not in our control also, so won't we be contesting in this LD under force majeure clauses, or it doesn't fall under this force majeure clause at all?

T.V. Chowdary: See, these are -- the orders are accepted on emergency procurement basis, and these LDs are already factored into our pricing and costing at that time. So like we have announced earlier also, we have to execute everything in one year, then we'll be doing a turnover of Rs 800 Crores, Rs 900 Crores. But we are not -- right from the beginning, this is expected that half we'll be executing in this year and half in next financial year. That is the schedule we are following. So this LD is already factored into it and the LD cannot be waived off because this is an emergency procurement order.

Amit Dixit: Okay. That's very clear. The second question is on essentially the programs that we are seeing, particularly on the size now. As we understand that BDL has already started executing that Rs 2,700 Crores order of Astra. Akash possibly will get executed from Q1 FY '26. So what kind of orders, do we expect from these two platforms? And any other major platform that we are expecting order from in this financial year?

T.V. Chowdary: This financial year, the missile side is financially a major orders, at the year end, orders may mature but supplies will start next financial year. Brahmos is one important project where a lot of activities going on and then government is planning to export. And Akash, of course, is there. This financial year itself, we have delivered Akash very important quantity, which BDL is going to export. So in addition to that, we are expecting some contribution from MRSAM and Astra in the current financial year.

Amit Dixit: Okay. Then last one from my side is on exports. Now we have seen one of your peers and listed one of course receiving a significant number of export orders of significant quantum I would say in Q4. Now we are also into high-energy explosives and also do you also expect some kind of similar traction in export orders? And is it possible to provide the export -- more colour on export order book at this stage?

T.V. Chowdary: See presently, our export orders include the high explosives also what you mentioned.

Srihari Pakalapati: Rs 68 Crores is the export order book.

T.V. Chowdary: Yes. This current order book includes the orders for high exposures. And also because of our self-consumption, we are not able to fully cater to export business, export market, but we are expanding and enhancing our capacity in RDX and HMX that I think it will go up. Present order book is at Rs 68 Crores level for the high explosives export order book.

Amit Dixit: And just the ultimate last question. Is it possible to provide some capex guidance for business?

T.V. Chowdary: Beg your pardon, please repeat your question.

Amit Dixit: Capex guidance for this year?

T.V. Chowdary: Capex guidance.

Srihari Pakalapati: So here, there are 2 issues. One, the expansion of existing capacities which we are expecting to incur at least Rs 25 Crores to Rs 30 Crores in the next 6 months, which we are already prepared for that with the internet growth and some sort of permit. So with regard to the additional facilities at the new locations, like Odisha for that we need the capex of Rs 250 Crores to Rs 275 Crores, which will take up at a later stage once we are ready with the documentation part. So these 2 are different entirely different.

Moderator: Thank you. The next question is from the line of Ansh from Systematix Group. Please go ahead. Sorry to interrupt you, sir. May I request you to please come to the mic and speak?

Ansh: So like has the company seen any like new innovation in this quarter year and maybe growth and innovation you see foresee?

T.V. Chowdary: Current quarter innovation in terms of new products or something?

Ansh: New products.

T.V. Chowdary: We have already -- we have absorbed the DRDO technology for mines and 40mm grenade ammunition lab I mentioned in my initial note. I don't call that innovation; I call it the new products added to our list by absorbing the technology. Yes, we have observed. But in terms of business it may not reflect in this quarter or coming quarter. It will take 2, 3 quarters before it gets converted into business.

Ansh: Okay. And I was also wondering that the revenue was about Rs 829 Million like for Q1 FY '25, 34% Y-o-Y. So you project that to sort of grow like the foreseeable future revenue based on the current standing of the operations and the services?

Srihari Pakalapati: I think the growth overall year the growth in revenues will be much ahead of the -- I mean, much better than this overall years.

Ansh: Okay. And I also want to ask that -- I also heard that from one of the questions that the EBITDA margin for FY '25 is about 19%. So that's lower than last year the EBITDA margin?

