



Safety • Quality • Reliability

May 6, 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 Audited Financial Results for the quarter and year ended March 31, 2022 and earnings for the FY 2021-22 with the management of the Company.

Dear Sir,

Further to our letter dated April 30, 2022 we are forwarding herewith a copy of Transcription of Conference call hosted by Antique Stock Broking Limited on **Wednesday, May 04, 2022 at 11:00 a.m.** to discuss the Audited Financial Results of the Company for the quarter and year ended March 31, 2022 and earnings for the FY 2021-22 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)712-2500200-201 ✉ solar@solargroup.com

CIN : L74999MH1995PLC085878 🌐 www.solargroup.com



“Solar Industries India Limited
Q4 FY2022 Earnings Conference Call”

May 04, 2022



ANALYST: MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING

MANAGEMENT: MR. MANISH NUWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - SOLAR INDUSTRIES INDIA LIMITED

MR. SURESH MENON – EXECUTIVE DIRECTOR - SOLAR INDUSTRIES INDIA LIMITED

MR. MONEESH AGRAWAL - JOINT CHIEF FINANCIAL OFFICER - SOLAR INDUSTRIES INDIA LIMITED

MS. SHALINEE MANDHANA - JOINT CHIEF FINANCIAL OFFICER - SOLAR INDUSTRIES INDIA LIMITED

MS. AANCHAL KEWLANI– INVESTOR RELATIONS - SOLAR INDUSTRIES INDIA LIMITED



Solar Industries India Limited
May 04, 2022

Moderator: Ladies and gentlemen, good day and welcome to Solar Industries India Limited Q4 FY2022 earnings conference call hosted by Antique Stock Broking. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you Sir!

Manish Mahawar: Thank you Aman. On behalf of Antique Stock Broking I would like to welcome all the participants on the call of Solar Industries. From the management, we have Mr. Manish Nuwal, Managing Director and CEO; Mr. Suresh Menon, Executive Director, Mr. Moneesh Agrawal, Joint CFO, and Ms. Shalinee Mandhana, Joint CFO on the call. Without further ado, I would like to handover the call to Mr. Nuwal for opening remarks. Post which, we will open the floor for Q&A. Thank you and over to you ManishJi!

Aanchal: Thank you Manish. A very good morning to our dear stakeholders and well wishers. Welcome to yet another conference call of Solar Industries India Limited. My name is Aanchal and I would like to welcome you all to the fourth and final investor conference call for the year FY2021-2022. To begin with I would like to remind you that during this call we might make projections or other forward-looking statements regarding future events about the future financial performance. Please remember that such statements are only predictions, actual events or results may differ materially and our website will be updated with all the relevant information timely. Now I would request Solar’s MD & CEO, Mr. Manish Nuwal for his opening remarks. Over to you Sir!

Manish Nuwal: A very good morning to all of you. We are pleased to announce that our company has achieved a healthy revenue growth of 57% with profits increasing by 58% for the year despite of supply chain and geopolitical disturbances. The best ever results in the history of our company reflect an all around performances across sectors and geographies wherever we are operating. We are all set to enter FY2023 with continued focus on execution of our key priorities and strategic investment to increase the product portfolio and market presence. We are targeting a business growth of 30% plus in FY2023 despite the endless headwinds we may face as a part of the global economy. Our optimism is based on expected growth from all the operating sectors like mining, housing and infra, defence and other overseas business. With the Government of India’s substantial increase in allocation and policy support for housing, roads, railways and different sectors we will see a very good opportunity for sustained growth in our businesses. Based on healthy performance our



Solar Industries India Limited
May 04, 2022

company has proposed a dividend of Rs.7.5 per share from the current year as compared to Rs.6 per share in the previous year. Now I will hand over the call to Aanchal to take you through the financials. Thank you.

Aanchal:

Thank you Sir. It gives me immense pleasure to brief you the financials of back-to-back highest quarters in FY2021-2022. A positive momentum in all sectors where we operate has made a strong foundation for sustainable growth in future also. Key highlights for the fourth quarter are the consolidated revenue is up by 66% that is 1317 Crores versus Rs.791 Crores, explosives revenue is up by 89% that is 788 Crores versus 418 Crores, our explosives volume has increased by 11% that is 119536 metric tons versus 107336 metric tons, realization of explosives had increased by 69% that is 65948 Crores versus 38922 Crores. Coal India as a percentage has initiating systems revenue increased by 5% that is 117 Crores versus 111 Crores. Coal India as a percentage of revenue stands at 20% as compared to 18% whereas revenue has increased by 89% year-on-year to 262 Crores from 139 Crores. Non-CIL institutions are up 122% which is 198 Crores versus 89 Crores. Housing and infra the revenue was up 58% to 385 Crores from 244 Crores. The exports and overseas revenue showed an increase of 34% year-on-year to 389 Crores versus 291 Crores. Defense revenue is up by massive 270% in the quarter to Rs.72 Crores from 20 Crores.

