



Safety • Quality • Reliability

February 2, 2022

To,  
The Executive Director  
Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E)  
Mumbai  
Symbol: "SOLARINDS"

To,  
The Executive Director  
Listing Department  
BSE Limited  
Floor No. 25, PJ Towers  
Dalal Street  
Mumbai: 400001  
Scrip Code: 532725

Sub: Transcription of Conference Call with reference to the Unaudited Financial Results for the quarter and nine months ended on December 31, 2021 with the Management of the Company.

Dear Sir,

In furtherance of our letter dated **January 28, 2022**, we are forwarding herewith a copy of Transcription of Conference call hosted by Nirmal Bang Institutional Equities on Monday, January 31, 2022 at 11:00 a.m. to discuss the Unaudited Financial Results for quarter and nine months ended on December 31, 2021 with the Management of the Company.

Kindly take the same on record and acknowledge.

Thanking you

Yours truly,

For Solar Industries India Limited

Khushboo Pasari  
Company Secretary &  
Compliance Officer



## Solar Industries India Limited

Regd. Office: "Solar" House, 14, Kachimet, Amravati Road, Nagpur - 440023, INDIA

☎ (+91)712-6634555/567 📠 (+91)712-6634578-579 ✉ solar@solargroup.com

CIN : L74999MH1995PLC085878 🌐 www.solargroup.com



“Solar Industries India Limited  
Q3 FY2022 Earnings Conference Call”

**January 31, 2022**



**ANALYST:**

**MR. MAYANK BHANDARI – NIRMAL BANG  
EQUITIES**

**MANAGEMENT:**

**MR. MANISH NUWAL, CEO AND MD – SOLAR  
INDUSTRIES INDIA LIMITED  
MR. SURESH MENON – EXECUTIVE DIRECTOR –  
SOLAR INDUSTRIES INDIA LIMITED  
MR. MONEESH AGARWAL – JOINT CHIEF  
FINANCIAL OFFICER - SOLAR INDUSTRIES INDIA  
LIMITED  
MRS. SHALINEE MANDHANA – JOINT CHIEF  
FINANCIAL OFFICER – SOLAR INDUSTRIES INDIA  
LIMITED**



*Solar Industries India Limited*  
*January 31, 2022*

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call Solar Industries India Limited hosted by Nirmal Bang Equities Private Limited. 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, please signal an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Bhandari, Research Analyst from Nirmal Bang Equities. Thank you and over to you Sir!

**Mayank Bhandari:** Thank you Rutuja. On behalf of Nirmal Bang Institutional Equities, I would like to welcome all the participants on the call of Solar Industries. From the management, we have Mr. Manish Nuwal, CEO and MD, Mr. Suresh Menon, Executive Director, Mr. Moneesh Agarwal, Joint CFO and Mrs. Shalinee Mandhana, Joint CFO on the call. I would like to hand over the call to Aanchal for opening comments post which we will open the floor for questions and answers. Thank you and over to you Aanchal.

**Aanchal:** Hello everyone and wish you a very happy New Year. I am Aanchal and I welcome you to earnings call of Solar Industries India Limited to discuss Q3 FY2022 earnings. Joining us today on this call is MD and CEO, Mr. Manish Nuwal, Executive Director, Mr. Suresh Menon, joint CFO, Mrs. Shalinee Mandhana, and Mr. Moneesh Agrawal. Please note that certain statements concerning about future growth prospects are forward looking statements regarding our future business expectations intended to qualify for safe harbor which involves a number of risks and uncertainties that could cause actual results to defer materially from those in such forward looking statements. Now I request, Mr. Manish Nuwal to give opening remarks on the stellar performance of the company. Over to you Sir.

**Manish Nuwal:** Thanks you Aanchal. Once again a very good morning to all the valued investors. The strong growth and meticulous execution in all the sectors has helped us to exceed quarterly revenue of Rs.1000 Crores which is up by 58% year on year and achieved highest ever quarterly profits of Rs.105 Crores up by 30% year on year. The current results gives us confidence to revise our revenue growth guidance to 50% for the financial year FY2021-FY2022 surpassing our earlier guidance of 40%. We have been able to achieve good EBITDA and PAT during the quarter despite of steep and unprecedented hike in commodity prices across our business verticals and currency volatility in our overseas subsidiary. The defense sector have started contributing to the top line along with other sectors like mining, housing and infra, exports and overseas and we expect this momentum to remain strong due to government emphasis on Atmanirbhar Bharat, Make in India, Gathi Sakthi scheme, Pradhan Mantri Awas Yojana and housing for all, which augurs well for our



*Solar Industries India Limited*  
*January 31, 2022*

industry. With our continuous focus and strategic investments in products for defense applications and new geographies, we are well placed to continue the growth momentum and maximizing the value for our stakeholders. I now hand over to Aanchal to take you through the summary of financials.

