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June 1, 2021

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

**Subject: Transcription of Conference Call with reference to the Audited Financial Results for the Quarter and Year ended on March 31, 2021 with the Management of the Company.**

Dear Sir,

In furtherance of our letter dated **May 25, 2021**, we are forwarding herewith a copy of Transcription of Conference call hosted by Antique Stock Broking Limited, on Friday, May 28, 2021 at 1:00 p.m. to discuss the Audited Financial Results for the quarter and year ended on March 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

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“Solar Industries India Limited  
Q4 FY2021 Earnings Conference Call”

May 28, 2021



**ANALYST: MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING**

**MANAGEMENT: MR. MANISH S. NUWAL – CHIEF EXECUTIVE OFFICER,  
MANAGING DIRECTOR & EXECUTIVE DIRECTOR - SOLAR  
INDUSTRIES INDIA LIMITED  
MR. SURESH MENON – EXECUTIVE DIRECTOR - SOLAR  
INDUSTRIES INDIA LIMITED  
MR. MONEESH AGRAWAL - JOINT CHIEF FINANCIAL  
OFFICER - SOLAR INDUSTRIES INDIA LIMITED  
SMT. SHALINEE MANDHANA - JOINT CHIEF FINANCIAL  
OFFICER - SOLAR INDUSTRIES INDIA LIMITED  
MS. AANCHAL – INVESTOR RELATIONS - SOLAR  
INDUSTRIES INDIA LIMITED**



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY2021 Earnings Conference Call of Solar Industries 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 all, 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 Rutuja. 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, CEO & Managing Director along with 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 hand over the call to Manish Ji for opening comments post which we will open up the floor for questions and answers. Thank you and over to you Manish Ji!

**Aanchal:** A very good afternoon dear shareholders and potential investors. I am Aanchal representing the investor relations team of Solar Industries India Limited, a very warm welcome to the earnings call to discuss Q4 & annual earnings of FY2021. I would like to make a gentle reminder here to kindly note that anything that we say which refers to our outlook for the future is a forward-looking statement, which must be read in conjunction with the risk that company faces, our full statement and explanation of these risks plus our filings with regulatory authorities, which can be found on the stock exchange website. We will start the call with some remark on the performance of the company by Mr. Manish Nuwal. Over to you Sir!

**Manish Nuwal:** Good afternoon to all the valuable investors. I do hope you all are doing well and staying safe. Our Q4 FY2021 and full this year’s results reflect Solar’s effectiveness and ability to pass through the extreme challenges posed by the COVID-19 pandemic. I would like to place on record my gratitude to all our stakeholders who continue to show faith in us by meticulous planning and execution by our team has enabled us to surpass both the revenue and bottomline of the previous years despite of lockdown restrictions caused by COVID-19. So let us continue to focus and efforts on adjusting to the new changing times help it to thrive in the environment and demonstrate extreme strength driven by favorable macroeconomic factors in the quarter we witnessed increased sales to Coal India, Singareni Collieries, housing and infra sectors as apparently seen in the results. Similarly upside was also reflected in our exports and overseas business, we continued to be on this positive momentum and by combining it with our resource optimization measures we saw



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improvement in our bottomline. In defence owing to the COVID-19 there were some disruptions in new orders processing and execution of the existing orders. We have received production clearance for multi-mode hand grenade recently. We are now expecting strong upside to happen in FY2021-2022 and envisage an increased revenue contribution from this sector. More than a year out since the onset of the pandemic there have been so many changes in the business landscape and will be seen in coming time as well. Even though we navigate this difficult time we are targeting a business growth of 30% plus in FY2021-22. Our optimism is built on expected growth from all the operating sectors as economy is facing a confluence of risk the company believes that profit we get in the business shall be protected from the unforeseen circumstances without comprising its aggressive growth plans. Keeping that in view, our company has decided to keep dividend intact at Rs. 6 per share. Our ethos is to give back to the society and make a difference. We have made various contributions for the society to win the fight against coronavirus pandemic and continue to remain committed to support the government people and play our part responsibly. Now I am handing over the call to Aanchal to take you through the financials. Thank you.

