



**Premier  
Explosives  
Limited**

ISO 9001 REGISTERED



DNV Certification B.V., The Netherlands

20<sup>th</sup> November, 2019

To,  
**The Bombay Stock Exchange Limited**  
Corporate Relationship Department  
Floor – 25, P.J.Towers, Dalal Street,  
MUMBAI – 400 001  
Scrip Code: 526247

To,  
**National Stock Exchange of India Limited**  
Listing Department,  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai-400051  
Trading Symbol: 'PREMEXPLN EQ'

Dear Sir/Madam,

**Sub: Transcript of Conference call pertaining to the Second Quarter  
ended 30<sup>th</sup> September, 2019 Results**

Please find attached the Transcript of the Conference Call hosted by, Stellar IR Advisors Private Limited, on 15<sup>th</sup> November, 2019 pertaining to, 'Premier Explosives Limited Q2 & FY20 Earnings'.

This is for your kind information and record

Thanking you,

Yours faithfully,  
For **Premier Explosives Limited**

*Vijayashree.K*

**Vijayashree.K**  
Company Secretary  
Encl:a/a





“Premier Explosives Limited Q2 FY-20 Earnings  
Conference Call”

**November 15, 2019**



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



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**Moderator:** Ladies and gentlemen good day and welcome to the Premier Explosives Limited Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Ms. Hina Agarwal. Thank you and over to you Ma’am

**Hina Agarwal:** Thank you. Good evening, everyone. I, on behalf of Stellar Investor Relations welcome you all to the Premier Explosives Limited Q2 and H1 FY20 Earnings Conference Call. To discuss the key operating and financial highlights for the quarter ended September 30, 2019. We have with us today, the senior management team of Premier Explosives Limited Mr. T.V Chowdary – Deputy Managing Director and Mr. C. Subba Rao – 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 financial performance have already been emailed to you. Now, I invite Mr. Chowdary to share his initial remarks on the Company’s performance for this quarter. Over to you Sir.

**T.V Chowdary:** Thank you Ms. Hina. And good afternoon. To begin with, I would like to take you through the industry developments particularly the defence sector which is exciting and in the phase of growth. With the government’s impetus towards encouraging the Make in India program, the demand for domestic defence players is bound to spur. Government of India is committed towards modernization of armed forces and most through indigenously developed weapon systems for self-reliance.

We are happy to share that recently Indian Air Force successfully testified beyond visual ranger air to air missile Astra during September 2019. Which is indigenously developed by DRDO. I am proud and honored to confirm that PEL is the sole supplier of solid propellant for the said missile. Currently Indian Air Force and DRDO are in talks to clear the path for bulk orders for nearly 200 indigenously developed Astra air-to-air missiles for the entire SU-30 MKI fleet over 50 units. With the clearance of this order and reaching to the production stage we trust it will benefit us with the order for production and supply of the solid propellants for the missiles.

In addition to this, the other missile that is long-range surface to air missile and medium-range surface to air missiles. Again, both the missiles where the PEL is the sole supplier of solid propellants are also now in production stage, DRDO has transferred to Bharat Dynamics Limited and we are already interacting and in the process of producing this for BDL.



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About Akash, to safeguard the high altitude boundaries recently government cleared the procurement of six squadrons of indigenous Akash air defence missile systems, worth Rs.5,000 crore. Bharat Electronics Limited has recently signed a contract with Ministry of Defence for procurement of seven squadrons. And Premier has successfully supplied more than 2000 numbers of propellants grains to Akash missile and now we are waiting for the continuation order from BEL; it is expected to be with us anytime.

And recently, government granted approval to indigenously designed, developed and manufactured third generation antitank guided missiles for which granted missile for procurement of indigenously, designed defence equipment worth over Rs. 3300 crore. Of course, our part in this is now from the new facility, we propose to take up the warhead manufacture and also propellants filling for this new ATGMs. And the other new missiles which are coming up QRSAM, NGARM and Brahmos. We are already in the phase of technology transfer for Brahmos from HEMRL and this TOT will be over in the coming six months and we will be entering the production stage for Brahmos as well.