**Aanchal:**

Thank you so much Sir. I am extremely happy in presenting the numbers of another record breaking quarter where we have crossed the revenue of Rs.1000 Crores for the first time in the quarter. We grew at the fastest pace in Q3 where the revenues of Rs.1018 Crores up by 58% year on year. EBITDA stands at Rs.185 Crores up by 28% whereas PAT stands at Rs.105 Crores up by 30% year on year demonstrating the strength of our business.

Now let us quickly review the quarter in detail. Explosives, the domestic volumes in the quarter are increased by 21% that is 104717 metric tonnes compared to 86,265 metric tonnes and our realization of explosives is up by 52% that is 49,000 per tonne compared to 32,304 per tonne. At such explosive revenue was up by 84% from Rs.239 Crores to Rs.513 Crores. Revenue from initiating systems was also up by 10% that is from Rs.92 Crores to Rs.101 Crores.

Now coming to our customer breakup, revenue from CIL was up by 96% year on year from Rs.98 Crores to Rs.192 Crores. Revenue from non CIL institutional was up by 102% year on year from Rs.73 Crores to Rs.147 Crores. Revenue from housing and infra was up by 29% from Rs.166 Crores to Rs.215 Crores. Exports and overseas revenue grew by 35% year on year from Rs.280 Crores to Rs.377 Crores. Defense revenue was up by a stellar 218% year on year from Rs.23 Crores to Rs.73 Crores.

Coming to our cost pickup raw materials, the consumption year on year has increased by 4.47% from Rs.64.45 Crores to Rs.58.92 Crores as a percentage of sales. In absolute terms the cost is Rs.600 Crores against Rs.352 Crores. Employee cost has decreased by 2.59% from 9.21% to 6.62% as a percentage of sales. In absolute terms, the employee cost is Rs.67.39 Crores against Rs.59.48 Crores.

Other expanses has increased by 1.10% from 15.87% to 16.97% as a percentage of sales. In absolute terms other expense cost is around Rs.173 Crores against Rs.103 Crores. Interest, the interest cost is decreased by 0.37% from 1.69% to 1.32% as a percentage of sales. In absolute terms the interest cost is Rs.13.41 Crores against Rs.11 Crores in the top.

Coming to highlights for nine months, we registered revenue of Rs.2631 Crores, which is up by 53% year on year. EBITDA stands at Rs.503 Crores which is up by 36%. PAT is to



*Solar Industries India Limited*  
*January 31, 2022*

Rs.81 Crores which is up by 46%. Now we would be very happy to take any questions, comments and suggestions that you may have. Over to you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Good morning Sir. Sir thanks for the opportunity. Sir just couple of things. Sir just starting out with the whole capacity expansion programme for the other parts of the country as well has there been any finalization on that up till now or do you come back in the subsequent quarters? Any thoughts around that if you can just start off with that Sir?

**Manish Nuwal:** Our expansion within the country it is still in progress and will be communicated once things are materialized. It is still in progress and it got a little detailed because of COVID and it did affect us.

**Abhishek Ghosh:** The other thing is just coming to margins and please help us understand because your earlier guidance of that margins were much higher, but while the revenue growth has been much strong lead by better volumes and realization increase overall margins has been lower so how should one look at it given that raw material prices have increased so much and subsequently the realization should margins optically look lower and that is why one should estimate lower margins going forward and it is more on a per tonne basis? How should one look at it if you can just help us understand it on this aspect it will be helpful Sir?

**Shalinec:** When we started with India, we never knew that the rise in commodity prices was so steep and it is an unprecedented rise. It has been rising quarter on quarter so we always have been saying that there is always a lag because with the customers we do have the rise and fall clause but the lag is always there. Even in the current quarter the lag has been seen and coming to the year margin, we feel the margin should be around 19% to 20% and another factor which affected our margin was the currency fluctuations. As we know in Turkey during the quarter there was 47% depreciation in the currency so during the quarter we were hit by forex to the tune of Rs.37 Crores. These two factors had affected our margin and we see the margin should be around 19% to 20%.