**Aanchal:**

Thank you so much Sir. So, the key financial highlights for Q4 are

the consolidated revenue is up by 44.55%, which is Rs.791 Crores versus Rs.547 Crores in the previous year. Domestic explosives revenue is up by 41.85%, which is Rs.417.78 Crores against Rs.294.53 Crores. Domestic explosives revenue was increased by 13.07% where the quantity was 107336 metric tonnes versus 94927 metric tonnes. Domestic realization of explosives has grown by 25.45%, which is 38922 versus 31027. Initiating systems revenue increased by 51.42%, which is 111.05 Crores versus 73.34 Crores in the previous year.

Coming to our customer sector, Coal India has a percentage of revenue is constant, which is almost 18% versus 19% in the previous year. Non-CIL and institutional revenue as a percentage of sales has slightly gone down by 2%; however, in the absolute terms it is 89 Crores versus 70 Crores, which is a growth of 27%. As I mentioned in the previous quarter we estimated a good quarterly growth in housing and infra sector, the revenue is up by a stellar 50%, which was Rs.163 Crores against Rs.244 Crores this year. Our exports and overseas revenue continue to show a healthy growth. The sales increased from Rs.174 Crores to Rs.291 Crores which is a growth of 67%; however, defence revenue is down by 26% contributing Rs.19.54 Crores against Rs.26.48 Crores.

Coming to our materials consumption, the raw material cost is 55.18% compared to 54.12%, the change is mainly on account of increase in our commodity prices. Employee cost as a cost of sales has reduced by about 2% that is 8.38% against 10.49% in the previous



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quarter last year, other expenses as percentage of sales is decreased from 19% to 15.65% showing our efficiency. As far as EBITDA is concerned we have the EBITDA numbers at Rs.167 Crores against Rs.110 Crores with a margin of 21.10 compared to 20.01. Interest & finance cost is decreased to 1.3% from 2.6% year-on-year due to lower rate of interest. Depreciation has increased from Rs.22.14 Crores to 22.53 Crores due to increased capex in the previous year. Coming to PBT, PBT increased by drastic 84% year-on-year, we recorded PBT of Rs.134 Crores compared to Rs.73 Crores with a margin increase to 16.93% from 13.33%. Coming to our PAT, PAT increased by 79% from Rs.53.18 Crores to Rs.95.04 Crores with a margin increase to 12.01 from 9.71%. These were the updates for the quarter.

Let me now take you through yearly performance in short. Sales have reached to Rs.2516 Crores from Rs.2237 Crores in FY2021. EBITDA margin is at 21.31% at Rs.536 Crores compared to 21.25% at Rs.475 Crores. Coming to interest it has decreased from 2.46% to 1.8% in this year. Depreciation has increased from Rs.84.53 Crores to Rs.94 Crores due to increased capex. We have recorded PBT of Rs.397 Crores compared to Rs.336 Crores with a margin increase to 15.79 from 15.01. PAT margins of 11.45% down from 12.46% only because of the tax effects in the previous year. Capex, the capex on March 31, 2021, is almost Rs.261 Crores whereas the capex plan for FY2021-22 is 315 Crores. Coming to our order book we have a total order book of Rs.1510 Crores from pricing of CIL and SCCL of Rs.830 Crores and defence of Rs.680 Crores. Working capital, our working capital days have decreased from 113 days to 108 days. This is all from our end, we would be very happy to take any questions, comments, and suggestions that you may have. Over to you Manish!

**Manish Mahawar**

Rutuja you can open the floor for Q&A.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Andarey Prushar from Cogito Advisor. Please go ahead.

**Andarey Prushar:**

Congratulations Sir for a fully explosive set of numbers. I had two or three questions. The first question I had was that your realization sharply increased from 31 to 38 something could you explain the reason why that has happened and how is that likely to pan out in the future and within the 30% revenue guidance that you have given could you tell us as to how this would be broken up by domestic versus exports and finally the incremental capex that you are doing both this year and next year what kind of asset turnover should we assume for that?



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**Manish Nuwal:** Let me take your first question that the current realization has gone up from 31000 to 38922 it is mainly because of the rise in the commodity prices and like we have been explaining that most of our contracts are linked to a formula and as a result of this whenever there is an increase in the raw material prices our PBT prices also goes up. Most of the price increase is because of those factors. Increase is also there because of the expansions in the overseas territory so it is because of that factor also. Second question can you repeat again?

**Andarey Prushar:** My question was that you have given a guidance of about 30% revenue topline growth so how would this be broken up between domestic and exports?