And coming to the aerospace segment. ISRO as you are all aware, ISRO has started a commercial arm that is 'New Space India Limited' to commercialize large vehicles and other state of art technologies in global space market. And Premier is one of the most favored partners for these items. As you are aware, we have already made one PSOM Strap-On motor and which was successfully testified and in the month of September we received another order for three more Strap-On motors, which is for the flight trial, the process of making these three motors have started and we plan to complete these three in this financially year. With this PSOM Strap-On motors successful flight trial, then for us the gates will open for all the Strap-On motors production in our new facility and planned future facilities.

About the new Greenfield project that is our Katepally plant, we are happy to inform that the plant construction is completed, equipment direction and the solid propellant plant is already inspected by PESO and license has been issued by PESO for commercial operations. The trial production has already started from this solid propellant plant.

Apart from this we also propose to make HMX/RDX, warheads and mines from the same facility and these plants are also ready and we have submitted our preparedness and the completion statements to PESO, we are waiting for them to inspect and give license for operation, as soon as the licenses is received which is expected by the end of November, we can start the operations from these buildings also. Lastly I would like to say, Defence is backbone of a nation and we are proud to serve our country to strengthen in its core strength.

Commercial explosives business segment witnessed a temporary softness in activities on account of economic slowdown. We expect the growth to get back on track in near future and



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the prudent measures are being taken by government to boost the economic activity and we hope that will benefit the commercial explosives segment.

Now, I request our CFO – Mr. Subba Rao to share his financial performance.

**C. Subba Rao:**

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 all may have a chance to look at the same. Now, I will discuss the financial results very briefly:

The company's the total income for the quarter ended September 2019 standards at Rs.435.5 million. EBITDA for the quarter was at around Rs..26 million. That is a margin of 6%. The company reported profit after tax of Rs..10.6 million. About the order book as of now, the company's total order book as on September 30, stands at Rs. 3,926 million in total out of which explosive businesses Rs. 743 million, defence segment is Rs. 1,476 million and services is Rs. 1,707 million.

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

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Kirti Jain from Sundaram Mutual Funds. Please go ahead.

**Kirti Jain:**

My first question is sir; we had got that air target initiator order and other orders. Sir, when we will see those order coming into the execution phase?

**T.V Chowdary:**

They are already in execution phase, only thing is unlike the commercial explosives where every day you produce, for defence products there is an initial startup where you procure the raw materials and the stage-wise you go on producing and stage-wise you go on getting clearances from inspection agencies. So we are already in that process. When they reach the last stage only then they appear in our figures and all those. So we are already going through that.

**Kirti Jain:**

Okay. Sir, any large commercial, any large defence order we are expecting in next six months in the H2?

**T.V Chowdary:**

We have participated in several new RFPs and tenders, now, waiting for that.

**Kirti Jain:**

But nothing from these two months we have got any new orders as such?

**T.V Chowdary:**

Like I mentioned the Astra order is in pipeline which already is placed on BEL, Bharat Electronics Limited. Now BDL has to offload the propellant and other products to us. So that is expected now, anytime.



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- Kirti Jain:** Yes, how big this order can be sir 200 units initially itself?
- T.V Chowdary:** Yes, around 200 units but 200 units of each type that is booster grain, sustainer grain and all together.
- Kirti Jain:** Okay. Sir the space Strap-On motors like say what I mean. So we will be supplying the Strap-On motors within H2 sir or how is the thing sir?
- T.V Chowdary:** Yes, that is the effort even though we have time till December 2020, but we are trying to push them earliest because we have already produced one and we have that experience behind us. So with that we want to do that faster.
- Kirti Jain:** Sir when we can see the large scale operation of this Strap-On motors to us?
- T.V Chowdary:** These three numbers is the second trial order for flight trial. Once this flight trial is successful, we are hoping that there will be a bigger order because as per ISRO policy there was an announcement the Strap-On motors they want to totally offload (outsource). So before they offload, they want to be sure with all the tests and trials.
- Kirti Jain:** Okay. Sir, we have done some CAPEX in first half, how much is a pending CAPEX for the Katepally facility now pending sir?
- C. Subba Rao:** Totally it will be around Rs. 55 to Rs. 60 crore in between out of which already we reached something like Rs. 49 crore or so. So, what has already gone into is the major chunk has already gone. So remaining will be only whatever small things that are still pending, but major chunk is already over.
- Kirti Jain:** Sir with regard to defence, H1 has been muted for our defence business. Do we expect a significant improvement in H2 sir for our defence business?
- C. Subba Rao:** Yes, basically second half will see some turnovers from the flares. Like you asked about ATI and then flares will get converted into figures in the second half.
- Kirti Jain:** Okay. So full order will get executed in H2 sir or part of the order?
- C. Subba Rao:** Flares full order, ATI also may be substantial figure.
- T.V Chowdary:** ATI we will be producing almost full order, but I think part of it will go through the inspection and then will be delivered; other parts probably at the end of the year they will be in the inspection stage and clearance. And we are expecting another additional order also for ATI which is in pipeline.