**Abhishek Ghosh:** Madam which year are you referring to in terms of margin guidance?

**Aanchal:** Current financial year FY2021-FY2022.

**Abhishek Ghosh:** Do you expect margins to be 19%?



- shalinee:** 19% to 20%.
- Abhishek Ghosh:** Going forward how should one look at the margins profile?
- Shalinee:** As you know as quarter progresses and as we see how the raw material prices stabilize we will be able to comment in the next quarter. That should be improvement going forward.
- Abhishek Ghosh:** This Rs.47 Crores of forex impact is it sitting in the Rs.173 Crores of other expenses?
- Shalinee:** Rs.37 Crores yes correct.
- Abhishek Ghosh:** That other expenses is inflated to the extent of Rs.37 Crores because of the Turkey currency impact?
- shalinee:** Correct.
- Abhishek Ghosh:** Overall do you believe even with these raw material prices 20% base case margin on a sustainable basis is possible? There is not much change there? Is that a fair statement to make?
- shalinee:** Yes.
- Abhishek Ghosh:** Sorry I could not hear you madam so you are saying 20% margins are sustainable cases with these raw material prices is fair to assume?
- Shalinee:** Yes it is fair this current levels.
- Abhishek Ghosh:** Great and just one more thing in terms of the raw material prices that we have seen how much it has been passed on and what is the current trend on the raw material prices? Any color there would be very helpful?
- Shalinee:** As and when the price rise, we try to pass on, but we have different types of contracts with the customers. For example Coal India we have three months contract and some customers we have monthly contracts so it takes generally two to three months to pass on the prices.
- Abhishek Ghosh:** The raw material prices have now stabilized or they are still on a continuous rise?
- Shalinee:** It is on rise. It is not yet stabilized, but next quarter may be three to four months that should stabilize.



- Abhishek Ghosh:** Will the overall currency depreciation and other things should be now loss making for you?
- Shalinee:** Yes currently in this quarter we have faced the losses.
- Abhishek Ghosh:** The other thing around is that if you look at the nine month basis, your broad capex is about Rs.200 odd Crores? Your debt has increased by almost about Rs.200 odd Crores despite getting an operating cash flow of almost in excess of Rs.300 odd Crores so is it that the working capital requirement because the raw material prices moved up rapidly during if you can just give some color there because the balance sheet is not available on the nine month basis?
- Shalinee:** The main reason in increase in working capital is the rising commodity prices plus sales also have grown up by 58% during the quarter and nine months 53%, but if you see on the debt EBITDA level we are maintaining at 0.53%.
- Abhishek Ghosh:** Is it fair to assume that capex in the run rate of Rs.200 Crores to Rs.250 odd Crores and if raw materials stabilizes there will not be any further deterioration? I think will there cash generation which will happen in the company going forward around there should be helpful?
- Shalinee:** The capex should be around Rs.5300 Crores as we had getting Rs.300 Crores year on year for the next two to three months also and the prices also of raw materials in all the commodity has risen so prices and obviously capex will remain at that level and as we have been saying the policy of the company is to maintain the debt equity around 0.5 bps so that should not increase going forward.
- Abhishek Ghosh:** The question, one is early outlet is Rs.250 Crores to Rs.300 Crores capex in to where it will exactly kind of go into domestic?
- Manish Nuwal:** So the life stream of extending that our capex outlay will be in the range of Rs.250 Crores to Rs.300 Crores. This is mainly because all the items which is going for the capex, the price has gone up and it is being reflecting everywhere. That is why it will be in the range of Rs.300 Crores plus and looking at our future expansion plans in India and overseas and expanding the product portfolio of defense definitely it will remain in this range and we have been spending amount mainly for expanding the geographically expansions in Indian market defense products and expanding foot prints outside India.
- Abhishek Ghosh:** Manish just one thing in terms if you can just help us understand your thought process how are we looking at the overseas market in terms of adding more fundraise to the overall



*Solar Industries India Limited*  
*January 31, 2022*

boutique and how should one think about it? Are there still many such countries where the addressable market size of explosives are higher and now you are looking at it so if you can just give us broad strategy for the next two to three years it will be very helpful Sir?

**Manish Nuwal:**

As you are aware that our presence outside India mainly is in Turkey, Nigeria, Zambia, and South Africa and in the last one year we have added the countries like Ghana and now Tanzania plant is also operationalized so our focus is to expand our presence in nearby markets wherever we are present. Our interest is not to go outside those territories. Our expansion in Australia also is in the finishing stage and probably in the next three months we should start the operations. As far as our strategy is concerned, it has always been part of our strategy to expand our presence so that we are least impacted due to the presence in one geography and one product portfolio. That is what we have been following.

**Abhishek Ghosh:**

You will follow the cluster based approach that you typically follow one by one that is the way?

**Manish Nuwal:**

Absolutely.

**Abhishek Ghosh:**

Next question one is while you have guided for the FY2022 to be a strong year of that 50% growth any thoughts on subsequent year given the overall capacity addition of new countries and also the domestic markets? I know the raw material prices, but from a volume front would you be able to guide what should be the volume growth that one should expect over the mainly next two to three years?