Coming to the cost breakup, raw material consumption increased by 87% from 437 Crores to 816 Crores, employee cost has increased by 34% year-on-year from 66 to 89 Crores, other expenses has increased by 20% from 124 to 149 Crores. EBITDA, we reported an EBITDA of 264 Crores against 167 Crores in the previous quarter. Interest and finance charges cost is up by 41% from 10.48 Crores to 14.78 Crores. Depreciation has increased by 32% from 23 Crores to 30 increases. PBT increased by 64% from 134 Crores to 219 Crores. PAT increased by 84% from 95 Crores to 175 Crores. These were the small updates for the quarter.

Let me take you through the yearly financials now. The revenue for the year is up by 57% year-on-year from 2516 Crores to 3948 Crores. Domestic explosives quantity is up by 22% from 333082 metric tons to 406372 metric tons, realization of domestic explosives increased by 45% that is from 34798 to 50417 per ton, revenue from domestic explosives increased by 77% from 1159 Crores to 2049 Crores. Initiating systems revenue increased by 23% year-on-year from 325 Crores to 398 Crores. Coal India as a percentage of basket is almost at the same level that is contributing around 18% of the sales from 17% in the previous year. It has grown by 69% year-on-year contributing to 715 Crores. Non-CIL institutions have grown by 103% and stands at 537 Crores. H&I have grown by 54% year-



Solar Industries India Limited
May 04, 2022

on-year and stands at 972 Crores. Exports and overseas showed an increase of 37% stands at 1435 Crores. Defense has shown a rise of 21% and stands at 249 Crores.

Coming to the point breakup. Raw materials, the material cost is up by 73% year-on-year from 1347 Crores to 2327 Crores. Employee cost has increased by 26% from 231 to 290 Crores. Other expenses have gone up 38% from 424 Crores to 583. EBITDA is increased by 43% from 536 Crores to 767 Crores. Interest and finance has increased by 11% from 45 Crores to 50 Crores. Depreciation has increased by 17% from 94 to 109 Crores. We recorded a PBT of 607 Crores compared to 397 Crores which is an increase of 53%. We recorded a PAT of 455 Crores compared to 288 Crores which is an increase of 58%. This is all from our side. Now we will be happy to take any questions, comments or suggestions that you may have. Over to you!

Moderator: Thank you very much. The first question is from the line of Sujit Jain from ASK Investment Managers. Please go ahead.

Sujit Jain: ManishJi our compliments on a very good set of numbers. If you can split your 30% guidance into estimated volume and pricing growth for FY2023?

Manish Nuwal: The 30% annual growth guidance what we have given is based on the situation in our housing and infra, Coal India markets Singareni and exports and overseas and this year we are also likely to increase defence very substantially. Based on the growth in various sectors we have given a guidance of 30% on overall business.

Sujit Jain: Is it safe to understand that close to about 15% odd to 20% could come from pricing?

Manish Nuwal: Yes that is what we have maintained, in the annual conference also that we are likely to increase our volume by 15% on annualized basis for next couple of years. For FY2023 also we maintain the same stand that we are targeting a volume growth of around 15% and we are expecting that around 15% will be a price rise which can be based on average price of the whole year.

Sujit Jain: In overseas despite FY2022 sales there is 37% value growth if one looks at the realization increase that you report for explosives domestically which was of 44% how does one read into this number, does it mean that there has been substantial currency translation which has led to this little dilution to 37% growth and so volumes were robust or volumes were kind of muted in overseas business?



Solar Industries India Limited
May 04, 2022

Manish Nuwal: As far as overseas market is concerned our volume has increased by around 10% and the balance came from the price increase. In overseas market the price increase of our raw materials is not as significant as it has increased in the Indian market, so gradually prices are increasing and we are increasing our prices in the overseas market as well. As far as translation loss is concerned in this year the translation loss is around 180 Crores.

Sujit Jain: In terms of our hedging policy how much of sales we had typically?

Manish Nuwal: As far as our policy is concerned we are completely busy in the imports whatever we are doing and on exports side we are keeping it open and as far as various subsidiaries are concerned we are trying to hedge as much as possible and it is as per our hedging policy, forex policy.

Sujit Jain: I am saying ZMotion Autonomous Systems Private Limited in which we have acquired 45% stake there are media reports that we have successfully tested the loitering munitions in which you are working in tandem with ZMotion how does this partnership work in future to get the contract from defense forces in loitering munitions, etc.?