**Manish Nuwal:** So like we have said we are likely to grow more than 30% next year it is because of our expected volume increased in Indian market by more than 15% and price increase will also be there by around 15% so India and overseas both sides we are expecting around 30% increase in our topline and also it will be added by the increase in defence, so overall we are expecting we should grow by 30%.

**Andarey Prushar:** Right and my final question was on asset turnover on your capex last year and next year?

**Shalinee Mandhana:** The capex for the current year would be around Rs.261 Crores and next year we are projecting capex of Rs.315 Crores.

**Andarey Prushar:** My question was what kind of asset turnover should we assume for this incremental capex this year and next year?

**Shalinee Mandhana:** 2 to 2.5.

**Andarey Prushar:** Sorry.

**Manish Nuwal:** Since you are aware that our most of the capex program which has happened in the last couple of say around 4 years and that was mainly for defence and overseas and we have added capacity in Indian products also, so the realization of those investments will start in the form of defence and increased overseas volume and as a result of which we are expecting the asset turnover ratio will go up so apparently if we get 30% increase in our topline definitely that will help us to increase asset turnover by almost 30% so the realization investments will reflect in 2021-22 and 2022-2023 numbers.

**Andarey Prushar:** What would be the final asset turnover rough range?

**Manish Nuwal:** It could be around 2.5.



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- Andarey Prushar:** 2.5 okay. Thank you very much Sir and again congratulations for a great set of numbers.
- Moderator:** Thank you. The next question is from the line of Abhishek from DSP Mutual Funds. Please go ahead.
- Abhishek:** Sir I was trying to understand are there any currency translational losses in the current quarter's P&L?
- Shalinee Mandhana:** Yes it is around Rs.34 Crores.
- Abhishek:** That is for the year Madam?
- Shalinee Mandhana:** No, that is for the quarter and for the year it is around Rs.125 Crores.
- Abhishek:** So this is the impact due to the currency movement that we have seen in the P&L right?
- Shalinee Mandhana:** Correct.
- Abhishek:** ManishJi just wanted to understand one thing in the last interaction you mentioned that you are looking to increase capacity in the domestic segment have you been able to kind of finalize anything on that if you can help us understand that?
- Manish Nuwal:** In the last quarterly call we have said that we have decided to expand the capacities and set up the plants at the new locations so since you are aware that in the last two months there was pandemic related restriction on the movement of people and related things so that has not yet taken place, but we are expecting that in three months we will be able to finalize the locations and we will share the plan.
- Abhishek:** Sure and Sir just lastly before I get back into queue if you can just help us understand very strong traction that we have seen in the domestic segment, but we have seen an export in the fourth quarter has been a little muted so if you can get some commentary around maybe Turkey, Ghana, South Africa what is the thing and the expectation around Australia that will be helpful?
- Manish Nuwal:** If you look at the annual numbers the sales have increased by almost 10% sales to the Coal India and increase of non-CIL is reduced by 8%, also infra was increased by only 2% and if you look at export sales overseas increased by 32% so there is a traction in export and overseas, but like we have been sharing that in the Q1 and Q2 housing and infra sales was low due to COVID related impact now that has picked up and that is reflected in our



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quarterly numbers and as a result of which the sales in house and infra increased by 50% if you compare it with the last year, export and overseas increased by 67%, which is more than the domestic sales and similarly Coal India and non-Coal India has also increased by around 32% so there is a traction in all these sectors.

**Abhishek:** Sir anything on the overseas bid in terms of particularly in terms of Turkey, Ghana, South Africa any comments?

**Manish Nuwal:** Mr. Menon can comment on this.

**Suresh Menon:** Yes in the overseas segment we had COVID related issues in South Africa and we have also seen COVID-related activities or restrictions in Turkey in the last quarter, which I think is opening up in Turkey, there are restrictions in South Africa continuing because mainly in underground mine because it is an enclosed space they did not want to allow new people to come in to the mine and though we were able to get an entry but entire progress was actually slowed down in South Africa. The rest of the country is normal and despite of all this we have been able to maintain our expected sales and revenue.

**Abhishek:** Okay Sir that is very helpful. I will come back in the queue. Thank you so much for answering my questions.

**Manish Nuwal:** One point I would like to add is that we have not only maintained the sales we have increased the sales by almost 34% despite of the COVID-related challenges, so we have seen that situation is improving but the real improvement will be seen in coming quarters.

