Solar Industries India Limited Q2FY15 Results Conference Call November 11, 2014

Moderator:

Ladies and gentlemen, good day and welcome to the Solar Industries India Limited Q2FY15 Results Conference Call. As a remainder, all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * followed by 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Panpaliya – CFO Solar Industries India Limited. Thank you and over to you.

Nilesh Panpaliya:

Good evening everyone, this is Nilesh Panpaliya, CFO Solar Industries. With me I have Mr. Manish Nuwal – Executive Director, Mr. Roomie Dara Vakil – Executive Director and Mr. Pritam Batra.

I will quickly take you through the highlights of second quarter results. Our net sales has increased by 15.6% when we compare it a similar quarter previous year. The net profit has increased by 33% when you compare with a similar quarter previous year and the EBITDA has increased by almost 30.85% in Q2 FY15 as compared to Q2 FY14. The EBITDA is up by 2.38% that is from 18.05% it has moved to 20.43%. As far our sales our concerned there is an increase in cartridge sales, volume wise it is roughly 45% that is from 10,550 to 15,303. Bulk sales quantity wise, volume wise has increased by almost 18.46% and the initiative systems are down by around 11%.

When we talk about customer bifurcation in this quarter, Coal India yes again has 30% of the total sales, export and overseas are around 31% then freight and others that is infrastructure construction that is 21% and non-CRM institutions are around 18%.

When we talk about our cost breakup for this quarter, there is a slight change in the material consumed that is from 51.28% it has gone to 54.30% typically on account of change in product mix. Employee cost depreciation, interest and financial cost are all constant and there is a drop in other expenses by around 5.27% that is on account of difference in the exports which has happened in the previous quarter, in the similar quarter previous year because of that there is a difference.

Overall if we see our half yearly results will see that the sales has increased by almost 26.26%, EBITDA has moved from 17.71% to 20.41%, all other cost are practically constant, PBT is around 16% and our profit after tax is around 11.24% that is a rise of almost 44.23%, it is 71.94 crores as compared to 49.88 crores.

Then I will quickly run through the balance sheet, our short-term borrowings has come down to 231 crores compared to 272 crores when we ended the financial year. Then long-term borrowings has moved to 148 crores compared to 151 crores so the total debt has decreased, it is now 380 crores compared to 423 crores. And our total CAPEX which we have done during the half year till half year is almost 56.53 crores most of which is happening into our defense facility. So if we see our net fixed assets, they are around 606 crores, total capital employed is 1079 crores, net worth is 732 crores. So these are the few figures. When we talk about our FOREX exposure, well almost more than 50% of our FOREX exposure is hedged and the balance 50% we have our natural hedge because we have exports accordingly.

Some developments are planned, we had informed you earlier in our meetings that we are starting up with new bulk plants, so just to inform you our plant at Kothagudem has started and two of our plants at Barbil and Kota, the constructions are completed and necessary clearances has been obtained and we are expecting to start commercial production in Q4FY15. Our overseas units has been doing fairly well and there has been a significant growth

in the revenues from our overseas operation, around 34% growth is there overall. For our defense projects we received enquires for HMS from Ordnance Factory Khamaria and TBRL Chandigarh that is roughly around 13 metric tons and we are expecting this order in Q4FY15. For propellants we have participated in the limited tender floated by Ordnance Factory Chanda for supply of 500 units of Pinaka and we expect order in Q4 FY15. We had participated in the tender of Aakash and in their recently held board meeting the order has been held for validation, now this order is expected in Q1FY16 first coming up in the first quarter of next year. So this is as far defense is concerned.

Now I will just inform you no safety and HR, our company lays a lot of stress on safety and there is zero reportable injuries from any of the factories, it is almost now 8.14 millions of accident free man hour and during this quarter we have conducted a lot of training also for our supervisors and operator. Almost 816 man-hours of training for supervisors and 7369 man hours of training for operators. As far as the statutory and regulatory compliances are concerned our compliances for license pollution, labor insurance, excise, sales tax are in line. All the various share capital audit report, shareholding pattern, quarterly governance report are submitted to both stock exchanges, there are no shareholders complain. Our company website had details regarding investors and even the unpaid dividend details have been updated on the company's website. Our shareholding pattern promoter 72.91, mutual fund 14.61, public is at 3.38, FIS is 0.82, corporate is 4.64 and NRI others are 3.7.