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- Kirti Jain:** How material is another order sir?
- T.V Chowdary:** Quantity you mean?
- Kirti Jain:** In terms of value sir?
- T.V Chowdary:** What we have received, because what we received is from Army, Air Force quantity will be there, but it will be at the level of around one fifth of the quantity what we already have.
- Kirti Jain:** Okay. Sir going into say next financial year what are the order in the pipeline sir key orders two or three if you can tell or top three orders can you tell sir which are there in the defence pipeline for us? Astra you told one of them other than that?
- T.V Chowdary:** LRSAM, LRSAM order we have already received, but we will not be able to complete because the free issue materials have to come from BDL. So, we are expecting free issue materials will come by the end of this calendar year and our deliveries will start probably from month of February and then flow into the next financial year. Similarly, that chaffs order which is for three years period that also will flow into the next financial year. And we have some Israeli development orders those also will go into the next financial year. Development phase is over, and now we are about to enter the production phase.
- Kirti Jain:** Okay. This is like offset orders how is this order?
- T.V Chowdary:** No, how they utilize we don't know.
- Kirti Jain:** Offset order like is there a big opportunity we can get there?
- T.V Chowdary:** As far as we are concerned the orders are being placed on us based on our performance in all these years with the rockets and missiles. So, based on our association and all those they developed a confidence and given initially two numbers of motors which we have shared with our investors and now it is going to transfer some more to us. So it appears to be quite lucrative.
- Kirti Jain:** Sir in commercial explosives how do we see. I think our order book have got exhausted so do we see, when we see the new orders coming to us?
- T.V Chowdary:** One of the major contributors in commercial explosives is Coal India order. And this year it has become such a fierce fight that the prices have dropped to rock bottom and we felt matching those prices will not bring us any profits, rather it will only strain in our working capital needs. So, that Coal India part we have sacrificed that almost. So other than Coal India we are trying to get some more orders from other private industry who are the private miners who are JP and others different people located in that area. And apart from that some of the

facilities we are trying to use for other products also. We are hoping some more defence items to come into, like I mentioned about the mines and warheads and HMX and RDX plants and all those. They will come into usage and then partly they will compensate the turnover, but being products of high margin, they should support more at the bottom line.

**Kirti Jain:** Sir last year we had like Rs. 170 crore kind of business from the explosives. How we expect in the coming year any broad, how we expect should we see a significant decline this year?

**T.V Chowdary:** Yes, it will be.

**Kirti Jain:** Okay, so going into H2 the decline would be there, correct, sir?

**T.V Chowdary:** Yes.

**Kirti Jain:** Because order book is less.

**T.V Chowdary:** Again there are two type of sectors here, one is the Coal India and organized sector, second is the trade sector that is detonators and all those where predicting is not so easy. So, with this past two-three months has been very heavy, wet and rainy, the consumption has gone down at mining activity now that rains have stopped, it may pick up also we are waiting for it.

**Moderator:** Thank you very much. The next question is from the line of NK Arora an Individual Investor. Please go ahead.

**NK Arora:** Sir first question is regarding ammonium perchlorate we have 1000 ton capacity. So, we will be utilizing it here itself or do we have the possibility to export it also?

**T.V Chowdary:** First of all our installed capacity is not 1000 tons, it is 500 tons and yes, we have plans for self-consumption and domestic sale and also export.

**NK Arora:** Okay, sir. Sir we also have a license of producing HTPB. So we are putting up a plant for that also?

**T.V Chowdary:** We have plans for future as on date it is only on the drawing board. But we have plans for future. Today we have completed only ammonium perchlorate plant.