Manish Nuwal: Like we have already shared that this company ZMotion has an expertise in the domain of making unarmed aerial systems and Solar has an expertise to produce or weaponize those UAVs so it is a strategic investment and that is going to strengthen our initiative to introduce all those weaponize UAV systems and that is for offensive and counter the whole system as well, so I believe our strategic investment in ZMotion is going to strengthen our portfolios for this sector.

Sujit Jain: Thank you.

Moderator: Thank you. We have the next question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Hi ManishJi, congratulations to you and the entire Solar team. In my 20 years of observing Solar business, I am sure we will agree this probably is the most defining year in terms of outcome. ManishJi, if we look at that every single business is fired, whether we look at our coal business or B2B or infra business or even the defence and of course the international, in all of these it is easy to get particularly satisfied because every single business is fired and every single business has delivered a remarkable kind of numbers, seeing all of these great positivity what are the things that work or what are the things that you see as potential trading things which are not visible in numbers?



Solar Industries India Limited
May 04, 2022

Manish Nuwal:

The only challenge which everybody is facing at the moment is sourcing raw materials on time and at better prices because what is happening that whatever price rise has happened in the last one year or specifically in the last six months it is mind boggling and no one has expected the price will rise to this extent and as a result we are also facing lots of challenges in increasing our prices. The raw material price of ammonium nitrate has increased by almost 79% in the previous year and we are unable to increase the same prices to our customers, but we are taking up the issues with Coal India and Singareni and hopefully in a couple of months we will be able to raise our prices to the tune of increasing raw material, so this is our biggest challenge at the moment to source raw materials and continue our supply chain and passing on the impact of AN to our customers, so this is our biggest challenge as far as our current business is concerned. As far as defence is concerned over the last couple of years we have already passed through the initial turbulences and challenges, we are at the moment in a better position and we believe that all those initial challenges are not there for us at this stage. As far as overseas subsidiaries or overseas businesses are concerned we have started doing much, much better than the previous year and in FY2023 we are going to see a total turnaround in our overseas businesses. That is why despite of various challenges in procurement side, pricing side we are maintaining that we will be able to have a healthy or sustainable EBITDA margin of 18% to 19% and we are likely to increase our topline at 30% so this is based on the challenges and the opportunities what we have and whatever research we are putting last couple of years so those are likely to reflect in our numbers in the coming year as well.

Bharat Shah:

Given the fact that each different businesses have different gestation period and fructification period and each of the five lines of main activity we have seeded in a different way over a period of time would you really say that now since we have taken into account not just the current year where you have guided for 30% plus kind of growth but on the more longer term basis would we say that each of our businesses is positioned in such a way that there is a healthy long term growth or virtually based on all the hard work and the foundational work which has happened or would we say that beyond the current year there can again be kind of unpredictability?

Manish Nuwal:

So we believe that the interest which we have put in last couple of years especially in last five years so whatever business we have increased we have almost doubled in last four years. We believe that the opportunities what we have and efforts which we have already put and which we are going to do more in couple of years. We believe that same kind of growth rate we should expect in the next four to five years.

Bharat Shah:

Which means about 15% volume growth and whatever maybe price increase plus or minus?



Solar Industries India Limited
May 04, 2022

Manish Nuwal: Yes we expect that 15% should be in the volume terms and around 10% to 15% should be in the realization side which can vary between 10 or 5 or 15 so we believe that on an average we should be able to grow at around 20% to 25% on compounded basis.

Bharat Shah: For five years or so?

Manish Nuwal: Yes this is our plan.

Bharat Shah: At the beginning of the year of last year that is FY2022 did we have inkling or did we have anticipation that FY2022 will turn out to be such a remarkable year or it kept falling in place as the year progress?

Manish Nuwal: So actually whatever guidance we gave was based on our market fee that we should be able to grow at 30% in FY2022, but that was based on our volume growth of around 15% to 17% target and the balance was from the price increase so in this year our volume has increased by around 22% in domestic market which is little more than what we were targeting. Pessimistically if we say that when we give a target of say around 15%, 20% so definitely our aim is always more and on conservative basis if we calculate or if we take all the risk factors and all those things so definitely we have to be on a conservative side and based on that we gave a guidance of 15% volume rise and 15% price rise so this year we have definitely achieved more than what we have anticipated.

Bharat Shah: Thank you Manish and once again congratulation for a remarkable year to you and the entire Solar team.