**Manish Nuwal:**

In our previous quarter call we have said that in this year we are expecting a growth of 40% which has been revised to 50% and we have said that volumes should increase around 15% to 20%, but with good results or because of good demand and our focus approach in those markets where we are present. Our volume has already increased on nine month basis by 27% so definitely we have crossed what we were targeting actually and in coming years, we believe that the volume growth should be around 15% and in value terms it should not be less than 20%, but we do not know how the market will unfold, so conservatively we can expect that our revenue growth should be around 15% to 20% and we maintain that despite of strong growth in this financial year.

**Abhishek Ghosh:**

Thanks and just one last any thoughts on your defense? How are you looking at it? How are the opportunities and the niche? The most important thing is getting conversion into order book and execution just your thoughts there?





*Solar Industries India Limited*  
*January 31, 2022*

- Manish Nuwal:** If you see this quarter result also in this quarter we have already crossed the sales of Rs.70 Crores and in nine months our revenue from defense is already Rs.176 Crores and in the last quarterly call also we said that we are expecting the sales from defense product should be around Rs.250 Crores to Rs.260 Crores and based on these numbers we are confident that in this financial year, we will cross Rs.270 Crores and for the next financial year we will definitely give a guidance in Q4, but like we have already said in the previous calls that we are targeting Rs.350 Crores to Rs.400 Crores in the next financial year and we believe that it is a possible number based on current order book and the speed of conversion, which has started.
- Abhishek Ghosh:** Manish thank you so much and wishing you and your team all the best. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Shivang Joshi from Centrum PMS. Please go ahead.
- Shivang Joshi:** Good morning and congratulations on good numbers. Sir I will start with the overseas subsidiaries so as you said the Australia will be operational in the next three months from South Africa when are we expecting the operations to break even?
- Manish Nuwal:** We are expecting that in the next three months we should reach to the breakeven level at EBITDA level first and in the next financial year we are expecting that we should be out of the losses and this is due to as we have explained due to various factors and things are getting in control now. We are in a better position now.
- Shivang Joshi:** Taking that ahead actually when I try to look at your subsidiary or the geography level growth in the last three to four years from FY2018 to FY2021 we see that we have seen quite a strong growth in geographies like Nigeria, South Africa, but Zambia and some other subsidiary has not grown that well as far as revenues and PAT are concerned so what is your outlook if you could just give an idea about the existing geographies?
- Manish Nuwal:** We expect that in all the geographies wherever we have strengthened ourselves should grow at 10% to 15% because we have fairly large market share in countries like Turkey and Nigeria and in countries like Ghana, South Africa and Zambia there is a potential to increase our market share and we are trying to do that, but since we are well aware or we are aware that business dynamics are keeping changing so looking at all the parameters we believe that the growth from overseas will also be around 20% and on a group level we expect that revenue should be around 15% to 20%.



*Solar Industries India Limited*  
*January 31, 2022*

- Shivang Joshi:** Now on the new geographies specifically Australia and Tanzania, so Australia when you say what is your target market in Australia? What happens do you see your revenues going up in the medium term the next three to four years?
- Manish Nuwal:** Our first target was to setup a Greenfield project in Australia and despite of various challenges in the last two years we will be able to start that operation and once we stabilize in the next one or two years then we will be able to give a more clarity on business or countries like Australia so it will take some time.
- Shivang Joshi:** The only reason is do we expect them to be at Rs.100 Crores to Rs.150 Crores kind of market like Nigeria, Zambia, South Africa or do we expect that market to be as high as Turkey that was the sole purpose of these questions because Turkey I believe is roughly Rs.350 Crores to Rs.400 Crores market? The others are less than Rs.200 Crores at the moment?
- Manish Nuwal:** We will be able to give more clarity on this market within the next two to three quarters so we will have to wait for that much time.
- Shivang Joshi:** That is fair. Next Sir on the defense can you please give us the number of defense order book Sir?
- Manish Nuwal:** Yes. The order book from defense product is Rs.537 Crores.
- Shivang Joshi:** Currently if I am not wrong the two figures we are seeing a similar growth levels for exports and domestic of which Rs.20,000 Crores level currently exports if I am not wrong is contributing to how much to your total revenues 40% or higher?
- Manish Nuwal:** In this quarter, the share of export in overseas is 37% of our sales and we believe that it should be around 40% going forward.
- Shivang Joshi:** I am through with my question. I will get back in the queue if I need more clarity.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Thank you for the opportunity and congratulations for a great set of numbers so my question is on the initiating system? When I look at this product category, the growth has been below the growth of the others so if you could just explain on this segment and is there a correlation between the growth in the initiatives systems and other explosive business?