So this is all as far as what we had to inform you regarding our quarter. Thank you so much and now we can move for the question-and-answer session.

Thank you very much sir. We will now begin the question-and-answer session. We have the

first question from the line of Nirav Vasa from Motilal Oswal. Please go ahead.

Nirav Vasa: Sir, I wanted to understand more about the revenue composition for the quarter so can you

help me with the actual revenue and actual volume that you have derived from cartridge,

bulk, detonators and detonating fuse?

Nilesh Panpalia: Yes, the total volume for cartridge is 15,303.

Nirav Vasa: Yes. And Revenues?

Moderator:

Nilesh Panpalia: Revenue is 64.26 crores. We have quantities 30,137.

Nirav Vasa: Volume is 30137?

Nilesh Panpalia: Yes. And the revenue is 110.39 crores.

Nirav Vasa: And for detonators?

Nilesh Panpalia: Detonators it is 31.64 quantity million numbers and the revenue is 31.4 crores.

Nirav Vasa: Okay. And for detonating fuse?

Nilesh Panpalia: Fuse it is 15.96 million meters, the revenue is 8.77 crores.

Nirav Vasa: Sir and can you help me with the average ammonium nitrate price for the quarter?

Nilesh Panpalia: The average ammonium nitrate price for the quarter is roughly around 24,700.

Moderator: Thank you. We have the next question from the line of Bharti Sawantfrom Mirae Asset. Please

go ahead.

Bharti Sawant: Just a small query, one question was on the other expenses front which you have explained in

the initial remarks that dropped on account of exports. But I fail to understand what is exactly

the reason that if your exports say declines on a quarter-on-quarter basis or as in how is it related to exports, your other expense how is it related to exports?

Nilesh Panpalia:

See whenever last year what has happened in the similar quarter last year that if you are aware when we had the meeting I had explained, there were some issues because of which typically the labor problem at the port because of which we were unable to export. So the entire export had come down in the second quarter, typically the expenses which are associated with export are transporting form here to the port then the shipping charges and then the navy supervision expenses. So all this when combined together they form a major cost, so that is the impact which has come down.

Bharti Sawant:

Okay. And secondly, on your raw material cost front, I mean raw material front on a YoY basis has increased from 51 to 54.3, so that is on account of mix, so it like our cartridge sales or as in on account of higher bulk volumes or on account of higher cartridge volumes, what has let to this with this or partially it is also on account of increase in the raw material prices.

Nilesh Panpalia:

No, typically quarter-on-quarter when you see, if you compare with previous quarter it is almost the same comparing the similar --

Bharti Sawant:

YoY yes.

Nilesh Panpalia:

Exports we have got higher realization compared to domestic and the freight was also, so that is the reason why this is showing a change.

Bharti Sawant:

Okay. And the last quarter that is Q2FY14 you had better realizations in exports it resided12.34 into decline in the raw material cost.

Nilesh Panpalia:

Right.

Bharti Sawant:

Okay. And third thing on the export front, what is the overall as in over last two quarters if I am seeing the average run rate we are doing roughly about 100 crores to 105 crores per quarter so how do you see this trend going forward, what sort of expenses do you have for your FY15 and 16 numbers for the exports and overseas?

Nilesh Panpalia:

Both export and overseas business has been doing pretty well. As we said there has been substantial growth and plant in Nigeria continues to run smoothly and increased sales is expected going forward. Though there are few new players coming up in Nigeria but overall the size of market is growing there rapidly. As far as Zambia is concerned, now the sales have started picking up and the revenue has also grown there. The problem which was there in Zambia regarding there was slowdown in mining activities because of falling copper prices, now that has picked up and again you will see that this year the sales even in Zambia will be substantial. And in Turkey as you are aware that our cartridge and -- 13.47 facilities have started and they are well accepted in the market. So there also we see significant revenue this year.

Bharti Sawant:

So the overseas business should continue in higher double-digit of 30% plus over next couple of years?

Nilesh Panpalia:

Yes, 25% plus.