Moderator: Thank you. We will move to the next question that is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Sir good morning and congratulations on such strong set of numbers despite the challenging environment. Sir couple of questions and I will come back in queue. Sir first is on that we believe that our pricing in the industry is definitely linked with raw material prices; however, the margin per kg or per ton, which we enjoy are generally fixed, surprising and it is partly surprising to see that our percentage margins actually at almost close to 20% for the current quarter has been maintained despite the rising or almost 50% kind of price increase so just want to understand, it means that per ton margin would have definitely improved to match the percentage margin, if you can elaborate a little bit more that how the pricing formula is working and what has led to increase in per ton margin for the quarter?



Solar Industries India Limited
May 04, 2022

Manish Nuwal: Rohan you have raised a question related to how we are maintaining margins even at a highly increased prices of raw material, there is a formula and there is a fixed component in that and based on that our prices are increasing based on our raw material, but like we have been saying it is difficult to pass on the complete impact of price rise to our customers even our formula does not capture the kind of rise which we have seen in last couple of quarters and because of that our margin as far as in percentage term has saw some reduction. If you see the raw material percentage it is now around 62% compared to the previous quarter of around 59% and 55% on year-on-year last two years so this is the reality we are also facing the same challenge and we are trying to pass on the price rise to our customers. See it is a continuous journey and this kind of situation nobody have seen in history actually we are also part of that.

Rohan Gupta: Sir rather than concern it was a positive thing for me actually just wanted to understand little bit more so when the customer pricing is more in terms of percentage margin being maintained or per ton margin being maintained Sir?

Manish Nuwal: Actually our product basket is not only on per ton basis. Some pieces we are selling numbers, some pieces on meters, some is in other kind of unit of measurement, so it is very difficult to really respond to this question on how we are managing margins on per ton basis. It is a basket of various SKUs which are on different tons so that is difficult. What we have maintained that we are trying to have margins of around 18% to 20% even at the highly elevated prices of raw material.

Rohan Gupta: Like for this year also the overall EBITDA growth for our company has been much ahead like 64% which is much higher than the volume growth which we have reported close to 22% for the company so definitely that in terms of rising price environment has helped us in higher EBITDA growth. Next year also you are expecting close to 15% kind of price led growth in your guidance of 30% revenue growth so one should expect that the EBITDA growth will be also close to or profit growth will be more than 30% in your guidance because that is more to do with the revenue guidance so in terms of profitability do you maintain that profitability growth also will be in sync with the revenue growth?

Manish Nuwal: Like I have said that raw material prices have increased a lot because of that our EBITDA margin in the whole financial year is around 19.43% compared to 21% in the previous year so looking at the highly elevated raw material prices we believe that any margin around 18% to 20% should be sustainable and that is what we are maintaining for the coming year as well.



Solar Industries India Limited
May 04, 2022

- Rohan Gupta:** On the raw material availability you mentioned that it is a challenging environment especially the Russia Ukraine crisis going on and Russia being one of the key supplier of AN so how is the availability issue which we are tackling because there is only one large supplier in the domestic market so are we exploring other markets to compensate the loss from the Russia or how much of the dependence was from Russia?
- Manish Nuwal:** Our supply chain team is working on all the possibilities to mitigate this kind of situation and fortunately we were able to overcome the current challenge. We believe that in coming year also we will be able to maintain the same kind of supply to our customers and we are confident we will be able to handle this situation.
- Rohan Gupta:** I will come back in queue for further questions. 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:** Thank you for the opportunity and congratulations to the entire team of Solar for stellar performance. I have three broad questions one is on the availability of the raw material, second is on the performance of the international subsidiary especially South Africa and Australia and the third is on the defence part, so on the first question on the availability of the raw material if you could just help us because Russia Ukraine were a very critical suppliers for ammonium nitrate and that supply line having been broken if you could just help us understand on the availability of raw materials are we seeing any capacity increases from the domestic supplier so any outlook on that will be very useful?
- Manish Nuwal:** Currently I think the government is also looking into this and we see a small increase in capacity of domestic manufacturer of ammonium nitrate and our supply chain team and our procurement team is actually sourcing from other country. I think we should be able to sail through with the increase in domestic production and as well as sourcing from other sources other than Russia and Ukraine.
- Bhavin Vithlani:** Any substantial increase in the capacity domestically there was an expectation that ammonium nitrate is going to commission large volumes in this year?
- Manish Nuwal:** It will take some time for them they are on that track only of substantially increasing their capacity but that should take some time, but they may make some incremental increase in their capacity in this current year.



Solar Industries India Limited
May 04, 2022

Bhavin Vithlani: Sure that is helpful. The second question was on the international subsidiaries and for us we have been feeding South Africa and Australia in particular and these were anticipated to be critical growth drivers so if you could just help us how has been the performance of these two entities in FY2022 and what are you anticipating for fiscal 2023 especially for South Africa and Australia?