Srihari Pakalapati: So this 19% is only for the Q1. So -- but it is not the guidance for the whole year. Okay, first because -- last year it was 22%. I think it varies depends on the -- I mean it depends on the product mix. A lot of other factors influence the EBITDA margin.

Ansh: Okay. I got it. One more thing. So you always said that the defense industry is like seeing the most amount of growth in terms of spike in revenue overall sales in defense industry?

Srihari Pakalapati: Yes, defence -- I mean, in line with our order book, where the issue -- you can see significant orders from the defense, which are supposed to be executed in this year and next year. So obviously the major revenue is expected to come from that defense at least in '25 and '26.

T.V. Chowdary: For us, that is for the premier.

Ansh: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Soni from Family Office. Please go ahead.

Ashish Soni: Sir, regarding these chaffs and flares was it possible to get it by aircraft that raw material or whatever import? And is there any mitigation plan for avoiding such thing in future?

T.V. Chowdary: See in flares the payload is explosive material. That has to come by sea only in containers. By air we can get but the charges will be much higher. The chaffs material, which is enough material that can come by air.

Ashish Soni: But any mitigation plan is company taking to avoid such scenario because Red Sea issue is not going away so soon, and you have still some more orders?

T.V. Chowdary: Now the Red Sea issue is over. So we got our first consignment of chaffs payload. So the assembly is going on. And we hope that in future it will not be there.

Ashish Soni: And other thing you mentioned in the opening remarks that you're getting approval from paramilitary forces and armed forces, how much of like revenue or order book that can help and from which year onwards?

T.V. Chowdary: That is about the 40mm ammunition I think you are talking about?

Ashish Soni: Yes.

T.V. Chowdary: We expect some contribution only in the next financial year.

Ashish Soni: Will it be substantial to current revenue base, or it will be like meagre amount only?

Srihari Pakalapati: It is neither meagre nor substantial. Yes, it will be -- that also will contribute probably another 10% or 15% of the turnover.

Ashish Soni: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Praveen J from Sincere Syndication. Please go ahead.

Praveen J: Sir, my first question is something on the of chaffs and flares. So we implemented -- now that the first shipment we can expect in the month of September. Sir, how would the total order broken here in terms of revenue recognition? And in which quarter going forward, we can expect a major revenue to be booked in this particular order of chaffs and flares?

Srihari Pakalapati: I think this is only my expectation because it depends on a lot of external factors but about 60% to 70% revenue is expected to account in this '24, '25 and the balance will be in the next year.

Praveen J: Right. Sir. And I have one more doubt on the capex side. So on the Odisha capex, which you are saying, which is about Rs 200 Crores, what would be the asset turnover which is expected in the particular asset which we are planning for in Odisha?

Srihari Pakalapati: It should be about 3x to 4x, sir.

Praveen J: So these were the two question from my side. Thank you for taking it.

Moderator: Thank you. The next question is from the line of Rupen P from RN Associates. Please go ahead.

Rupen P: My question it pertains for the longer term, over the next 4 to 5 years. Because you are in the process of setting up a greenfield facility at Odisha, which is the biggest capex undertaken by the company in its history, so considering that over the next 4 to 5 years, where do you see overall company in terms of size currently? Current year, you may be targeting maybe north of Rs 700 Crores, Rs 800 Crores of revenue. So going forward, over next 4 to 5 years with the kind of capex you all are going to undertake, where do you see the company in terms of, your defense capability, defense revenue, space as well as aerospace. So that's -- so just if you can share your perspectives?

T.V. Chowdary: We look at Rs 1,000 Crores turnover in the coming 5 years. That much only we can look at beyond that is difficult to predict.

Rupen P: No, sir. Because in any case current year itself is going to be much better because if you are successful in...

T.V. Chowdary: This year and next year we have targeted something like Rs 500 Crores, Rs 600 Crores. But after that maintaining, sustaining this is the important thing and we are looking at something like Rs 1,000 Crores in the coming 5 years.