**Abhishek:** Sure that is helpful. Thank you so much Manish.

**Moderator:** Thank you. The next question is from the line of Mayank Bhandari from Nirmal Bang Securities. Please go ahead.

**Mayank Bhandari:** Sir I just wanted to understand in terms of business you have different business clients so are the margins different let us say defence, housing and infra and business from COVID related things and export?

**Manish Nuwal:** Like we have been explaining that our businesses is mainly explosives, we make products for various applications, which includes mining, housing, infra side, defence and COVID related things also, so if you take the margins definitely margins will be better in defence because of long gestation timeline, lower asset turnover ratios so EBITDA margins will be





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better. Like I said average for all these then definitely margins will be around 20% to 22% and our current margins are around 20% to 21%, which is likely to go up once the defence sales are start increasing.

**Mayank Bhandari:** You have given guidance of 30% growth next year so I just wanted to know what guidance you can give for the next three years actually in terms of growth?

**Manish Nuwal:** We are expecting a growth of around 20% once this COVID-related things settle but for 2021-2022 we are giving a guidance of 30% at this stage and once situation improves we will be in a better position to give more clarity on businesses after a year or two years.

**Mayank Bhandari:** Sir what would be the execution timeline for our defence order book?

**Manish Nuwal:** Like we have recently received an order for multi-mode the timeline they have given is 2 years, but we have experienced COVID-related challenges at their side also and there are some challenges on the supply side as well, so if we eliminate the COVID-related factors normal cycles are around 2 to 2.5 years.

**Mayank Bhandari:** Can you tell us how much does that order is MMHG?

**Manish Nuwal:** Current order book from defence-related products is 680 Crores.

**Mayank Bhandari:** No out of that how much is multi-mode hand grenade?

**Manish Nuwal:** It is 450 Crores.

**Mayank Bhandari:** 450 Crores has an execution timeline of two to three years, almost 2.5 years?

**Manish Nuwal:** As per the contractual condition it is 2 years not 2.5 years but like COVID has impacted on the supply and the user side as well so we may expect 3 to 4 months rollover on that side.

**Mayank Bhandari:** Any other bulk order you are getting for defence?

**Manish Nuwal:** We will keep sharing once orders are resumed with all the investors so we will definitely share with you as well. At this stage there is no other resume after the multi-mode.

**Mayank Bhandari:** Lastly on the Coal India target of achieving one billion tonnes production wise 2024-2025 I wanted to understand in terms of market share like our market share would you be having



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while supplying to Coal India I just wanted to understand from their perspective like how much percentage of explosives you are supplying to them?

**Suresh Menon:** Let me answer that question. Our market is roughly about 25% in Coal India and Coal India is poised to reach that 1 billion tonnes mark this current year that is 2021 they may down by roughly about 2% to the previous year's production that is because I think offtakes were poor in coal, but they could stress this timeline probably to 2024-2025 to reach that one billion tonne. There is a news probably we are targeting to reduce import of coal by about 100 odd million we also see government allotted about 30 new mines to Coal India for starting of the mines so that is the investment going on so I think they are focused on reaching that one billion tonne mark and this one billion tonne coal production also necessitate that they will be removing overburden almost to the tune of two times and last year they have progressed well by removing additional 16% more overburden than the produced coal than the previous year I think they will try to maintain this at 20% level growth level for overburden and that is helpful for us in the explosive industry.

**Moderator:** Thank you. The next question is from the line of Amit Savji from Sage One Investment. Please go ahead.

**Amit Savji:** Basically I would like to understand the order book of defence?

**Manish Nuwal:** We have already explained on this point that total order book is 680 Crores and multi-mode is almost 450 out of that.

**Amit Savji:** Anything regarding the missile program?

**Manish Nuwal:** Yes we have orders for missile program as well so those all the products like missiles, pyros, fuses, mines, and multimode high energy materials, all these products combine together has resulted into a total order book of 680 Crores.