**NK Arora:** Okay, sir. Sir thirdly there was a big delegation along with the Defence Minister went to Russia, were we part of that delegation or not?

**T.V Chowdary:** We did not join that delegation.



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- NK Arora:** Next is, there is something called a Small Satellite Launch Vehicle some startup has come up in India?
- T.V Chowdary:** Yes.
- NK Arora:** Does that offer any opportunity to us?
- T.V Chowdary:** Small Satellite Launch Vehicle, some private players are into it. But ISRO itself is promoting it through NSIL. And we are very much part of that, they have already expression of interest they asked and they shortlist the people and we are very much part of that and other private agencies yes, they have interacted, we interacted with them and they are going on.
- NK Arora:** Okay. Sir we were supposed to get land near SHAR for the solid propellant plant another piece of land is there any progress on that?
- T.V Chowdary:** Yes, last year after everything was done and at the verge of getting allotted the code of election conductors has come. So, it stopped and then government has changed in Andhra. So, the new government again has taken up and we are dealing with the new government again and it is progressing. The land also what earlier we saw and what again the other land what is shown to us is bigger. So now, already survey and all those are over, now it has to shift to the next stage. We are hoping that in another two, three months, probably it will come to allotment stage.
- NK Arora:** Okay, sir. Sir there is a big defence Expo being held in February in Lucknow.
- T.V Chowdary:** Yes.
- NK Arora:** Are we participating it and any special effects?
- T.V Chowdary:** No, we may not be participating with a stall or anything but definitely will be visiting it to see what opportunities are there for us.
- Moderator:** Thank you very much. The next question is from the line of a Vivek Ganguly from Nine Rivers Capital. Please go ahead.
- Vivek Ganguly:** I have a few quick questions. One is the Katepally post capitalization what would be the gross block of the company?
- C. Subba Rao:** It could be around Rs. 55 to Rs. 60 crore.
- Vivek Ganguly:** Okay, so your gross block would be overall about Rs. 200 – Rs. 210 odd crore.
- C. Subba Rao:** Yes.



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- Vivek Ganguly:** Okay. Coming back to your order book position. So the ISRO service income it's spread over 10 years, I believe?
- T.V Chowdary:** Correct.
- Vivek Ganguly:** Right. And then you have about Rs. 148 odd crore of defence, over how many years is that to be executed?
- T.V Chowdary:** Two years.
- Vivek Ganguly:** So two years including FY20?
- T.V Chowdary:** Yes.
- Vivek Ganguly:** Okay. So then, in that case are we likely to see a significant jump in H2 in the execution of the same, you have kind of done a rather anemic 20 odd crore in the first half for the defence space. So are we likely to see a significant catch up happening there and you all going back to the numbers that historically you all have been doing in the defence space of about 60-70 crore. Yearly number of 60- 70 crore?
- C. Subba Rao:** Yes, whatever earlier we discussed flares to Chaffs and ATI so those are the major chunk of the orders on hand, like Mr. Chowdary has already explained. Most of it will be getting ready for the production but some of it will go into next financial year. So, major thing you will see in the 2021 and of course, good chunk. Compared to first half, second half should be better.
- Vivek Ganguly:** Right. And so, this order book of about Rs. 140 odd crore is it has a very small component or no component of what would be the component of this coming from the missile segment?
- T.V Chowdary:** Almost 70% will come from missile segment.
- Vivek Ganguly:** Of this 140 odd crore.
- T.V Chowdary:** Yes.
- Vivek Ganguly:** Okay so 70% odd is missile. Okay, so are these a lot of those maybe your Akash missile we believe or is it like you all have received the order but it is being held up the production of it because of some reason because of the ecosystem or is it on continuous delivery process that's where what gives you all the confidence that you all will be do executing another 50-60 crore of order in the defence space this year?



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**T.V Chowdary:** It's like this, we have executed, and also further quantities are negotiated and then decided by BDL. So, they are just in the place of formally releasing the order because they are waiting a formal release of order from Air Force. So that's why we are confidently saying we will do.

