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May 08, 2023

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai -400 051
Trading Symbol: "SOLARINDS EQ"
Through NEAPS

To,
BSE Limited
Floor no. 25, PJ Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 532725
Through BSE Listing Center

Subject: Transcription of Conference Call with reference to the Audited Financial Results for the quarter and year ended March 31, 2023 and earnings for the FY 2022-23 with the management of the Company.

Dear Sir,

Further to our letter dated April 29, 2023 we are forwarding herewith a copy of Transcription of Conference call hosted by Antique Stock Broking Limited on **Thursday, May 04, 2023 at 11:00 a.m.** to discuss the Audited Financial Results of the Company for the quarter and year ended March 31, 2023 and earnings for the FY 2022-23 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
Q4FY-23 and FY23 Earning’s Conference Call”
May 04, 2023



MANAGEMENT: **MR. MANISH NUWAL – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – SOLAR INDUSTRIES LIMITED**
MR. SURESH MENON – EXECUTIVE DIRECTOR, SOLAR INDUSTRIES LIMITED
MR. MILIND DESHMUKH – EXECUTIVE DIRECTOR – SOLAR INDUSTRIES LIMITED
MR. MONEESH AGRAWAL – JOINT CHIEF FINANCIAL OFFICER – SOLAR INDUSTRIES LIMITED
MS. SHALINEE MANDHANA – JOINT CHIEF FINANCIAL OFFICER – SOLAR INDUSTRIES LIMITED
MS. AANCHAL KEWLANI – INVESTOR RELATIONS – SOLAR INDUSTRIES LIMITED

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**



Moderator:

Ladies and gentlemen, good day, and welcome to Solar Industries Limited 4QFY23 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 start then zero on your touch-tone phones. 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 Zico. On behalf of Antique Stock Broking, I welcome all the participants to the 4QFY23 earning's call of Solar Industries. From the management, we have Mr. Manish Nuwal, MD and CEO; Mr. Suresh Menon, Executive Director; Mr. Milind Deshmukh, Executive Director; Mr. Moneesh Agrawal, Joint CFO; Ms. Shalinee Mandhana, Joint CFO; and Ms. Aanchal Kewlani, Investor Relations, on the call.

Without any delay, I would like to hand over the call to Aanchal for opening remarks. Post which, we will open the floor for Q&A. Thank you, and over to you Aanchal.

Aanchal Kewlani:

Thank you so much, Manish. A very good morning to our dear stakeholders and well-wishers. My name is Aanchal and I would like to welcome you all to the concluding conference call of FY '23. 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 and 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 relevant information timely.

Now I would request Solar's CEO and MD; Mr. Manish Nuwal for his opening remarks. Over to you, sir.

Manish Nuwal:

A very good morning to all the valued investors and other stakeholders. We are pleased to announce the highest ever quarterly revenue, which stands at INR1,929 crores, up by 46%, and the highest ever yearly revenue, which stands at INR6,923 crores, up by 75%. The net profit is up by 26% for the quarter and 78% for the year, which stands at INR221 crores and INR811 crores, respectively.

The strong growth of our non-CIL and institutional sector, along with the exports and overseas business were the key drivers behind the growth in our top line. These results are being achieved with the improved operational performance, despite the challenges arising mainly out of volatility in commodity prices, currency fluctuations and hyperinflationary conditions, which demonstrates the strength of the company.

We are delighted to share that we have achieved the highest ever defence revenue in this quarter, and the annual revenue has reached to a milestone of INR400 crores, which is in line with our guidance given at the beginning of the year. Our defence order book has now crossed INR1,100 crores mark, which is a big milestone for our company. The order book comprises of export orders of Pinaka rockets; Nagastra, which is a loitering ammunition; and other

ammunitions, which are for a variety of applications. We are expecting the product evaluation of Pinaka rockets to be completed in around 3 months' time, and the orders from these rockets will substantially push the revenue from defense in the coming years.