*Solar Industries India Limited*  
*January 31, 2022*

- Manish Nuwal:** There is no specific reason for less growth in accessory section, but because of some delay in shipments to various parts of the globe is one of the major factors and we were also trying to rationalize the inventory levels into the system so that is one of the key reasons for this otherwise I think from next quarter onwards we will see better numbers from accessories and initiating systems.
- Bhavin Vithlani:** Sir is there is a rule of thumb let us say if we sell 1 kilogram of explosives then x gram of explosives or the accessories goes or may be in the rupee value if it is a rule of thumb.
- Manish Nuwal:** As such there is no thumb rule because everybody use different level of initiating systems based on their requirements so it is difficult.
- Bhavin Vithlani:** I understand. Could you give us some color on the international side of the performance of the international subsidiaries how it has been in the nine months?
- Shalinee:** For the quarter the sales from explosives is around 37% and as Manish said that should be around 40% and the year on year growth in international subsidiary should be around 15% to 20%.
- Bhavin Vithlani:** Actually my question was individually on a nine month performance if you could share what has been the growth for the individual subsidiaries not the full numbers, but on a guidance basis just to help us cater how they are performing on nine months if you look at it on an individual subsidiary basis especially for the international operations?
- Manish Nuwal:** As a matter of our company's policy we do not give detailed bifurcation. We consider export and overseas under one basket and the trend of this one basket of export and overseas has been already indicated.
- Shalinee:** Under details, we will be there in the annual returns.
- Bhavin Vithlani:** Fair enough no problem. Just last question from my side? Indonesia if you could give us where are we? We were looking to expand within Indonesia and if you could give us some color like because we were already exporting to Indonesia so will there be some substitution and what is the level of substitution in the current revenue base?
- Manish Nuwal:** We have started setting up a small facility in Indonesia. Work is already in process and we believe that in the next six months some operations will start. Our object will be to stabilize that operation and then expand gradually.
- Bhavin Vithlani:** Thanks. Is there current exports to Indonesia that will get substituted by local facility?



- Manish Nuwal:** We are already exporting a lot of products to Indonesia and with that facility some of the products will be shipped from India to Indonesia and some other series of product we will start exporting to Indonesia so overall it will be in the interest of our company to start those operations.
- Bhavin Vithlani:** Sure Sir. Just last question from my side? As you highlighted that the capital expenditure could be in the region of Rs.250 Crores to Rs.300 Crores and we are expecting a growth of 15% to 20% on the revenue so capex as a percentage to sales will keep dropping in consequently? We will see free cash flow going up so if you could help us on the capital allocation can we expect an increased dividend payout? Your thought of keeping some debt is always good for return on equity, but is there is a thought on increasing the payout ratios?
- Manish Nuwal:** Looking at our capex plans, we are still in the growing stage and there are various opportunities in Indian markets and even international markets so as of now we have no such plan to increase the dividend payout. We would like to conserve the cash flow for our expansion and we have seen that strategy of conserving the cash, utilizing it for our strategic expansions program, it is giving better results to us.
- Bhavin Vithlani:** Appreciate it. Thank you so much for taking my questions.
- Moderator:** Thank you. The next question is from the line of Lakshminarayanan from ICICI Prudential Asset Management Company. Please go ahead.
- Lakshminarayanan:** Thank you. A couple of questions. First is that from a Q1, Q2, Q3, and Q4 basis usually how on a steady state basis how seasonal is the business?
- Manish Nuwal:** We have not understood your question. Please repeat again.
- Lakshminarayanan:** My question is that across the four quarter is that Q4 the numbers are in general lumped up so for example if you do Rs.100 Crores of turnover in a year what is the proportion of Q1, Q2, Q3, and Q4 in general and whether that is going through some change now?
- Manish Nuwal:** Normally as such the Q4 is always the best and looking at the past trend and even in this financial year also whatever results we have achieved we believe that Q4 should be better than the Q3.
- Lakshminarayanan:** Got it and your business the next three years or even five years right what percentage of business would come from current customers and what percentage of revenues you think would come from new business or from new customers? How the buildup is going to be



over the next three to five years from where we are now? Where is the growth? How will the existing customer base requirements will grow and how will the new products will grow and how will the new business from new customers would actually grow? Just a sense on the business?

**Manish Nuwal:**

If you look at our strategic investments in the last 5 to 10 years we have invested a lot in defense and international business and expanding the product portfolio in our current facilities at Nagpur so if you look at those investments and the future prospects. Definitely we see that the customer segments like exports and overseas will be one of our key components of our business and defense is picking up and we believe that it should raise to around 15% to 20% in the next three to four years times and overseas will always remain around 38% to 40% may be 1% or 2% here and there and the balance will come from the Indian market and to strengthen our market presence in India, we are expanding the geographical footprints and increasing the production facilities or capacities of initiating systems and other products. We are continuously developing various products, which are of high end technology and the company has never faced any problems due to these things so our strategy is very clear and simple and we are following that.