Rupen P: And in terms of capabilities like say, business mix within the defense vertical like currently, missile programs that constitutes Lion's share. So going forward, what other capabilities you are developing? And how significant is that going to be in terms of overall contribution to the revenue?

Srihari Pakalapati: I think basically, you are mainly focusing on Odisha greenfield projects. So this is -- actually basically that facility, as we have explained in the earlier question that facility is expected to add Rs 500 Crores to Rs 600 Crores over a period of 3 to 4 years. You got my point?

T.V. Chowdary: And we are not in the commodity business that consistently the offtake will go on increasing, consumption will go on increasing, no. We are in the business of war machinery and war. So the consumption -- when the conflicts are there the consumption will be more. But later, when the peace is there it will be less. So we cannot say that every year, we keep on growing and expanding only. So that's why we have set a target of Rs1,000 Crores which is a reasonably achievable target. And then we should maintain consistently beyond that. That's the idea.

Rupen P: Right. And coming to space sector like say, government is encouraging and soliciting participants on private players in SSLV, that is Small Satellite Launch Vehicles. So where do we stand on that front?

T.V. Chowdary: See that is -- that needs a large capital investment of the SSLV if we have to get into it. We are the most qualified to get in but that looks -- that needs a lot of capex, and we have to look at the returns on the capex the presenting and then the predictions and all those. At this stage, commenting on that is a little difficult.

Rupen P: Okay. So would it be fair to presume that we would be participating in that opportunity as a component and subsystem or subassembly supplier?

T.V. Chowdary: Yes. We are already there. We have participated in it. It's going on.

Rupen P: Okay. So space vertical, how big can it become, over the next 4, 5 years?

T.V. Chowdary: See what we hear and all those predictions from -- in space and then NSIL and all those it's going to be very big, large. But it is expected to take 10 years. So you have to invest and then wait for the 10 years. That is the thing in it. So we are there for subsystem suppliers and all those. On our own entering is a little doubtful affair.

Rupen P: Thank you. That's it from my side and best wishes for future.

Moderator: Thank you. The next question is from the line of Prathamesh Sawant from Mirae Asset Capital Markets. Please go ahead.

Prathamesh Sawant: Sir I am new to the company so just wanted to understand of the products that we supply to defense what is the annual consumption size of the total market and like what percentage are we serving right now?

T.V. Chowdary: I don't think this can be answered by us. No.

Prathamesh Sawant: Any ballpark where we can understand what's the size of market like of the expose use or defense material that we supply to the...

T.V. Chowdary: See we depend on the -- mainly on the MOD's consumption and the consumption data and all those are not available for general usage and all those. Yes, the requirement it comes RFP-to-RFP and we supply the RFP and then we go to the next product or probably next I'll say quantity which comes. So, we cannot predict consistently this much is going to be consumed regularly every quarter or every year and then there will be all those. Yes, that's not right also.

Prathamesh Sawant: Okay. Thank you. That's it from my side.

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: Just wanted some more clarity on the plan of Odisha capex. This is a 3-phase capex and total spending of Rs 860 Crores?

T.V. Chowdary: That is in a 10-year period in 3 phases.

Niraj Mansingka: Okay. And sir when you say you in 5 years, you will be completing one phase with Rs 275 Crores or higher than that?

T.V. Chowdary: First phase we will definitely we will be completing. Second phase probably will be in the execution stage.

Niraj Mansingka: Okay. But when you said you will do -- what products would you make there and what gives the confidence that we can have resolution on that one just wanted to know that?

T.V. Chowdary: Right now, we plan to go for explosive raw materials like TNT and then others. And the next step comes is the products to TNT filling of bombs and warheads and artillery. So, these are all a long list.

Niraj Mansingka: Okay. So it is more like ammunitions and the explosives on the defense side? Am I right?

T.V. Chowdary: Yes.