**Amit Savji:** Regarding your guidance of 30% on the topline what will be the guidance for the bottomline?

**Manish Nuwal:** We are expecting more than 30% growth on bottom side as well.

**Amit Savji:** Okay and anyway congratulations for your great numbers keep it up.

**Manish Nuwal:** Thank you very much.



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

**Sujit Jain:** ManishJi and team congratulations, a very tough year within the company and outside you really managed it well. I have a few quick questions as you explained the housing and infra fields have done well q-o-q, y-o-y even if I compare that with March 2019 quarter 5% to 6% growth I wanted to check with you what would be our market gains in the domestic market that is question one, question 2 is on overseas operations if I take out the difference between the consolidated and the standalone the margin is there to the tune of 25% to 26% is it safe to assume now that the losses in the Australia and South Africa are behind us?

**Manish Nuwal:** First point that what is the market share of Solar in Indian market. Like Mr. Menon had explained that as far as Coal India and other bigger mining company orders are concerned we have market share of around 25%. As far as the market share in India is concerned in Coal India our market share is around 25%, in non-coal India side and mining side our market share is around 27% to 28% we are planning to set a new facility in the southern part of India and new plant in northern part of India that will help the company to increase its footprints and as a result it will increase in market share as well. As far as the losses in South Africa and Australia are concerned, we were having the orders but due to COVID-related restrictions we could not start the supplies and the situation was extremely challenging in those parts. Despite of all these our sales in South Africa has increased by 68%, in Australia it has increased by 30% because of the lower base in the previous year, so we believe that since the COVID situation will definitely be better than the last year the sales from these two subsidiaries will go up significantly and as a result definitely we will reach to the break even and then we will result into the profits. I hope I have answered your points.

**Sujit Jain:** Yes so these numbers that you have given are for the quarter 68% and 30% y-o-y?

**Manish Nuwal:** I have given it for the whole year.

**Sujit Jain:** Which also means that when the losses get contained and reduced margins will look up further in the subsidiaries?

**Manish Nuwal:** Yes.

**Sujit Jain:** Great. In terms of organization I wanted to ask you this is a great opportunity our size is still small when I look at the global opportunity that we are participating in. In terms of the



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organization structure we have had some people leaving from the promoter side as well and the responsibility for which has been given to Menonji in terms of the institutional business, etc., as one understands that some of the family members have also come in the business such as your son I want to also understand that you have hired professional in Australia, one professional who was one of the heads of a mining giant there, so how do you basically build the organization for this company, which you have grown in the past at 14% to 15% CAGR which I am sure you plan to grow at that rate going ahead?

**Manish Nuwal:**

Like Mr. Menon in our quarterly call as explained that our company is like soul and people are like body, so body can keep moving from one person to another but soul will remain the same so we also believe that it is the part and parcel of the life people will keep coming in and will go out. If you look at last 25 years of our presence in the market the market share has gone up of Solar in all aspects and that is how we have transformed our company from India to India-based MNC company we have hired talents from various companies, international companies, and domestic companies as well. If you look at the businesses and the people in Africa nation we are the best talent of the market, similarly we have the talent in Turkey also; we have been the strong team in Australia also. Similar efforts will be there in future as well and because of our strong HR policies and strong HR section the company keep investing in the new sets of people, they groom the people who take the more leadership role and that has been experienced or you can experience in the last couple of years of succession planning as well. As far as the impact on the business is concerned, Mr. Menon has already explained in the last call and this call also the sales from all the sectors have started improving and similar things we will see in the coming years as well.

**Moderator:**

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

**Rohan Gupta:**

Hi Sir, good afternoon, and sir congratulations on a very strong set of numbers. Manishji couple of questions first is that our sales this time in this current quarter have benefitted and have seen significant improvement in initiative systems, which has shown almost 50% kind of revenue growth I just wanted to understand any delayed order has been executed in the current quarter or it is just only on a low base of last year or has there any change in our business mix in the current quarter that is one, second this quarter explosive rates have gone up significantly I understand it is mainly driven by ammonium nitrate price, which has gone up so that overall growth, revenue growth of 40% plus is driven by 25% price increase led growth in explosive, but in the same way our margins generally because we work on margins per tonne basis so our margin in percentage has actually remained similar of the previous quarter it means that on our margin per tonne has also improved significantly, just



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wanted to understand that is there any inventory led gain, which has been there in the current quarter or it is just all coming from the change in product mix?