Bharti Sawant:

25% plus. Okay and for the domestic business?

Nilesh Panpalia:

Domestic business also we are expecting around 20% to 25%.

Bharti Sawant:

Okay. And any signs of significant improvement in the second half in the domestic business?

Nilesh Panpalia:

Yes, there is definitely some improvement in the business, we have been finding now the requirement from construction infrastructure sector.

Bharti Sawant: Okay fine. So domestic business should also continue to deliver at least 15% to 20%?

Nilesh Panpalia: Basically the second quarter is the weakest quarter as we have been explaining. So from

November onwards now we have already seen activity picking up so third and fourth quarter

we will see again good revenue generation.

Bharti Sawant: As an initially largely last one and a half years would be probably largely driven from your

mining activities but now even the other sectors have started contributing.

Nilesh Panpalia: Yes.

Bharti Sawant: Okay. So we should close this year or over next two to three years you see a growth CAGR of

at least 15% to 20% in the domestic segment?

Nilesh Panpalia: 20% plus we are seeing the growth figure.

Moderator: Thank you. We have the next question from the line of Pankaj Bopre from Axis AMC. Please go

ahead.

Pankaj Bopre: Sir you talked about new bulk plant which is expected to start commercial production by

Q4FY15, I just want to know what is the current production install capacity, current production capacity and what would be that when these plants come and start production?

Nilesh Panpalia: Today we have our total deliverable capacity of around 150,000 tons of bulk explosive

production capacity when**Kothagudem16.16**will start which has already started it will add up by another 10,000 metric tons and when this bulk plant in Barbil and Kota will start they will add on the capacity by another 15,000. So total 25,000 of this bulk brand capacity we have

added up.

Pankaj Bopre: Sir you mentioned three locations Kothagudem, Barbil and?

Nilesh Panpalia: Barbil and Kota.

Pankaj Bopre: Kota, okay. And Kothagudem in AP, Barbil in Orissa and Kota in Rajasthan, right?

Nilesh Panpalia: Yes.

Pankaj Bopre: Okay. So together after means we are adding some 25,000 tons of capacity it will take to 1.75

lakh tons?

Nilesh Panpalia: That's right.

Pankaj Bopre: Okay. Sir second thing, you also talked about HMX order of 13 metric tons, so what is the

value of the same?

Nilesh Panpalia: It is roughly around 13 crores.

Pankaj Bopre: 13 crores. And when are we expecting these enquiries to be converted into orders and then

deliveries?

Nilesh Panpalia: This quarter we are expecting the order and the some quantity will be delivering in the fourth

quarter itself.

Pankaj Bopre: So in Q4 and Q1 right?

Nilesh Panpalia: In Q4 and Q1, yes.

Pankaj Bopre: Okay. And last question sir, you also talked about Pinaka and Aakash missile propellant, so

what is the status and what is the amount, what is the order in terms of both value and

volume from the same?

Nilesh Panpalia: So for propellant we are expecting around 300 units and the price is roughly around 6 lakhs

rupees per propellant so that's gives an order of almost 18 crores. And for Aakash we are getting around 600 numbers, the price is around 7 lakhs and that amounts to almost 42

crores.

Pankaj Bopre: 42 crores. Sir, are we the only one who are supplying these two?

Nilesh Panpalia: Presently Pinaka we are two, one is ourselves and second is Premier Explosives Limited. And

for Aakash presently for this order we are the only otherwise some quantities have been

supplied by this Premier and BDL.

Pankaj Bopre: Okay. So this 18 plus 42 that comes to be around 60 odd crores, sir what is the timeline when

are we expected to complete these orders?

Nilesh Panpalia: Pinaka we will complete in the next financial year and probably we are expecting some more

orders for Pinaka, HMX. And for Aakash we are expecting the order to come in the first quarter of FY16 and there it will be a two year order so we will be completing it in FY16 - FY17.

Moderator: Thank you. We have the next question from the line of Gaurav Maheshvari

from Unilazer Ventures. Please go ahead.

Gaurav Maheshvari: Yes sir, couple of questions. I just want to clarify, first of all our capacity on the bulk side is

216,000 and you are adding 25,000.