On this backdrop, we are expecting the defense revenue to double in the current financial year. Our corporate objectives and business goals are aligned with the country's ambition to make our country atmanirbhar in the field of ammunition and emerge as a major export hub in the coming years. In line with our strategic plans to expand our market presence in the country, we have acquired Rajasthan Explosives and Chemicals Limited and have started land acquisition for our upcoming facilities in South and Northeast of India. And we are expecting these projects to complete in next 2 years.

We are also working on our expanding global manufacturing facilities from 8 countries to 12 countries in this year. The government of India's strong policy support and huge outlays for infrastructure projects like housing, mining and providing a level playing field in the private sector for defense will do good for our company. We are expecting a volume growth of around 15% based on strong demand from coal, housing and infrastructure sector. We are entering FY '24 with an optimistic outlook on increasing our EBITDA margins via enhancing the market footprints, new orders from defense section, and reduced raw material prices.

Looking at the upcoming opportunities, our strategic investments, we have planned capex of around INR750 crores in FY '24, which includes defense, domestic and overseas businesses. Our company has also proposed a dividend of INR8 per share for the current year as compared to INR7.5 in the previous year.

Now I will hand over the discussion to Aanchal to take you through the financials in detail. Thank you.

Aanchal Kewlani:

Thank you so much, sir. Before beginning, I would like to quote, this year has been phenomenal in Solar's history, where we have achieved many milestones, a few to mention so far are: highest revenue and profits achieved, huge capex plans for FY '24, share price achieved a major hike and crossed around INR4,400 mark, strong return to stakeholders and crossing market cap of INR30,000 crores, the strong defense order book of INR1,100-plus crores, export order of Pinaka rockets, Nagastra successfully converted in commercial order, strategic investments, and at the end, our continuous foundation to achieve sustainable growth ahead.

Now we would like to share a few highlights for the quarter and financial year, though we have already shared the investor presentation carrying all the necessary information for your perusal on the website and the exchanges. Key highlights for the fourth quarter are, the consolidated revenue is up by 46% at INR1,929 crores. Explosives revenue is up by 15%, that is INR903 crores. Our explosives volume has increased by 13% and stands at 135,007 metric tons. Realization of explosives was almost same, that is at INR66,913 per metric ton. Initiating systems revenues increased by 44% and stand at INR169 crores. In the customers basket, the top contributors in absolute terms are exports and overseas at INR737 crores, giving a growth of 90%, and non-CIL and institutional sector at INR379 crores giving a growth of 91%.

Coal India as a percent of revenue stands at 15% as compared to 20% in the previous year. Housing and infra revenue stands at 20% of the revenue. Defense revenue is up by 54% in the quarter at INR111 crores. Coming to the cost breakup, raw material consumption increased by 46% year-on-year, stands at INR1,191 crores.

Employee cost has increased by 12%, stands at INR99 crores. Other expenses have increased by 89%, stands at INR281 crores. We reported an EBITDA of INR369 crores, showing an increase of 40%. Interest and finance charges is at INR31 crores. Depreciation has increased by 19% to INR35 crores. PBT has increased by 38%, stands at INR302 crores. PAT has increased by 26% and stands at INR221 crores. These were the updates for the quarter.

Let me now take you through the yearly performance. The revenue for the year is up by 75% year-on-year, that is from INR3,948 crores to INR6,923 crores, a massive jump. Domestic explosive quantity sales up by 13%. Realization has increased by 39%. Revenue from domestic explosives increased by 58%. Initiating systems domestic revenue increased by 36% year-on-year. Coal India as a percentage of sales is at 15% in the basket from 18% in the previous year. It has grown by 49% and contributes INR1,067 crores.

Non-CIL and institution has grown by massive 138%, stands at INR1,278 crores. Housing and infra has grown by 36% and stands at INR1,322 crores. Export and overseas has shown an increase of 95%, stands at INR2,796 crores. Defense has shown a rise of 59% and stands at INR396 crores. Coming to the cost breakup for the year. The raw material cost is up by 87% year-on-year, stands at INR4,342 crores.