Manish Nuwal: Subsidiary wise the retail financials would be actually been published along with annual report so the details would be available there. Just to give you information that in both these places COVID played a crucial role delaying our projects in the last couple of years particularly in Australia. We should be shortly starting our production facility in Australia and as soon as we do that we would definitely be making an announcement in Australia. As far as other volume growth in Australia is concerned it is on track and in South Africa again the same issue of COVID. Two years there was delay but I think this year we should be on track. We expected it to be on track last year, but again COVID was a spoiler I think this year we should be on track.

Bhavin Vithlani: Lastly on the defence part. There were news report on successful test of the Pinaka enhanced version and we also have the Pinaka guided if you could give us a colour on where are in this project, do we expect any RFP to be issued this year and the path forward on the defence?

Shalinec: We have completed most of the trial and in the next 3 to 6 months we expect the RFP should also come and once the same comes we will update.

Bhavin Vithlani: Sure. Thank you so much for taking my questions.

Moderator: Thank you. Our next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Yes thanks for taking my questions. First question is on the financials and before that congrats on a great set of numbers. First question is on consolidated financials the other expenses we have come up on quarterly basis just to understand the nature of this, is this a normalized other expense run rate on a consolidated trend that we can expect or there can be variations in there?

Shalinec: As regards to other expenses this quarter we had some forex gain of around 15 Crores as compared to the losses in the previous quarter and secondly we had actually good collection during the year with the effort we have been putting to reduce our debtor days which is



Solar Industries India Limited
May 04, 2022

reflected in the number of debtor days which has come down to 50 from 66 as a result the provisions for that has to be made some reversals were there in the provisions.

Abhijit Mitra: So what would have been the total forex chain plus reversal amount will be around 25 to 30 Crores?

Shalinee: Yes roughly.

Abhijit Mitra: Okay great. The second question is regarding further investments. If you can give the capex guidance for the next couple of years and also since ZMotion has been selected as one of those 14 participants, initial set of participants for drone manufacturing PLI so what is the outlook or what is the possible capex that we are looking at to capture that opportunity so this would be my second question?

Shalinee: Yes the capex for the year stands around 400 to 450 Crores and keeping in view the strategic investments we have been making that includes ZMotion also.

Abhijit Mitra: If you can break up explosives, overseas, and defence?

Shalinee: That will be difficult so as and when we do that we will update. It all depends on upcoming opportunities also.

Abhijit Mitra: Thanks. I will come back in the queue.

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

Abhishek Ghosh: Hi Sir thanks for the opportunity. Sir just in terms of the raw material price increase which you have not been able to pass on to the clients what would be the quantum is it like 4 to 5% increase or is it a number larger than that?

Manish Nuwal: We cannot give the exact percentage but on an average there is lag of almost 3% on total basis.

Abhishek Ghosh: So margins to that extent assuming raw materials prices stabilize can improve from the fourth quarter is that a fair assumption to make?

Manish Nuwal: It will take some time as per our business strength is concerned it is going to take time and margins from 18 to 20 will be a reasonable guess on our part that we should be able to



Solar Industries India Limited
May 04, 2022

achieve and maybe by the end of FY2023 there should be some kind of settlement in prices and definitely once those price starts settling we should be able to realize EBITDA margins of plus 20%?

Abhishek Ghosh: The other thing is the volume growth that you have achieved in the current year pricing issues have been around not just for you but for the industry but given your balance sheet, given your size of procurement you would have been able to much procure it much better so have you seen market share gain both in B2B and B2C part of it in the domestic market because I see a very sharp jump in the housing and infra revenues in the current quarter on a Q-on-Q basis there is almost 75 to 80% kind of revenue increase would you attribute that to market share gains because raw material would have been a much bigger issue for some of the smaller players some colour there will be helpful?

Manish Nuwal: See if you look at the increase in housing and infra then definitely we have increased our sales to that sector, but definitely Coal India and institutional market also has done fairly well, our volume has increased more than this to that sector in this quarter.

Abhishek Ghosh: But would you attribute some amount of market share gain in some of the segments because the smaller players are not able to procure the ammonium nitrate to that extent any thoughts?

Manish Nuwal: I agree to your view that whenever such kind of situation happens the stronger or better people definitely increase the market share because of their ability to procure material and to sustain such kind of shocks in the system, definitely we have increased some market share, the exact number I do not have right now, but this is based on our market feedback and that is a part of our strategy as well.

Abhishek Ghosh: In light of supply chain issue the smaller players getting a little weaker, overall demand momentum being strong is there any thought of the overall larger capex plan that you are referring to, the two other units beyond Nagpur any thoughts around it in terms of have you been able to finalize that, but still some time around it?