Nilesh Panpalia: That is the total license we have 217,000 out of which we had a production capacity of almost

1.50 lakhs and then we are adding the production capacity of another 25,000.

Gaurav Maheshvari: Okay, so that is the available capacity that we have to produce?

Nilesh Panpalia: Yes.

Gaurav Maheshvari: Okay. Sir my second question pertains to the defense part of it, so HMS in propellant were

expecting some sales to happen this year so that gets postponed to next year?

Nilesh Panpalia: Some sales of HMS will happen in Q4 in the month of March and for this Pinaka and this we

are expecting it next year Aakash because the orders were supposed to come this quarter but

now as per their schedule it will be coming in the next quarter.

Gaurav Maheshvari: So what do we expect...

Nilesh Panpalia: the order is now expected in the fourth quarter.

Gaurav Maheshvari: So HMS do we expect 20-15-50s what you are targeting?

Nilesh Panpalia: Yes-yes.

Gaurav Maheshvari: Okay, so 20 should happen this year or 50?

Nilesh Panpalia: 20 won't happen but somewhere around 10 metric tons we are targeting for this year.

Gaurav Maheshvari: 10 metric tons for '15, okay. And propellants so you mentioned 300 and 600 for Aakash and

Pinaka respectively so what is the timeline for that?

Nilesh Panpalia: Pinaka we are looking to supply the entire quantity next financial year and Aakash will be

done in two years' time.

Gaurav Maheshvari: And pinaca is 300?

Nilesh Panpalia: Yes, Pinaka is 300 numbers.

Gaurav Maheshvari: Okay, so Pinaka will be in 2015-16 and then it will be 2016-17?

Nilesh Panpalia: Yes, and we are expecting another order of this combined together like Pinaka and Aakash our

target is around 1000 pieces.

Gaurav Maheshvari: Okay. And HMS order is already come in or?

Nilesh Panpalia: HMS order, yes, it is finalized and it is expected in May because there is a procedure like once

is finalized it goes to the board and from there it comes, Q4 we are expecting the order.

Gaurav Maheshvari: Okay. Also on your international part of it, the 98 crores sales that we have done, can you

break it up between the exports part and the international sales? Your export in international sales is 98 crores, how much would be the exports from India and what would be balance

comprises Zambia, Nigeria, and Turkey?

Nilesh Panpalia: We have total overseas is 84.90 almost 85 crores and exports is around 13.5 crores.

Gaurav Maheshvari: Okay. And can you break this 85 into Nigeria, Turkey, and Zambia?

Nilesh Panpalia: That I don't have right now with me.

Gaurav Maheshvari: Okay. Second, if I see the domestic numbers we see your realizations have come down so

what is your thought on that?

Nilesh Panpalia: Realization and?

Gaurav Maheshvari: Realizations have come down especially on the detonator and the detonating fuse side of it.

Nilesh Panpalia: Because of less exports, that's the reason.

Gaurav Maheshvari: Okay. But it is quite sharper fall because -

Nilesh Panpalia: Because the realization in domestic and overseas market differs.

Gaurav Maheshvari: Is that a sharper difference because if you see last quarter it was around Rs.16 per unit for

detonator which has come down to Rs.10 this quarter and detonating fuse it has come down

from Rs.6 to Rs.5.5. So looks like a sharp fall or is my numbers...?

Nilesh Panpalia: For overseas sales the prices are really high because if you combine the logistics cost and the

navy supervision charges and the freight and all and the profit out there, so this amounts to

that much

Gaurav Maheshvari: Okay. But would that be like 2-2.5x of the domestic realization?

Nilesh Panpalia: Yes-yes, it is.

Moderator: Thank you. We have the next question from the line of Raj Gandhi from Principle Mutual

Fund. Please go ahead.

Raj Gandhi: Sir just one thing here, a lot of industries and all are facing issues due to Ebola in Africa, so any

impact on mining and any rub off effect on us that can come because we export a lot there?

Nilesh Panpalia: Because of that like I west Africa where there is a problem the exports have slowed, gone

down. But as far as our unit is concerned there we do not have any issues regarding this Ebola

to our employees and in the nearby area.