The employee cost has increased by 22% and stands at INR353 crores. Other expenses have gone up by 61%, stands at INR959 crores. EBITDA has increased by 72%, stands at INR1,320 crores. Interest and finance has increased from INR50 crores to INR90 crores. Depreciation has increased by 17%, stands at INR128 crores. We recorded a PBT of INR1,102 crores compared to INR607, which is an increase of 81%. PAT, we recorded a PAT of INR811 crores compared to INR455 crores, which is an increase of 78%.

This is all from our side. Now we would like to have questions, comments or suggestions that you may have. Over to you. Thank you.

Moderator:

The first question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit:

Congratulations for a very good set of numbers. I have two questions. The first one is essentially on the revenue side. If we look at revenue, it is up 75% Y-o-Y for FY '23 compared to your guidance of 65% just a quarter back? So given the ammonium nitrate prices have come off and we have not seen that getting reflected in your revenue so far, the subpart of the question is that how much of these ammonium nitrate prices are getting reflected? And what would be your revenue growth guidance for FY '24? That is the first question. The second one is on the -- if you can provide the order book split in defense between export and domestic? Also, do we have any opportunity in the propylene side, particularly for BrahMos and Pralay? These are the two questions I have.

Manish Nuwal:

This is regarding your first question. You have asked that what is the guidance on the revenue side, I would like to explain it in this way that in this financial year, we are targeting a volume growth of around 15%, and it can go up to 20%, which will be one of the rare year in which we will be achieving a growth of around 15% to 20%. This is one of the rarest of rare year. Second is that we have recently acquired Rajasthan Explosives and Chemicals. And in this year, our businesses from overseas will do even better than what we have done in this year.

And like we have shared that defense order book has reached to INR1,100 crores, and defense revenue should double from the current level of INR400 crores to INR800 crores. All these factors will help the company to not only maintain the current top line. The reason is that we are not sure how much it can fall.

But still we are expecting that prices will fall and it will make the products at reasonable prices, which will help the increase in the demand, which we have seen that in the last year, the demand was very much subdued, especially from housing and infrastructure sector. So correction in the finished goods prices will help to improve the demand. But we are expecting that in this year, we will maintain the top line and we will increase the EBITDA margins from 18%, 19% to around 21% to 22%.

As far as your other question on propylene for BrahMos, like there has been news in the media that we have indigenized the booster part for the first time, and we are expecting more orders in the coming years. So as and when it will come, we will definitely share with you.

Amit Dixit:

And what about Pralay, sir?

Manish Nuwal:

So Pralay, we are part of their development program. And once it will start commercialization, we will definitely share.

Moderator:

Our next question is from the line of Kaushik Mohan from Ashika Stock Broking.

Kaushik Mohan:

Congratulations for the great set of numbers. Sir, I just wanted some more clarity on the order book side. You have mentioned that you have an order book of INR2,944 crores, and it has been segregated between two sites and one is defense was of INR1,118 crores. Sir, is this order that you are mentioning, how the order book has been calculated? If you're receiving any advances, then only you tell it as an order book? Or is it only the promise has been told as an order book?

Shalinee Mandhana:

No. As regards to defense order book of INR1,100 crores plus. So we've received the orders. So we have those orders in hand. So as correctly Manish Ji has said that defense revenue increased from INR400 crores to INR800 crores. So these orders are included in that. And as regards to the balance order book of INR1,826 crores, that is the explosives order book from Coal India as well as Singareni. The tender for Coal India will start again in this October. So Coal India order book is till October '23. So once the additional order is received, we'll inform accordingly.