Niraj Mansingka: And so, when you're saying you will have a revenue of Rs 500 Crores to Rs 600 Crores this will be that once you put up the plant you'll bid up for those projects because you have approval there are chances we will get the revenues from those projects -- those capex?

T.V. Chowdary: Yes, from the new product we are expecting to achieve our targeted Rs 1,000 Crores.

Niraj Mansingka: So then why you give -- guidance of Rs 500 Crores to Rs 600 Crores, I'm assuming that you will run full utilization after say 5 years because there's hardly any capacity in India and when you have a spending of Rs 275 Crores as least Rs 800 Crores of revenue, but you were looking at guidance that’s a Rs 500 Crores.

T.V. Chowdary: Can you please speak a little slow.

Niraj Mansingka: Okay sir I will say. You have given a guidance of Rs 500 Crores, Rs 600 Crores of revenue in that particular project Phase 1 in 4 years from now. And -- but you're spending Rs 275 Crores which is hard...

T.V. Chowdary: The Rs 500 Crores, Rs 600 Crores turnover is expected from the second phase. First phase will be Rs 200 Crores to Rs 250 Crores.

Niraj Mansingka: So total revenues after Phase 2 completion would be Rs 700 Crores, Rs 800 Crores. Is it right?

T.V. Chowdary: Yes you can take that.

Niraj Mansingka: And sir when can we expect the first phase to start?

T.V. Chowdary: As soon as the land is allotted.

Niraj Mansingka: Any thoughts on that like what is the timeline you're looking at?

T.V. Chowdary: The indication from the Odisha government is around 6 months.

Niraj Mansingka: And sir when do you see the reaching...

T.V. Chowdary: The project construction execution because it's a Greenfield project, we can expect some 1.5 years to 2 years for completion of -- execution of the project then the trial production, trial runs then the regular production another 6 months you can add.

Niraj Mansingka: Okay. And sir -- okay. But would it be similar margins or higher because generally focused defense manufacturing should get a high margin considering there's also an entry barrier of approvals, etc?

T.V. Chowdary: Yes present geopolitical conditions the demand in the -- due to demand and supply gap the raw material explosive prices are high. So margins will be definitely better at the moment, but whether future it will remain same or there will be reduction after 2 years, 3 years, we'll have to see that. But as on date the margins are good.

Niraj Mansingka: Any range you can speak about on this?

Srihari Pakalapati: So, most of these products are the new products which it is difficult for us to tell the range. We are not manifesting at all at this moment you know that.

Niraj Mansingka: Okay. Understood sir. No, I got a good color on that. Thank you very much for this.

Moderator: Thank you. The next question is from the line of Sachin Goel who's an Individual Investor. Please go ahead.

Sachin Goel: Basically, as government is opening doors for the exports and defense sector, so what are the market opportunities for our company and second thing is that is this exclusively when any of the machinery making or if any of the other company is selling the product and the export. So, there is any binding agreement on us that they have to take the raw material, or they have to take the chemicals from us only, is it something like that?

T.V. Chowdary: We don't have any such precondition or anything nothing. We are exporting directly on our own rocket motors and all those you are aware of that. Machinery and all those we have no any attachment or any binding with anybody.

Sachin Goel: Okay. So, there is no long-term contract as such that when hardware is sold, so in that case our chemical needs to be taken from us or something like that?

T.V. Chowdary: No.

Sachin Goel: And what are the possibilities sorry I joined late it might be that you have answered. For the FY '25 where are we looking on the numbers?

Srihari Pakalapati: Normally, we don't give any guidance, but I think it would be much better than what it was in '24.

Sachin Goel: Okay.

Moderator: Mr. Sachin does that answer your question?

Sachin Goel: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Kaushal Kedia who is an Individual Investor. Please go ahead.

Kaushal Kedia: Can you hear me because there's some disturbance in the line. Sir, I just wanted to know that you said that after Phase 2 the Odisha capex will yield a revenue of around Rs 700 Crores to Rs 750 Crores? Is it right?