**Lakshminarayanan:**

In terms of the bottleneck for your growth is it the competition in India **audio break 35:10** availability or people availability, people who can go and sell the products, etc., where do you think the challenges are in that order?

**Manish Nuwal:**

Business challenges are always common for most of the businesses like getting a customer, getting raw material from the right vendor at the right price and managing the team to sustain the current businesses and expand the businesses across the globe. These are the basic challenges and we believe that we are very much comfortable to handle all these things.

**Lakshminarayanan:**

Got it because couple of years back there were challenges in raw material availability also to an extent I remember so just want to check whether those things have been addressed? That is the reason I am asking you Sir?

**Manish Nuwal:**

You have raised a very fair question. It is not a challenge. Getting the raw material continuously to our campuses and delivering the product on time to our customer is always a challenge, but if you look at our last 10 years of track record, we have fairly managed it very well and in this year and even in the previous years when most of the companies were struggling because of COVID and supply disruption like ocean freight has gone up. We were not getting the vessels. We had fairly managed our businesses and there is no any specific disruption in our system and that is why we are able to grow in this year also. Our



*Solar Industries India Limited*  
*January 31, 2022*

volume has increased by 27% and topline has increased by almost plus 53% so this reflects that there are challenges and we are managing them well.

**Lakshminarayanan:** And last question from my side is that you have been subject to currency fluctuation because it resulted in forex loss absorption this quarter and what are the steps you have taken from a corporate finance/treasury point of view to ensure that the currency fluctuations or losses are minimal because as we expand this is going to be an issue for you or a challenge to handle, so how is your hedges, I mean have you changed your hedging policy. I just want to hear your view on that.

**Manish Nuwal:** We have taken some measures like invoicing the customer in US dollar. We are billing the dollar exposure in this subsidiary and increasing capital in those places so we are playing all these things and we believe that we should bring a better solution in next financial year.

**Lakshminarayanan:** Got it thank you.

**Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Few followups. Just in terms of the competitive intensity scenario, how are you seeing the market place.

**Manish Nuwal:** Explosion market in India is always very competitive market and nothing major has happened which gives us or indicating specific thing, so competition is there and we are managing our businesses by maintaining the profitability at healthy level that is the achievement of our company and we believe that going forward with our geographical expansion in different parts, we will be in a better position and we will gain market share as well.

**Abhishek Ghosh:** And Sir your presence in the overseas market in six, seven locations are you like having dominant market shares like in some of the geographies which you have. The new geographies that you are adding are you a dominant player like market shares of 20 to 25% or are you a marginal players in those new regions.

**Manish Nuwal:** Like in Turkey we are plus 20%, it should be around 20 to 23% market share and in Nigeria we are having more than 40%. In rest of the countries we are in the range of 8 to 10% and we believe that these market shares will keep growing up.



*Solar Industries India Limited*  
*January 31, 2022*

**Abhishek Ghosh:** Just one more thing continuing from the previous participant question in terms of the sourcing of the raw material. During this high pricing scenario have you seen the unorganized guys, their sourcing has been an issue. Have you seen anything of that kind of a thing in the market place because you have the capital balance sheet and your MOUs are very different so for you to source is much easier than those guys. So any thoughts around this Sir.

**Manish Nuwal:** I believe that in last two years what we are seeing at, one was COVID and because of COVID there was supply disruption in the second phase and now in this phase we are seeing that commodity prices has gone beyond imagination so these three factors have definitely weakened smaller players, which is mainly unorganized players and this is what we have been seeing at the weaker players definitely be more weaker but our aim is to increase market share by maintaining the healthy margins, so we are following that strategy and we have been successful enough.

**Abhishek Ghosh:** And Sir two more questions in terms of the housing and the infra segment part of it, what we understand is that there is two elements one is the road part of it, second is explosives going into the housing element. Now we hear lot of demand for real estate and other things coming up is that something that you are already seeing because you are the early cycle right because at the initial stages are you seeing that kind of things happening for your explosive demand as such.

**Manish Nuwal:** Based on our observation from the market it is very clear that due to increased working capital requirement maybe all the contractors have slowed down their work and as a result demand from infrastructure is not as bullish as it was in the last year, but in housing space definitely it has increased which has balanced it so this two factors are quite visible but we believe that everything is balancing out and there is decent demand, but prices have gone up a lot which is impacting the demand in short term, but I believe that in couple of months it should be again on a growth side.

**Abhishek Ghosh:** And Sir just one last question. In terms of dissent the current gross block that you have. What is the peak revenue that you can do out of that.

**Manish Nuwal:** See gross block and all of those will be part of our balance sheet item. So I will be able to give more insight in next quarterly call.