Manish Nuwal: Like in the last year we have shared that now we are planing to expand our market presence in different parts of the country so based on that strategy we have almost zeroed down on three, four land parcels and going to finalize them in couple of months so once we finalize definitely we will share but it is our part of the strategy to increase the footprints in Indian market because we have seen our ability to give the better product, on time delivery, and our relationship with customers are pretty well compared to my competitors so we have no



Solar Industries India Limited
May 04, 2022

reason to not increase our market presence in the country and that is part of our strategy. We are moving forward on that part.

Abhishek Ghosh: Sir we hope to hear on that in the next concall and wish you all the best. Thank you so much.

Moderator: Thank you. Our next question is from the line of Chirag Muchhala from Centrum. Please go ahead.

Chirag Muchhala: Thank you Sir. The question is on defence segment. Firstly can you quantify the order book of defence and secondly out of that multi-mode hand grenade order that we have of 410 Crores how much is already booked till now till FY2022?

Shalinee: Hi Chirag. Currently the order book stands at around 475 Crores and as regards to your second question we had to supply 10 lakhs pieces we have supplied around 40% of the same.

Chirag Muchhala: Is the remaining 60% order will be executed entirely in FY2023 or it is likely to spillover beyond that also?

Shalinee: Entirely in this year.

Chirag Muchhala: Any possibility of or repeat tender coming for multi-mode hand grenade?

Shalinee: We expect the same, so as and when that comes we will update.

Chirag Muchhala: Second question is on ammonium nitrate, so at a company level what kind of inventory can we keep of ammonium nitrate because I tell you that this is not a raw material which is very easy to keep in terms of inventory over sizeable quantity?

Shalinee: We just track the overall inventory so the current inventory we have is around 113 days so that is the average level that we will maintain.

Chirag Muchhala: Okay So ammonium nitrate inventory will be more in line with the overall company inventory?

Shalinee: Yes this is the total inventory which the company has.



Solar Industries India Limited
May 04, 2022

- Chirag Muchhala:** Last question as of FY2022 what will be our bulk and second explosive capacity in the domestic market and what is our utilization rate?
- Shalinee:** Sorry we do not share the capacity on the product purpose as a policy matter.
- Chirag Muchhala:** Is it possible to share the utilization rate?
- Shalinee:** Utilization is very difficult for industry like us. There are multiple products and the same capacities can be used for different products.
- Chirag Muchhala:** Not a problem. That is it from me.
- Moderator:** Thank you. We have the next question from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Thank you Manish to give such a fantastic result so far. Can you bifurcate domestic topline and export difference separately, how much topline is domestic and how much is exports?
- Shalinee:** The export and overseas is around Rs.1435 Crores out of Rs.1347 Crores so around Rs.75 Crores in domestic.
- Ravi Naredi:** Profit margin is the same in both the categories?
- Shalinee:** We look the margins for the company as a whole, so the margins for the quarter stand at around 13% and the year is around 11.5%.
- Ravi Naredi:** ManishJi this question is for you any purpose to keep two joint CFO in the company any specific reason?
- Manish Nuwal:** There is no specific reason for keeping two CFO; it was the need of the company, so everyone felt there was need for two CFOs to join.
- Ravi Naredi:** I take so many companies, but I have never seen any companies having two CFOs that is why I am asking you, it is your propagate and right to keep whatever you want but just any purpose to keep to run the company in a smooth way that is my question?
- Manish Nuwal:** Yes. This is basically we are a growing company so there was a need to have and that was the need for the management to have two CFOs.



Solar Industries India Limited
May 04, 2022

Moderator: Thank you. We have the next question from the line of Pratik Mukasdar from RNL Investment Partners. Please go ahead.

Pratik Mukasdar: ManishJi congratulations on a fantastic set of numbers to you and your team. My only question is can you just throw a little bit of light on our defence portfolio, what products we are trying to come out with and what is the way forward and how government stands, we are seeing quite a bit of things that government is trying to indigenize so and so things and they are really focusing so with the geopolitical conditions so how much is the reality if you could throw light as an industry person it would be very grateful?

Manish Nuwal: Like we have been seeing various news articles that Government of India has got a list of x number of items to be under a list where we cannot impose, so such kind of information is available in the public domain. As far as our company is concerned we have developed plenty of products in various categories like we have said that high energy materials, pyros, igniters, fuses, small arms ammunitions like rockets, now we have started missiles and last couple of months we have also shared that we have successfully tested drone based ammunition at our campuses so we have a complete bouquet of products to take care of various opportunities. Definitely we cannot meet all those requirements but we are working on enhancing our product portfolio and that is part of our last five to six years of investments in the same line and going forward also we maintain that we will keep continuing investing in enhancing the product portfolio not only for defence but for our core business of explosives for mining sector as well so we will continue on that part.