**Manish Nuwal:**

So the first part was on the sales of the initiating systems. In Q4 definitely sales have increased as far as the initiating systems are concerned in the west unit. The initiating systems sales have increased mainly due to the last year when our exports were held up and the sales in domestic market were also held up due to lockdown, so in this quarter there is no such situation and that is why sales of initiating systems have gone up. It is not like that sales of initiating systems get converted only in this quarter it is not like that this is my first portion. Second you have asked about the inventory related deals. So inventory level in our company is not very huge because of the supply chain related disruptions, which we have been observing in the last six months so there is no specific or significant inventory gain as such and like we have been explaining that the raw material prices have increased, the Coal India prices increased after one or three months' time based on different contractual norms so there is no significant gain arise out of this part of inventory gain.

**Rohan Gupta:**

Because our EBITDA margins at almost at 20.8% compared to Q3 20.5% while the product prices had gone up sharply, so I just wanted to understand because our margin is more like 6 per tonne kind of margin so have we seen any significant improvement in per tonne EBITDA margin in our company?

**Manish Nuwal:**

No, I do not think that your perception is right. We have worked on certain basis but definitely every industry has when we are filling in tonnage our margins are also based on per tonne, but as far as percentage EBITDA margin is concerned our most of the contracts are linked to the raw material and over a lag of 1 or 3 months it keeps adjusting and our margins are moving around 21, 22% plus minus by 0.5% and we believe that this will keep going up. As far as per tonne margin is concerned it is practically same but definitely as prices are moving up we are also increasing prices in some other sector, exports, domestic market so percentage are almost same.

**Rohan Gupta:**

Okay that is helpful Sir. If I may allow to ask another question I will go ahead.

**Manish Nuwal:**

Yes.

**Rohan Gupta:**

Sir you gave almost 30% kind of guidance for the growth in topline right for the current year if you can just give some slight breakup on that what are the growth drivers for this 30% growth in the current year it is all coming from domestic or exports or different if you can give further breakup of that?



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**Manish Nuwal:** We are expecting growth of 25% to 30% in India and export overseas and defence will definitely grow from the current level and if you combine all these three sections definitely growth will be around 30% plus.

**Rohan Gupta:** So it will be driven from both domestic as well as international business, both in the same percentage as domestic market also will grow by 30% Sir?

**Manish Nuwal:** Yes we are expecting 25-30% growth in India and export overseas business as well.

**Rohan Gupta:** Just one clarification because this year has been a pandemic year and government is definitely very tight on their budget and they have to do a lot of other social spending do you think that government's focus on defence will be slightly lower in the current scenario and ordering from the government could have taken a hit, which probably is already seen in the last six months that government is right now not want to focus much on that and not want to expand much on that because their focus is right now something different and the scenario may continue for another six months to nine months or maybe year till the time they announce the budget and that can hit their defence allocation and our revenue or our orders Sir?

**Manish Nuwal:** On this aspect we should keep in mind that we are supplying the products which are revenue or recurring in nature. Second based on the government recent push of Atmanirbhar Bharat Yojana they also want to indigenize the ammunition production as much as possible. At the moment if country buys these products from abroad prices will definitely be higher as there will be resource constraint we believe that this drive will go faster, and we will get advantage of that. If you look at the government's updates on these items the total coverage of ammunition in the country is not up to the expected level or desired level so there is still a big vacuum and we believe that our products which we have already developed and which we have already received the orders and we are likely to receive few more RFPs in coming months, based on all these three factors first is the government has a pressure to reduce the budget for any sector other than health related issues that will give us an edge to supply the products and replace the import of ammunition.

**Moderator:** Thank you. The next question is from the line of Gaurav Chopra from Union Asset Management. Please go ahead.

**Gaurav Chopra:** Sir I just had one question. I could see in your notes to accounts that you had set up two subsidiaries in two countries so just on that note like how many countries do we have



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operations in and how many countries do we intend to sort of capture next five years' time period?

**Shalinee Mandhana:** Currently we have operations in six countries including India, this year we have Tanzania plant operational by second quarter and in the next five years three to four countries we will be adding.

**Gaurav Chopra:** That basically expands the overall market size too in terms of like the countries, which you are going to enter will have similar market potential right or any color on that front?

**Suresh Menon:** Yes where we are entering is basically a mining country so the potential like for example in Australia it is a 2 billion dollar market size so leave aside that the other countries would have similar size.

**Gaurav Chopra:** So potentially doubling our market potential in the next five years through the overseas expansion is my understanding correct?