**Abhishek Ghosh:** Can you do 1000 Crores of revenue of business given the current asset base.

**Manish Nuwal:** Absolutely we can definitely do that very comfortably.



*Solar Industries India Limited*  
*January 31, 2022*

- Abhishek Ghosh:** Okay Manish ji great. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Yes thank you for the followup opportunity. The question is on the Pinaka 11 media reports suggesting that the army has conducted the second trial in Pokhran if you could give us an update where are we on the Pinaka and when can we expect materialization of orders.
- Manish Nuwal:** I think that first is that our Pinaka Mark 1 was already qualified and our Pinaka enhance trials have been conducted successfully at Pokhran in recent past and we believe that RFA should come out soon and after that it will be cleared by the defense acquisition council. Our Pinaka guided rockets are also going to be fired soon and we believe that in couple of months they should get tried out and once those things happen we believe that RFCs will come in place and we will be able to start the production as we are a production agency for most of the Pinaka series products. As and when RFC will be floated out we will definitely share with all our valued investors.
- Bhavin Vithlani:** We can expect the RFC for the enhanced version in the next three to six months is that a fair assumption.
- Manish Nuwal:** I will not comment on that, but definitely we are expecting it to come out soon.
- Bhavin Vithlani:** I understand, defense is an uncertain sector but that was the only followup I had. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Bharat Shah from Ask Investment Managers. Please go ahead.
- Bharat Shah:** No questions really. Manish ji I just wanted to convey congratulation to you and the entire Solar team. This year there has been like a departure from the past in a positive way and I hope the tempo and strength grows from year to year just wanted to convey my good wishes.
- Manish Nuwal:** Thank you Bharat bhai, Thank you very much.
- Bharat Shah:** And just one thing. Domestic market what would be our share.
- Manish Nuwal:** It is around 24 to 25%.





*Solar Industries India Limited*  
*January 31, 2022*

- Bharat Shah:** Okay thank you Manish.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** Thanks for taking my question. The first question is on the EBITDA guidance that you gave of around 19 to 20% for the full financial year with a 50% top line growth. I mean that implies almost 22% EBITDA for the last quarter so just curious is there some visibility on the overseas location because 22% margin was last seen in Q3 FY2018 and this kind of raw material environment is anything changing at the margin to sort of have that visibility of extremely strong Q4.
- Manish Nuwal:** If you look at nine months result, it is already plus 19% and in the Q3 there was a big impact of currency fluctuation which Shalinee has already shared. If you factor in that into the results definitely we will also see that the target of 19 to 20% should not be a problem, so we are trying for that to reach to that level and we are also confident that whatever measures we have taken we should be reaching to those numbers.
- Abhijit Mitra:** My second is on the forex loss. I think we mentioned 37 Crores. There is other comparative income loss of around 26 Crores which has been reported for the quarter. Is the forex loss also included there plus other expense line items, if you can just clarify on that.
- Shalinee Mandhana:** Yes some amount is there also. Some amount of forex loss is included in OCI also.
- Abhijit Mitra:** Okay so total Forex loss is 37 Crores or one that is included in other expenses 37 Crores.
- Shalinee Mandhana:** 37 is in the profit and loss. That is included in other expenses and some part in OCI.
- Abhijit Mitra:** Third question is on the defense EBITDA. Now we have done a run rate of 72 Crores or around 70 Crores in the current quarter. Have we sort of broken even on that business for the quarter because I think the previous run rate was 65, 70 Crores around this run rate only just checking.
- Manish Nuwal:** It is difficult to give the breakeven level for defense at this stage, so once we definitely reach to around 350, 400 we will be in a better position. As of now definitely our product target was to reach to 100 Crores numbers, so fortunately after all those challenges we have already crossed 70 Crores. In next quarter we are expecting that we should cross 100 Crores, so these numbers will help us to reach to break in level numbers and that is why we have said that the EBITDA margin should be around 19 to 20% because of all these factors.



*Solar Industries India Limited*  
*January 31, 2022*

**Abhijit Mitra:** Got it. Got it. That is clear. Actually sorry to ask so many questions. If you can just highlight briefly on Skyroot Aerospace I think in May 2021 you have taken part in funding around of \$11 million which they have raised and they have been doing pretty good work. We keep on bidding, if you can sort of highlight the development that you are seeing there and the valuation of that both entities drawing and business potential that you see from there.

**Manish Nuwal:** Definitely we have invested in that company with a strategic intent that we should be part of the products which will go into the space and with that intention we have invested and we are exclusive supplier of propulsion system to them so with this strategy we have invested in them and they are doing pretty good and once their rocket is launched successfully definitely valuation goes up for those kind of company and that will also help us a lot from two factors, first from investment angle, second from continuous supply of our finished products to them, so let us see how they progress and launch the vehicles. If they do it successfully then they will definitely be the first private sector company to launch the space vehicle successfully from private side.