Pratik Mukasdar: Secondly Sir have we allocated any certain budget for our research and development on our various profile or as and when opportunity comes we take on these activities?

Manish Nuwal: Actually it is difficult to fix any budget at this stage because opportunities are available and we are fully geared up and we do not see that we should restrict any budget for research and development or increasing the product portfolio so we have not fixed or not limited our resources on this front.

Pratik Mukasdar: Thank you so much Sir.

Moderator: Thank you. Our next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.



Solar Industries India Limited
May 04, 2022

Bhavin Vithlani: Sir thank you for the opportunity once again. Sir two followup questions. One is if you can help us what would be your market share in the coal mining segment Coal India and CCL in this fiscal year and also your market share in the infra and the housing segment?

Manish Nuwal: The market share varies between 25% and 30% in various sectors. It is difficult to give one single amount for every sector but on an average it is varying between 24% and 30%.

Bhavin Vithlani: We would have seen an increase in the market share in the financial year gone by?

Manish Nuwal: Yes in the last 10 years our market share has definitely increased from 17% to 18% to almost 24% to 25% and now it is moving towards around 30% on all India basis.

Bhavin Vithlani: Sure. The second question is the defence again and we are seeing corporatization of the OFBs and larger part of the ammunition was coming from the OFB so what is the kind of opportunity that you see now that some of these tenders will now actually come out for competitive bidding against OFBs which were part of the government entity which were not coming out? How do you see yourself at this corporatization? Does this actually help you in terms of your growth part or it is more like business as usual as earlier?

Manish Nuwal: There are a couple of points on this question. First is that our country definitely has invested a lot in creating a lot of facilities in the government run companies like armor factories and that is being prioritized only to bring more transparency and to increase their efficiencies to meet our country's requirement. Similarly we all know that in every sector private companies have been allowed to enter and defence is one of that so we believe that our country has definitely lot of opportunities as far as defence is concerned because the first advantage for our country will be that once we indigenize most of our requirements definitely those opportunities will be available for the companies operating into the country and we are one of the private sector companies who has entered into this kind of business much ahead than others entered and going forward we believe that more efficient enterprises in the country will offer more benefit to the sector as a whole. That much I can express my views.

Bhavin Vithlani: Thank you so much. This was helpful. Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.



Solar Industries India Limited
May 04, 2022

Bharat Shah: Manish, in each of our business some of the key growth drivers we all are kind of familiar with that what is driving the demand for our products in the housing or infra or in defence and Coal India, etc., are they apart from the kind of usual long term factors that we all take into account to kind of make some kind of a judgment about what the future is likely to be, any other thing or any other factors that you have observed which you think is altered for better our trajectory in any one or more of these verticals, any new dimensions are there other than normally what we have observed over the last some time, any new factors that have come to your light or that you believe is likely to come?

Manish Nuwal: As far as the trends on basic economy which is helping us we all know about that like so railways, housing and infrastructure, we all are aware of the government policies on these sectors. Defense is one of the rising sectors which we have already discussed. As far as new trends are concerned we believe that our investments in developing the products for state applications will definitely offer us the long term opportunities. It will take time but definitely we will get advantage of our early investment. Similarly if you look at our recent investments in offering dome based ammunition so these are the futuristic products, these are not the old age technology products or already developed products or products which are available off the shelf like products so we believe that the investments into products for space, investment into products for unarmed vehicle or drone based systems will definitely offer us good opportunities for our company.

Bharat Shah: Manish while it is hard to make kind of categorical statement on the question that I want to raise now, but how much of the growth in the last some time especially last year and what we anticipate going ahead the growth because externally the sectors are favorable and that is driving the growth and how much of it you would attribute that our strategic initiatives either setting up manufacturing centres in select international locations for products or building a certain line of activity patiently like in defence? How much in your opinion the growth is kind of outside the firm and how much of it is coming in your opinion from what we are doing it as a business?

Manish Nuwal: Like we have been keep investing and enhancing our global footprints and enhancing our capacities and make them to the global scale has definitely helped us and after the COVID we have seen that there is another kind of trend where international buyers want to shift their manufacturing or shift their procurement options apart from China to any other nations who can offer them better supply chain reliability and better product at a competitive prices so we believe that this effort to build the global scale capacity and to have a global presence is going to help us.