Raj Gandhi: Okay. But even in the areas where impact is not there as of now but we have heard there are

people who are at the downstream, the demand is impacted due to the fear of the spread of disease so it is impacting ground work happening even in areas where as of now cases are not

there. So anything like that that you are seeing?

No-no, because both our overseas operations, the revenues has been increasing and no such

thing has been reported till date and we have visited also recently our senior people and no such issues we have seen there. But yes, other than West Africa the other parts where it is

really there the exports have slowed down.

Moderator: Thank you, we have the next question from the line of Nirav Vasa from Motilal Oswal. Please

go ahead.

Nirav Vasa: I just missed the number that you had given for the Aakash Propellants. It is 600 units and

what was your fee in value terms?

Nilesh Panpaliya: It is Rs. 42 crores, Rs. 7 lakhs per unit.

Nirav Vasa: And the second question was, if I look at your other income, on consolidated basis, it stands

at Rs. 3.2 crores, and on standalone basis it is Rs. 14.7 crores. So if I deduct that, there is a loss of around Rs. 11. 5 crores at other income level on subsidiary. So any color on that please?

Nilesh Panpaliya: That is just a dividend which has been given from one subsidiary Aakash of parent company,

so that is.

Nirav Vasa: So what was the dividend amount?

Nilesh Panpaliya: Total dividend amount was around Rs. 10. 8 crores from one subsidiary and Rs. 3.96 from

another. So total is around Rs. 14 crores.

Moderator: Thank you, we have the next question from the line of Dhaval Dama from Equirus Securities.

Please go ahead.

Dhaval Dama: Just wanted to set up a couple of things, like what should be your tax rate at a console level

for the entire year because I look at last column quarter, it is around 24%?

Nilesh Panpaliya: So that is it. 24%. 27% will be our tax rate.

Dhaval Dama: This again coming back to our tapering from the domestic side or the bulk plant, we are

adding up another plant, if I am not wrong, of around 20,000 greater than that in FC. So what

is the status of that and when do we expect it to be commissioned?

Nilesh Panpaliya: See the plant has been commissioned. We are expecting sales to start from this 4th quarter.

Dhaval Dama: Another, next 12-15 months, what is the kind of capacity on new plants that we would be

putting up with our overseas academies also, any color on that?

Nilesh Panpaliya: Nothing as far as overseas is concerned.

Moderator: Thank you, we have the next question from the line of Manish Mahawar from Edelweiss.

Please go ahead.

Manish Mahawar:

I just wanted to understand, basically first on you have given a guidance of having 20%, 25%growth in our domestic front going for next 2-3 years. And export and subsidiary you are saying overseas having 25% CAGR over thenext 2-3 years. So just once I wanted to understand, with the export opportunity, how big is the export opportunity from India? And what type of a number we can do going forward actually? If you can make it out first, how is the market actually?

Manish Nuwal:

When you have asked that what kind of opportunity is available as far as exports is concerned. It is quite difficult to pinpoint or give any kind of number as of now but if you look at the last year's figure where we did almost more than Rs. 100 crores in exports and overall from India, it was around Rs. 170 crores of exports. So practically it is around 60% market share of Solar. This year like we have been discussing in this conference call that there is some impact of Ebolain Western with African countries other than Nigeria. There is some slowdown in exports towards those markets. Apart from that, in Middle East there is also all these geopolitical tensions are going on. It is also affecting exports from our country and to great extent Solar as well. In South East Asia also, in Indonesia there is a big slowdown in mining activities because of lack of demand from China and other areas, it is also affecting our exports so we believe that this is a phase of depression at the moment but it will pick up again from Q4. This year our exports definitely will not cross last year's figure.

Manish Mahawar:

And secondly on the domestic market, I think so 6 months before, I met Mr. Nilesh ji, he was talking about which is there is definitely domestic demand was picking up actually, but how is the situation in the last 3 months. Do you see any slowdown further or you are seeing a further pickup in the activities?

Manish Nuwal:

Like we all are aware that it is in Indian market, domestic market. The last 3 months where practically the monsoon period, so the demand never goes up during that market but since if we compare this quarter with the last year's quarter, say last year there was excess rains and this year this was not the same. Hence the sale was quite reasonable and we have been able to deliver good numbers. But if you see the sales in first half Coal India's production, then it has been up by almost 5%. We can see there is a demand going up in near future as well and based on those indications and market feel, we expect that on volume or value wise, we should definitely give (+20%) sales increase in this year.