T.V. Chowdary: Yes. Go ahead.

Kaushal Kedia: Sir, I just wanted to know that you said that after Phase 2, the Odisha capex will yield a revenue of around Rs 700 Crores to Rs 750 Crores?

T.V. Chowdary: Yes, sir.

Kaushal Kedia: Is that right?

T.V. Chowdary: Yes. Go ahead.

Kaushal Kedia: Sir, my question is that after Phase 2, the Odisha facility should yield a revenue of Rs 700 Crores after Phase 2?

T.V. Chowdary: We are expecting a total yield of Rs 1,000 Crores is what we are expecting in 5 years' time.

Kaushal Kedia: Rs 1,000 Crores at the company level or Rs 1,000 Crores at only the Odisha plant?

T.V. Chowdary: Company level. Out of that, Odisha can be anything between Rs 300 Crores to Rs 500 Crores.

Kaushal Kedia: And sir, you said internal, the current capacity to enhance that, you will be incurring your capex of around Rs 20 Crores to Rs 25 Crores?

T.V. Chowdary: Yes.

Kaushal Kedia: Okay. Sir, I believe you are being very conservative on the numbers because, obviously, it's very difficult to judge beyond 1 year, 2 years, but I believe you are being very conservative, is that right?

T.V. Chowdary: The nature of business here is that, you have to be conservative

Kaushal Kedia: Okay. Fair enough.

Moderator: Sorry to interrupt you, sir. There's a lot of background noise from your end.

Kaushal Kedia: That's it from my end. Thank you, sir.

Moderator: Thank you. The next question is from the line of Devaraju M who is an Individual Investor. Please go ahead.

Devaraju M: Do we have any estimation like this year or next year, like so much opportunities of revenue or profit growth they are expecting?

Srihari Pakalapati: Normally, we don't give any guidance. But I think we would -- I think definitely, the growth would be very good. We are expecting the good growth comparatively. But the company is normally follow the policy not to give any guidance.

Devaraju M: Okay, sir.

Moderator: Thank you. The next question is from the line of Praveen J from Sincere Syndication. Please go ahead.

Praveen J: Just a follow-up question, a question on bookkeeping. Sir, the tax rate, which we have recorded for the last 2 quarters is pretty higher north of 30%. So can you just give some light on this, sir? How is this going to be going forward?

Srihari Pakalapati: Sir, it would be in a bracket of about 22%, but keeping in view of the previous years, we were carrying for the carry-forward losses which happened in 2018, 2019 and 2020, 2021. So we are coming under MAT basically last year, but that is not going to happen from now.

Praveen J: Sir, can you please repeat, I'm not able to understand?

Srihari Pakalapati: So earlier, till last quarter, we covered under MAT. So all our carry-forward losses servicing was wiped up. Now it comes under the normal tax laws.

Praveen J: So going forward, what is the rate which we can assume?

Srihari Pakalapati: It would be about 20% to 23%, sir.

Praveen J: 20% to 23%?

Srihari Pakalapati: Yes.

Praveen J: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gupta from Fair Value Capital. Please go ahead.

Bharat Gupta: A couple of questions from my side, sir. Like in response to a previous participant question only. So can you give us a sense like in terms of the total RFQs which are floated by the Defence Ministry, like what can be the estimated size and how are we placed in that?

T.V. Chowdary: I don't think we'll be able to tell that.

Bharat Gupta: But sir, can you give us a...

T.V. Chowdary: Question is very general...

Bharat Gupta: What remains is a strike rate for us, like in terms of our bids and everything, like what generally remains is a strike rate and just a quantitative bit on the overall you can see market size in terms of the RFQs, which we generally see happening on a recurring basis?

T.V. Chowdary: We are in the ammunition and other products related to ammunition business. So these RFPs keep coming and then all the RFPs also don't mature. So I don't think

I have any figures. You have any such figures, you please -- I don't think we will be able to give that.