**Vivek Ganguly:** So, if I look at it 21-22 and we are coming historically where we have heard that you all are among the premier agencies in the space and the defence missile, propellant space specifically. And we were historically expecting a ramp up to happen which has for reasons beyond company's control has not happened. And the first half of Q FY20 has also been very muted as far as defence is concerned. So going forward, if I just look at 21 and 22. Are we seeing can we confidently say that we will be doing 2x-3x of the number that we have been doing now?

**T.V Chowdary:** The project indications from defence sources and DRDO and space. Yes, as per the indications yes we should be able to do. Unless there is much unforeseen factor coming in, which are they delay the things like if you remember ATI we expected them two years back, for some reason the order got delayed so such unforeseen delays we can't say but otherwise, yes.

**Vivek Ganguly:** So then going forward, as you all report Q3-Q4 numbers then we should see a very substantial addition to your defence and also through the space agency. That might happen later, but at least in the defence order book line, we should see a very substantial jump going forward?

**T.V Chowdary:** Yes.

**Moderator:** Thank you very much. The next question is from the line of Poonam Sharma an Individual Investor. Please go ahead.

**Poonam Sharma:** I just wanted to understand on our margin front it has dropped significantly while the revenue fell about 19% the EBITDA, the operating profit seems to be falling by 50% or so, is there anything specific or is it typical nature of a high fixed cost model hence the fall in operating profit is in commensurate to the fall or gain in revenue will going forward also will be like this? Is my understanding correct?

**C. Subba Rao:** Yes, you are absolutely right because whatever the wages and those are the expenses which are fixed in nature, when the top line grow, naturally the absorption will be much easier.

**Poonam Sharma:** Okay. So there's no one off or any one kind of expenditure here in as such?

**C. Subba Rao:** Not really much.

**Poonam Sharma:** Okay. Sir second question was more of a follow up you already discussed on Strap-On motors with the previous participant just wanted to understand, so you said that three orders you will be closing by this financial year end? Do we have any more orders in the pipeline and

secondly, I just wanted to understand on the margin front, margin profile these orders are better margin than the other solid propellant orders connect?

**T.V Chowdary:** Actually, prologue to the order itself says that, once this is successful they want to place 24 numbers of Strap-On motors as the next step, so it is 24. And then they want to take it to 36 and then finally 72 numbers is the requirement because every month if they are going to launch one PSLV, 6 multiplied by 12 it becomes to 72 number.

**Poonam Sharma:** Okay, understood. So we have a decent pipeline for Strap-On motors?

**T.V Chowdary:** Yes.

**Poonam Sharma:** And these are sir higher margin, as in the margin profile will improve right with these orders and different segment?

**T.V Chowdary:** Yes. Actually the one aspect in this is, entire inputs are being supplied by ISRO. All inputs are given by ISRO. They are paying us the processing cost and other cost involved.

**Poonam Sharma:** Okay. Got it got.

**T.V Chowdary:** Yes so, the numbers may not show a great jump in the turnover, but it will reflect in the margin.

**Poonam Sharma:** It will still reflect in the margins, okay understood.

**Moderator:** Thank you very much. The next question is from the line of NK Arora an Individual Investor. Please go ahead.

**NK Arora:** Sir just a follow on question very simple question as a layman. Sir what's the basic difference between a propellant, booster green and a motor?

**T.V Chowdary:** Both are same. Generally rocket motor is something which is completely finished motor that is propellant filled and both end closed and the nozzle is fitted and the green is one where the propellant is filled in the motor but nozzles and other things are not fitted but that is a general convention used in the.

**NK Arora:** And secondly, any follow up of the tender of by modular charge systems and Pinaka rockets?

**T.V Chowdary:** Pinaka Rocket is going on getting extended, the date is again extended to December. So the submission of tender itself is extended the date and about BMCS, still the technical evaluation committee is still going on. We are yet to get a this for NC trials and all those.



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**Moderator:** Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.

**C. Subba Rao:** Thank you very much. We are trying our best to compensate for the quarter the first half, which is not satisfactory but we are doing our best to improve upon that. Thank you very much.

**T.V Chowdary:** Thank you.

**Moderator:** Thank you very much. On behalf of Premier Explosives Limited that conclude this conference. Thank you for joining us, you may now disconnect your lines. Thank you.