Solar Industries India Limited
May 04, 2022

- Bharat Shah:** Thank you Manish.
- Moderator:** Thank you. The next question is from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.
- Manish Mahawar:** In terms of our volume growth in the Q4, it is broadly 11% which is slower as compared to the earlier quarters, is the customers are a bit of hesitant or have some reluctance to buy given the higher prices and we are seeing some deferment of revenue into the next year?
- Shalinee:** During this quarter, we had some subdued demand we could see from the customers since the prices are rising to very high levels.
- Manish Mahawar:** In the Q4 what are the translation loss of overseas subsidiaries. Annually it is Rs.180 odd Crores what is the number of the Q4?
- Shalinee:** Around Rs.80 Crores.
- Manish Mahawar:** What is the impact on EBITDA?
- Shalinee:** EBITDA around Rs.10 Crores in Q4.
- Manish Mahawar:** Annual basis EBITDA impact?
- Shalinee:** Around Rs.20 Crores to Rs.21 Crores.
- Manish Mahawar:** In terms of export and overseas which is Rs.1430 odd Crores, is it possible to share the breakup in terms of export and overseas?
- Shalinee:** Yes for the overseas for the full year the number stands at Rs.1197 Crores.
- Manish Mahawar:** Manishji, you said the 25% to 30% market share for us right now from just 17%-18% earlier, so this is revenue or a volume market share?
- Shalinee:** The topline which we had spoken on 30% it is on volume.
- Manish Mahawar:** Volume right?
- Manish Nuwal:** Your question on market share basically we calculate it on volume basis and not on value terms.



Solar Industries India Limited
May 04, 2022

- Manish Mahawar:** Understood. Sure thank you. Thanks very much.
- Moderator:** Thank you. We have the next question from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Sir thank you very much for the followup opportunity. Sir one question on capex if you give some guidance on the next year capex and in what segment wise how much you are planning to spend Sir?
- Manish Nuwal:** So we have a long term capex plan based on that in this financial year we are going to spend around Rs.400 Crores to Rs.450 Crores and most of the investments will go for defence and increasing our geographical presence in 2023 and some of the investments will be for the overseas expansions.
- Rohan Gupta:** Sir with a further breakup in terms of how much you are planning in defence and how much in overseas would it be possible to share, like earlier you used to mention almost one third in every segment so should we draw the similar number or it will be different in sector wise and segment wise?
- Manish Nuwal:** Overall same numbers but more allocation will go for defence related products 40% and 40% for announcing the capacity in India and geographical footprints say around 40% and 40%, 20% will go for the overseas businesses.
- Rohan Gupta:** Sir in overseas are we going to spend aggressively in any of the newer market this year or this 20% that is roughly close to Rs.80 Crores to Rs.100 Crores spend will be increasing the capacities in existing markets?
- Manish Nuwal:** It is a blend of increasing some new footprints or adding new geographies and expanding the capacities in the existing markets.
- Rohan Gupta:** Sir in overseas market this year the revenue growth has been slightly lower than the domestic market what we have witnessed so just wanted to know; however, we have explored the new markets last year any particular reason that why the overseas growth would have been slightly lower in the current year we have reached close to Rs.1400 Crores revenues in overseas 37% growth much lower than the overall growth of the company so any particular reason you see that any particular markets did not perform well or what could have been the reason if you can explain?



Solar Industries India Limited
May 04, 2022

Manish Nuwal: There is no specific reason to that but volume has increased by around 10% and in the coming year it will be more than 10% so we are moving as per our target and in FY2023 we believe that the growth will continue at 30% to 35% which is based on volume increase plus price rise.

Rohan Gupta: So overseas growth also will be 30% to 35% in line with what overall topline growth guidance which you gave?

Manish Nuwal: Yes.

Rohan Gupta: Sir just last bit from my side so we have seen in defence we are also getting aggressive about the acquisition opportunity though a small level acquisitions like we did earlier Skyroot and now ZMotion so do you see that there is enough opportunities for investment in this segment and that will be the way going forward for you that keep on identifying the opportunities and making investments there?

Manish Nuwal: Like we have already said that we are identifying or we are ready to identify companies which can help us or where we can help them to build our businesses for the future so we are definitely open to invest in all such kind of opportunities and investment on Skyroot and ZMotion is part of that.

Rohan Gupta: Sir how much money was invested in ZMotion if you can quantify the number for 25%?

Manish Nuwal: It is available in the public domain you should look at that.

Rohan Gupta: Thank you very much.

Moderator: Thank you. Ladies and gentlemen that would be our last question for today. I now hand the conference over to Mr. Manish Mahawar for closing comments. Thank you and over to you Sir!

Manish Mahawar: Thank you Aman. On behalf of Antique Stock Broking, I would like to thank the team of Solar Industries for providing us an opportunity to host the call and Manishji, would you like to make closing comments?

Aanchal: We are thankful for everyone who has participated in the call and we expect to come back with more fantastic results in Q1. Thank you so much everyone.



Solar Industries India Limited
May 04, 2022

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us and you may now disconnect your lines.