Bharat Gupta: Okay. And sir, with respect to like the Odisha facility. So Phase 1, you expect that after getting of the land, it will take near about 1.5 years?

T.V. Chowdary: Yes, 1.5 years to 2 years.

Bharat Gupta: Right? And any estimation like with respect to Phase 2, like it will be close to 3 to 4 years, like where we can target close to Rs 500 Crores of revenues from that particular facility?

Srihari Pakalapati: So actually, we have projected Phase 1 from between 1 to 3 years. And from fourth year, the revenue will start coming. For the Phase 2, we projected between 4 and 5 and the revenue will start coming from the sixth year. Like that, we have made the plan.

Bharat Gupta: Right. So cumulative Rs 780-odd Crores it will be the investment from our side?

Srihari Pakalapati: The first phase, which will be completed by first to third and from four year onwards the revenue will start coming because by fifth year, I think we are expecting the revenues to add by about Rs 400 Crores to Rs 500 Crores. That's what we mean to say.

Moderator: The next question is from the line of Santanu Chatterjee for Mount Intra Finance Private Limited.

Santanu Chatterjee: My question is on your export side. I want to know about the margin profile of the export orders. And what is the growth rate we are expecting for the next 3 to 4 years?

Srihari Pakalapati: So actually, what happened, our total revenue for the last year -- I mean, the export revenue compels of 26% last year, out of the total revenue. The first quarter itself, the export sales contributed 28%. So this year, we are expecting that the contribution on exports will be about 18% to 20% going forward, okay? So most of this order book will be executed in the next 9 months, and we are expecting some export orders to come.

Santanu Chatterjee: And the margin profile of the export orders?

Srihari Pakalapati: Sir, we are making the bulk product. I mean, when we take the bulk order -- I think normally, we take the margins which are more or less in line with our domestic.

Santanu Chatterjee: So there is no such dilution as far as the margin is concerned?

Srihari Pakalapati: We don't see any dilution as far as exports are concerned.

Santanu Chatterjee: Okay. And another one, sir, I want to know about the expected market size of solid propellants in India?

T.V. Chowdary: It is difficult, sir, to answer this because solid propellants are used for space as well as defense. Space consumption is much larger because space products are much bigger and all those, whereas defense...

Santanu Chatterjee: Sir, I want to get just -- sorry, sorry to interrupt you, sir. Just want to get some ballpark figure that -- what would be the actual market size over here in India?

T.V. Chowdary: If you look at the spaces and other things, I think it will -- it is expected to go up to some 1,500 tons to 2,000 tons per annum. That is all, space and defense and all those figures in the coming 3, 4 years. It is not anybody's statistics or anything.

Moderator: The next question is from the line of Sachin Goel, who is an Individual Investor. Please go ahead.

Sachin Goel: I just want to know what is the estimated order book size we are having for the year 2025?

T.V. Chowdary: It will be entered at the same level from between Rs 900 Crores to Rs 1,000 Crores. That is what we expect and plan.

Sachin Goel: Sorry, sir, not able to hear you. Can you please pardon?

T.V. Chowdary: It will be maintained in the same level that is Rs 900 Crores to Rs 1,000 Crores per annum -- it's not per annum, Rs 1,000 Crores, Rs 1,000 Crores order book. We expect to maintain that at that level, that includes defense as well as domestic market.

Sachin Goel: Okay. So for FY '25, we are having an estimated book -- order book size as of now is for Rs 900 Crores to Rs 1,000 Crores?

T.V. Chowdary: Yes.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. T.V. Chowdary, Managing Director of Premier Explosives Limited for closing comments.

T.V. Chowdary: Yes. Thank you, everybody. I think we could answer whatever you wanted, even though 100% we could not satisfy you with our answers, but we tried our best to meet the requirement and thank you very much for showing interest in our company. And also, we assure you we'll put our full effort for bringing up your company. Thank you.

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