**Abhijit Mitra:** Right we will keep following that and last there is a suggestion, I think this overseas business is becoming really big chunk of overall revenue now, so please if possible start disclosing the volume like you do for two or three segments that would really be helpful. Thanks that is all Sir.

**Moderator:** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

**Rohan Gupta:** Hi Sir, good morning and congratulations on strong set of numbers despite current volatile environment. Sir couple of questions. First is on the customer acceptance of this higher prices, now we see that explosive prices has almost gone up from almost 30,000 to 50,000 rupees per ton in the current quarter. As you mentioned that the prices are still on rise mainly driven by the input cost increase. How has been the customer acceptance? Are you seeing that there can be probability of down grade in the input prices or they can move to some other material as far as the mining materials as concerned.

**Manish Nuwal:** Definitely there is a big reluctance within the customer fraternity to accept this higher numbers, but we have been able to convince them that these prices are because of various international factors and those are impacting the demand from those customers, but if you look at the supply related constraints then definitely the availability of raw material is not pretty good at this stage so demand is there, but prices are dampening the demand but we are able to maintain our market presence across the geographies.



**Rohan Gupta:**

Sir do you see that you have been able to maintain the market share or it has gone up because despite the input cost increase and sharp rises in pricing, you have still managed almost 27% kind of volume growth in last nine months that is pretty decent and I am sure that the industry would not have grown in that pace. We had gained market share and also on the contrary that despite such a sharp price increase, the volume growth has been pretty solid so what has been the contributing factor for this volume growth. My second question is a continuation of my first question that despite such a price increase we have been able to probably gain market share with a 27% volume growth, which even exceed your earlier expectation of 15% to 20% volume growth guidance, so are we gaining market share and is this gain of market share is coming on the cost of that lower imports or other suppliers, local suppliers are not able to meet the demand from the customers from where this market share gain is coming or the industry itself is growing at such a high pace.

**Manish Nuwal:**

So like we have already shared that the COVID is there, then supply disruption was there and now because of very high commodity prices lot of people are facing the financial challenges because from working capital side so these factors are definitely eroding the competitiveness of the smaller players and as a result of which our supply is not definitely little more than what we have expected and definitely with this 27% volume rise one factor was that in the last year there was COVID and that had also reduced the last year demand. If we eliminate that factor then growth should be around 20% and which is more than 15% of our target so we have increased our little bit of market share and as a result of which we believe the 27% growth is there in the numbers.

**Rohan Gupta:**

Sir do you also see that better set a high base for current year and probably for next year there should be some tapering in volume growth number or you still think that 15 to 20% growth on a 27% kind of growth based in current year is possible.

**Manish Nuwal:**

Rohan like we have said that we are increasing the geographical foot prints in India and based on that plus based on our aggressive marketing strategy, we believe that 15% volume growth should be a reality.

**Rohan Gupta:**

And Sir just last question from my side. Sir on accessory market we have seen roughly nine months close to 30% growth. I understand it will be function of both volume as well as pricing. Have the price increase in accessories has not been in line or has not been pretty aggressive that what has been in basically explosive market because it is only 30% increase which should be the function of both price and volume or there is not any significant price increase in the accessory market.



*Solar Industries India Limited*  
*January 31, 2022*

- Manish Nuwal:** It is very clear that in explosives the raw material percentage is always very high and in initiating systems the raw material percent is always very low and few factor in the commodity price rise in both the sides, it is practically similar in both the sections but the impact is always less that is why you must be saying that in nine months explosive value has increased by 70% and initiating system has increased by 30% so the rise is practically high and we do not believe that any other factor in that.
- Rohan Gupta:** So this 30% if I look at that it is primarily like I believe Sir explosives and accessories goes in hand in hand so probably 27% volume growth in explosive would have led to similar kind of growth in accessories or even generally we have seen accessories going higher than explosive so it is all the 30% growth in nine months is all driven by volume or an absolute no price increase.
- Manish Nuwal:** I have already answered this question to Mr. Bhavin of SBI and the reason was that there was a rationalization of inventory in our overseas subsidiaries and Indian market to our various channel partners and that is why we have reduced the quantity sale and it will get normalize in next quarter.
- Rohan Gupta:** That is all from my side. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today I would now like to hand the conference over to Mr. Mayank Bhandari for closing comments.
- Manish Mahawar:** Thanks Rituja. On behalf of Nirmal Bang Institutional Equities, I would like to thank the team of Solar Industries for providing us an opportunity to host the call. If there is any closing comment from the management you will take it up?
- Aanchal:** Thank you so much to everyone for participating in Solar conference call and we expect to bring you more such quarter performances in the next quarter too. Thank you so much.
- Moderator:** Thank you. On behalf of Nirmal Bang Institutional Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.