**Shalinee Mandhana:** Yes, correct.

**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 and congrats on a great set of numbers. My question is more on the cost savings that it is possible because what we understand is that out of FY2022 topline guidance, which has been given almost 15% is coming from prices, which is having a very strong positive impact on operating leverage and therefore margins, so FY2022 it is expected that probably the margin trajectory would be a bit higher than what we have seen for the last couple of years anyway to sort of cement those margins through cost improvement any sort of plans to because as the price drops if we can retain some part of that increase it would be great?

**Manish Nuwal:** See if you look at our normal EBITDA margin it is around 21, 22% most of the contracts are linked to the basic raw material prices so we do not see much scope in reducing the cost on that side, but definitely rest all other cost like logistic cost, even our procurement side efficiency increasing, localization of manpower in a better way and reducing the cost on some small, small accounts that has been going on in the last one or two years and that we have reflected in our annual reports also that resource optimization drive is continuing and as a result of which we have been able to improve the margin despite all the different



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challenges. So on one side we are changing from various initiatives, but on another side we have to spend and we have to spend more and more on the contribution towards the society that is mainly in CSR and donation side, so the situation is like this where all savings whatever we will garner will not be coming into the bottomline, some of that will keep going for all these initiatives, but these initiatives will help us in the years to come and I am pretty sure about that and as a result our EBITDA margin will definitely keep going up. The second reason of increasing EBITDA margins will be the increased sales of defence and our increasing sales from overseas market, so a couple of all these three factors on resource optimization side, defence increase and overseas, our margins should be better or should improve further.

**Abhijit Mitra:** If you can just broadly give us a number for the capacity for the current year and for the next couple of years how is it going up because last year I think it was around close to 355000 if I refer to the annual report data how is it expected to move over the next couple of years?

**Manish Nuwal:** Last year we have sold 337000 metric tonnes and in this year we have sold 333000 tonnes and to increase the capacities we have decided to set up two new plants so one of those plants gets fixed we will share more on the capacity side, but we are working for the next five to 10 years of growth plan and according to it we will take the decision.

**Abhijit Mitra:** That is all from my side and again congrats on a great set of numbers.

**Moderator:** Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal:** Congratulation ManishJi and the entire team for wonderful performance. I have one question on the return on capital. Over the last few years we have done investments but somehow that is not reflecting in the return on capital because from 25% to 26%, 27% which we normally used to apply we have come down to 21, 22%, with all the things which we you alluded in the call margins, revenue trajectory is there a belief that return on capital moves back towards 30%, which we used to have or it will be good to be happy that mid 20s and we push the growth little higher just wanted your thoughts on that?

**Manish Nuwal:** If you look at the previous year's number of 25% this year it has reduced to almost 21, 22% given and if you look at the projected sales growth of 30% in FY2021-2022 and there will be a similar growth of around 20% in FY2022-2023. If we coupled these growth plans, which we are expected to happen then definitely the return on capital employed will grow





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up from 25 and it can be reaching around 27% to 28% so we are quite optimistic now and we believe that definitely the return on capital employed will grow up and will move around 27%, 28% and it can reach to 30% level also.

**Pankaj Tibrewal:**

Okay, understood. Coming to our defence portfolio we spoke about missiles; we spoke about hand grenades but how is the pipeline looking like because what you are working today probably will be determined over the next three years so you spoke about this year the execution start from hand grenade but how is the pipeline looking like and what could be the export opportunity on the defence that will be interesting to understand and that will be really helpful?

**Manish Nuwal:**

The current order book is 680 Crores and out of that 450 is from multi-mode hand grenade and the other products are mainly from pyros, fuses, small, small mines, and the upcoming products are mainly from upcoming RFPs, which we are expecting in Pinaka rockets, already the RFP is floated, and we have participated that is for BMCs earlier it got cancelled and they have refloated again. There is an RFP for 30mm ammunition also which is available in the public domain we are likely to participate in that. As far as pipeline is concerned there are various RFPs like BMC, I am repeating BMC is 30 mm ammunition, and Pinaka and various mines. So these will definitely help us to build our order book and increase the sales. As far as export opportunities are concerned we have already received an order of multi-mode hand grenade from Southeast Asian countries so this is an opening up that is not we have started say almost 15 years back when we started our export in overseas we believe that similar opportunities will come for supplying these products in various parts of the world. We have an advantage of supply chain network across almost 50 plus countries so that will definitely help us to penetrate those markets. So this will be a big push and we have been observing that Government of India is also pushing a lot to make India an exporter not only want to indigenize the ammunition production they want to make India an exporter so all these policy push are reflected in their recent decisions, and we believe that these things will help our company a lot.