Manish Mahawar:

And just last question on a margin front actually, EBITDA margin, which is right now at the level of around 19-20% we have and we used to make actually higher EBITDA margin I thinks 20-21%, earlier. What type of outlook you can give on our EBITDA margin, maybe 2 years down the line?

Nilesh Panpaliya:

19% is quite reasonable and in fact, it is a very good EBITDA margin and in near future also, when thedefense business will definitely reaches up to a reasonable level, say next financial of year or maybe '16-17. These margins will definitely go up.

Manish Mahawar:

But what type of optimal margins you see?

Nilesh Panpaliya:

We believe 18-19% is quite fair number to consider in our planning.

Manish Mahawar:

But Sir right now, I think so what is utilization level in our plants overall?

Nilesh Panpaliya:

Like cartridges, we have been reporting in the last year's balance sheet as well that our capacity is around 77,000 and utilization was around 64,000 tons. So this year, our capacity, we will 100% utilize. It will be more than 77,000 tons. As far as bulk is concerned, it depends on the mining activities during monsoon which is quite low all the time. So the capacity is around 2,16,000 tons but we believe that this year we will touch around 1,30,000 tons.

Manish Mahawar:

So basically, on a margin front what are, you see there will not be any operating leverage going forward because I think so you have seen a, your capacity is indicating to peak now this year actually.

Nilesh Panpaliya:

If you see the last year's sales, cartridges we sold only 63,000/64,000. And if we say that this year we will cross 770,000 tons so definitely the advantages will be there, of increasing in capacity utilization. Then there, if you see in the bulk side also, there will be improvement from 113,000 tons to 130,000 or 135,000. So definitely there is an improvement in capacity utilization and it will definitely help us in getting more margins but at the same time, since we have invested a big amount in defense sector and it has still not started because it is a long gestation project so that overheads and that expenses is also part of our regular expenses.

Manish Mahawar:

And Nilesh, just one confirmation actually, on a defense side, I think you said we got an inquiry for HMX for a 13 metric ton and will execute 10 metric ton this year.

Nilesh Panpaliya:

HMX side, there are basically 2 orders or inquiries which is in the process, one is from TBR and the other is from The Earnest Ordnance Factory Khamaria and the inquiry part is over, now we have already participated and we are the only party in India who can participate in those tender. So after the technical qualification is announced, which is already over, now it is only the price negotiation. So I think within a month or two months that part will be over and we will receive the orders.

Moderator:

Thank you, we have the next question from the line of Nitiksha Shah from AnvilShares. Please go ahead.

Nitiksha Shah:

I would want to know that what would be our defense revenue in FY16 and how would the scale up happen over next 2-3 years?

Nilesh Panpaliya:

We expect next year around Rs. 70 -80 crores of revenue in our side from defense market and every year it will be doubling up almost for next 2, 3 years.

Nitiksha Shah:

Doubling up in the sense like in FY17....

Nilesh Panpaliya:

Now 80-150, then 300.

Nitiksha Shah:

And what would be your defense margins in this case?

Nilesh Panpaliya:

Defense margin like in explosives Industry, what we are being performing is around 18 to 19%. In Defense side, since utilization's level will be in the beginning years, so we expect that around 20, 22% will be the standard margin in defense market.

Moderator:

Thank you, we have the next question from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda:

What is the capital invested in the defense part of the business?

Nilesh Panpaliya:

Till now it is Rs. 156 crores.

Pritesh Chheda:

And let us say, when you do the first Rs. 80 crore of business, what would be the utilization of that CAPEX?

Nilesh Panpaliya:

It will be less than 25%.

Pritesh Chheda:

And second do we have any other capacity expansion other than the bulk which is 25,000 tons which you told in the call.

Nilesh Panpaliya:

Our target is to basically, what is the situation is that since there is demands of explosives which will go on drastically in 3 years, so we want to utilize our license capacities, it is our first target. So to do that as early as possible, we are trying to expand our presence in the different market other than coal mining areas. So that is why we have decided to set up at 2 locations in this year which is Kota and Barbil and after that once these two sections will be started, we will set up at 2-3 locations in next year. So that is what we are planning in bulk market. As far as cartridge is concerned, there is always modernization is going and some capacity

debottlenecking is going on. Based on that, we believe that once our licenses which will expand, to say 1,25,000 in a year's time, our capacity will also match to that license capacity and the expansion which is going on in defense section, is still not finished and as like last year we have installed the capacity up to 2500 pieces of propellant and by this financial year '14-15, it will be 5000 pieces.

Pritesh Chheda: But that is equal to that 156 crores, right?

Nilesh Panpaliya: 156 crores, at the moment is not for 5000 pieces. In this year, there will be another 30-35

crores and then the facility will be ready for 5000 pieces.

Pritesh Chheda: Which means approximate Rs. 200 crores size investment in this year for 5000 pieces.

Nilesh Panpaliya: Yes.

Pritesh Chheda: For the CAPEX of 25,000 ton which is ongoing as a 3 location plus future CAPEX that you are

talking about taking it to license of 216, what should be a ballpark annual CAPEX run rate?

Nilesh Panpaliya: It will be less than Rs. 100 crores in this year or say around Rs. 100 crores in this financial year.

Pritesh Chheda: When we look at your revenue mix, could you highlight the user industry dependency which

should be number 1, which should be number 2?

Nilesh Panpaliya: Basically, like we have explained that at the moment, the largest revenue which is coming up

is from exports and overseas, which is 31%. And from Coal India side, it is 30%. And from the construction market, it is around 30%. And institutional market, which is basically like Hindustan Zinc, Tata Steel and Metal and other construction in mining, these are around 18%.

Pritesh Chheda: So 33 export, 30 coal?

Nilesh Panpaliya: 31 export and overseas, 30% Coal India and 21% from construction and quarryin this quarter

and other customer which is other than Coal India exports and mid53.10-section is 18%.

Pritesh Chheda: So which means that the industry which has not shown a traction is so far and incrementally

can show a much higher traction in basically construction and institution.

Nilesh Panpaliya: That is correct. We believe that there will be a good opportunity in overseas business as well.

Pritesh Chheda: And last question, what is your opinion with the industry volume growth that you have seen

over the last 3, 4 years, industry volume and value growth?

Nilesh Panpaliya: Last 2 years there was practically very minimal growth of 4-5% in volume. And in coming year,

we believe it should not be less than 8%.

Pritesh Chheda: Otherwise, it used to be 8, right?

Nilesh Panpaliya: On next financial year, we believe it will be (+8%).

Pritesh Chheda: And what is the corresponding value growth?

Nilesh Panpaliya: It will be around 3-4% more than value volume growth.

Pritesh Chheda: That is what you have also experienced in the last 2 years when the volume was 4; value was

7 which is 3%.

Nilesh Panpaliya: Volume wise it was around 4-5% and value wise it was around 9-10%.

Moderator: Thank you, we have the next guestion from the line of Prateek Poddar from ICICI Prudential.

Please go ahead.

Prateek Poddar: If I just see your debt levels, is it fair to assume this is a peakish kind of debt and from here on

debt would come down only?

Nilesh Panpaliya: Definitely we are trying on that.

Prateek Poddar: And is there an intention to be debt free?

Nilesh Panpaliya: We always intent to be debt-free but let us see how fast we reach there.

Prateek Poddar: What would be your CAPEX plans for next 2, 3 years? I am sorry, I joined them the call late so

in case....

Nilesh Panpaliya: Same around 100 crores.

Moderator: Thank you, we have the next question from the line of Pritesh Chheda from Emkay Global.

Please go ahead.

Pritesh Chheda: I said the expectation for industry value growth is about 13% incrementally and your

expectation for your company is about 20%, so what makes the forecast for higher growth for

your company?

Nilesh Panpaliya: We believe that we will definitely increase our market share, based on that we are saying that

we will definitely achieve (+20%) growth in our value wise sale. And the industry what we

expect is around 12% increase every year.

Pritesh Chheda: Any player in your opinion who is actually correspondingly losing market share or vacating

the...