**Pankaj Tibrewal:**

Thank you so much.

**Moderator:**

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

**Abhishek:**

ManishJi just wanted to understand couple of things more around competitive intensity from the not so well established guy given the sharp increase in the RM prices; the working capital requirement increase is that something also you see at the marketplace?



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**Manish Nuwal:** We have been observing that smaller players are definitely getting or finding it difficult to cope up all these challenges, you have rightly pointed out that like it is happening in practically all industries the working capital cycle has increased either because of the raw material prices or some delayed payment from the customers, so during these challenging times it was definitely difficult for all the smaller players and we also believe that the right marketing strategies are in place as far as Solar is concerned we are getting advantage of that and we believe that our market share will definitely go up.

**Abhishek:** What about increasing the domestic capacities also because you have seen lot of these marginal players going out of the system is that also the reason that gives you confidence in our increasing capacity in north and southern part of the country?

**Manish Nuwal:** Definitely our strategic plan is not based on the current one year or one-and-a-half year's experience we have made growth plan for the next 5 to 10 years based on that we believe that it is required for Solar to set up the fresh plant in different part of the country to take advantage of logistic and to deliver the product to the customers on time so based on that strategy we are setting up the plants that will help the company to derisk any operational risk, which can happen at one site, so all these decisions are arrived out of those risk mitigation plans and the opportunities available to us.

**Abhishek:** Sir just one more question given the growth trajectory that you are referring to over the next couple of years the cash flow generation that will happen in the company will be very strong even adjusting for the working capital it will be fairly elevated from what you have actually done in the last two to three years so will all that cash flow be plowed back into capacity addition in domestic and going to newer geographies or will you deleverage also any thoughts?

**Manish Nuwal:** Current leverage position which we believe that we refer it as a debt equity level, last year it was around 0.45 and this year it has already improved at least lower than 0.4 number, so we believe any debt equity ratio between this level is comfortable and we do not want to make the company overleveraged and that has not been the policy of our company. We will continue the same policy and what were the expansion programs we will be implementing that will be part of our annual capex program like I would say this year we have planned 315 Crores that increase is also due to another factor of rise in commodity and all the related items which will go into the capex programs so there is that increase because of this factor also. So company do not believe in overleveraging itself we will continue to believe in that conservative philosophy, we will try to improve the working capital cycle, we will try to increase our margins and flow back into the system.



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- Abhishek:** Okay. Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Bhagyesh Kagalkar from HDFC Mutual Funds. Please go ahead.
- Bhagyesh Kagalkar:** Congratulation on great set of numbers and good explanation on the defence business. The only explanation that is for the Pinaka because the last order given to my knowledge by government last year was 2600 Crores and where do we figure in that order, or you expect further regiments which will use our products because ours is fully completed for the last two years?
- Manish Nuwal:** Like you have been saying that last year there was an order of around 2600 Crores so that was mainly to our hardware-related item, and we believe that once the government release order for hardwares the next item will be the ammunition so once the ammunition hardware starts coming up so we will get advantage of that. Like I have explained in our previous calls we are the qualified production agency for all the variants of Pinaka and once government will float the RFPs we will be the most advantageous player and RFPs are already in the pipeline and due to COVID-related restrictions and other problems we could not float the RFP so we are expecting those will happen now.
- Bhagyesh Kagalkar:** The only other agency is the existing OFB, which has done previous Pinaka orders on the ammunition part am I right?
- Manish Nuwal:** Yes you are very much right.
- Bhagyesh Kagalkar:** Okay so if we get the order it will be first private sector party to go ahead for the Pinaka?
- Manish Nuwal:** Yes we are the only company in the country, which is qualified to do the production of Pinaka rockets in private sector.
- Bhagyesh Kagalkar:** Okay. Thanks Sir and all the best.
- Manish Nuwal:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen as this were the last question for today I would now like to hand the conference over to Mr. Manish Mahawar for closing comments.



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**Manish Mahawar:** Thanks Rutuja. 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. Manish would you like to make a closing comment Sir?

**Aanchal:** We just want to thank everyone present in this call.

**Manish Nuwal:** Thank you very much. Thanks to all.

**Moderator:** Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.