Nilesh Panpaliya: Every year, every tender there is some kind of strangers in the market share but it will be part

and parcel of the long term game but we believe that our market share should definitely

touch or cross 35% in 2 years' time.

Pritesh Chheda: Which is about 25% today.

Nilesh Panpaliya: Around 28-29% in domestic market.

Moderator: Thank you, we have the next question from the line of Dewang Mehta from Canara Robeco.

Please go ahead.

Dewang Mehta: Just one question on, what would be the share of Coal India?

Nilesh Panpaliya: 27.5% on the total Coal India's requirement is met by us.

Dewang Mehta: Is there a possibility to increase this number or....

Nilesh Panpaliya: There is a possibility to increase.

Dewang Mehta: Currently, is it CAP at around 30%?

Nilesh Panpaliya: No, it is not that.

Dewang Mehta: Basically they float a tender but tender they would have...

Nilesh Panpaliya: As a participant, we can have as much on order we want.

Dewang Mehta: If I have to compare it like say maybe 2 years back, what would have been that same number

would have been?

Nilesh Panpaliya: 2 years back our share to Coal India, it has been almost around 15-16% at the resultant, 2

years back.

Dewang Mehta: So there is no binding agreement that it cannot be any particular number? There is no

contraction obligation that it is capped at any particular number, 30, 25, and 40 in a thing like

that.

Nilesh Panpaliya: No, that is not capped because if you get L1 in all the subsidiaries, you will be giving 35% of

the total requirement. But again the subsidiary wise there is a difference in the requirement.

So come together, it will increase above 35% but 2 years back it was 22%.

Moderator: Thank you, we have the next question from the line of Manish Mahawar from Edelweiss.

Please go ahead.

Manish Mahawar: On our defense project actually, you said 200 CAPEX for 5000 pieces of propellant, I think so,

and 50 metric ton of HMX right?

Nilesh Panpaliya: Yes.

Manish Mahawar: I think earlier, defense we were actually planning was I think 10,000 pieces of propellant, I

believe actually.

Nilesh Panpaliya: You are very correct. What I have said that for 5000 pieces and HMX of 50 tons, we will cover

all these things within Rs. 200 crores next year again what we will invest is around Rs. 35-50 crores in the same facility and then our capacity will reach to 10,000 pieces per annum of propellant. And HMX also, we will start expanding the capacity. Then it will be between 225 to 240 crores, total investment for making 10,000 pieces of propellant and 50 tons of HMX.

Manish Mahawar: So by the end of this year, our capacity will remain of 5000 or it becomes 10,000?

Nilesh Panpaliya: Practically, it will not affect any _____46:53 as such, whether it is 5000....

Manish Mahawar: That is right, I understood that but mainly the thing is, the 40 crores what the increment

CAPEX will do, is this year or maybe next year that is what I wanted to understand.

Nilesh Panpaliya: 5000 pieces by this financial year will require Rs. 50 crores total investment, in this financial

year.

Moderator: Thank you, we have the next question from the line of Dhaval Dama from Equirus Securities.

Please go ahead.

Dhaval Dama: I just wanted to check up, now it is a new capacity expansion that we are taking up on bulk

side, I think that by FY16 we would reach almost 90-100% of our license capacity and with government not issuing new licenses, so where do we see this changing also in the market?

Nilesh Panpaliya: Next year, we expect that our production of bulk explosives will reach around 116,000 tons

but your license is more than that. So that is no issue as such.

Dhaval Dama: And Sir, like one follow up question on the defense business, now the plan to **steel and term**,

gradually in terms of production are deserting, but do you seeing us reaching around 80%

utilization in the business in the next 5 years sometime?

Nilesh Panpaliya: 100%.

Moderator: Thank you, as there are no further questions, I now hand the floor back to Mr. Nilesh

Panpaliya, over to you Sir.

Nilesh Panpalia: Thank you everyone. I hope all your queries have been answered and if there is anything you

want to ask later on, you can get directly in touch with us. That's all as of now for the

presentation. Thank you.

Moderator: On behalf of Solar Industries India Limited that concludes this conference. Thank you for

joining us and you may now disconnect your lines.