- Kaushik Mohan:** Got it. And another question is on operating margins, that is EBITDA margins. What is the guidance for the coming years that you are targeting to increase your operating margins? What can the range be in the future coming years?
- Shalinee Mandhana:** So we are targeting around 20% to 22%.
- Kaushik Mohan:** 20% to 22%, okay. And any thoughts on the return on equity and ROC?
- Shalinee Mandhana:** So currently, our return on equity stands at around 24%, and the ROC stands at around 30%. So this will remain at the current levels, in fact improve further because of the coming fall in the -- whatever we see as the raw material prices stabilize in the current period.
- Kaushik Mohan:** Got it. So the last and final question is on the inventory days. Ma'am, any chances of controlling down or reducing down the inventory days? From currently what I can see, from my calculation, it comes out to be 94 days. So any thought process on those?
- Shalinee Mandhana:** So for FY '22, the inventory days were around 113 days. And currently, it has come down to 92 days. And with current stabilization of raw material prices, we do feel that it should come down to around 80 days.
- Kaushik Mohan:** It should come down to 80 days. And this can be achieved in FY '24?
- Shalinee Mandhana:** Yes.
- Moderator:** Our next question is from the line of Rohan Gupta from Nuvama.
- Rohan Gupta:** Many congrats on the strong set of numbers. Sir, just one clarification. Sir, you mentioned roughly INR750 crores capex and you are looking for expansion in North and South projects over the next few years. Sir, if you can just give a further breakup of this INR750 crores in domestic market, international and defense?
- Shalinee Mandhana:** From INR750 crores, so we are expecting -- we are planning around INR350 crores in defense, around INR150 crores in overseas, and balance INR250 crores for our domestic explosives.
- Rohan Gupta:** Okay. Manish Ji, you also mentioned that this year you are increasing in terms of the business, adding 4 more countries in expanding footprint. If you can just share some more details which are the countries you have selected, the kind of investments you will be making there, and on our last 2 to 3 years of investments which we have made in the countries like Australia, South Africa and all these markets, how they have been ramping up?
- Shalinee Mandhana:** So these 4 countries that we have focused, so once this materializes, we'll inform accordingly. And as regards the last 3, 4 years investments we have done in Australia, that has started manufacturing. Ghana has also started. We have come up with a plant in Tanzania that is also running well. And Indonesia also has started.
- Rohan Gupta:** Okay. So in terms of the profitability, like in South Africa, Australia, this market is still -- I mean, I don't know about the '22 numbers, we don't have a breakup, but in '22, these markets

were with activity level negative. In '23, if you can share that which market has become PBT positive. And if you can share that detail?

Shalinee Mandhana: You are speaking for FY '23 or '24?

Rohan Gupta: Yes. In '23.

Shalinee Mandhana: Yes. In '23, we had EBITDA positive in both Australia as well as South Africa. However, due to currency fluctuations, the currency fluctuated around 25% in respective territories. So on that account, we have losses at EBITDA level -- PBT level, but we see PBT positive in this year. Operational profit has been achieved in both the territories.

Rohan Gupta: Okay. Also in markets like Turkey and all, which has been also quite languishing because of the economy problem in the country, how is the market outlook in those territories?

Manish Nuwal: Yes. As far as Turkey is concerned, definitely we are seeing that there was a big natural calamity and that has affected the demand in that market. But in this year, we are expecting that demand will stabilize and the operations in Turkey will do better.

Rohan Gupta: Okay. Sir, our defense capex, we are talking about up to INR350 crores further in current year. However, we have been continuously listing and I think that we have really scaled our capabilities in many parts, including missile integrations and all. The INR350 crores, the capex that you are talking about, it will be actually in developing in terms of capability by extending the product offering or it will be in the existing product basket and product line itself like drone or missile integration in all those facilities?

Manish Nuwal: Yes, most of the capex program, which we have shared for defense, will definitely go for expanding the product range in loitering ammunitions, and we are also working on developing counter drone systems. And we are also developing another series of rockets. So for developing these products, we need to do capex. And apart from this, we are also working on a variety of products, which will require capex to establish the manufacturing facilities. And in coming years, we are expecting that Pinaka rockets will commercialize, because we have already received the export orders of Pinaka, and we need to expand the facilities also.

Because defense is a very different ball game and we have the facilities right starting from high-energy materials, propylenes, and we have the storage facilities, we do have the testing facilities. So we can say that we have a complete one-stop solution for most of the defense programs. so to expand this kind of strength which we have developed, we need to do capex, so that we can absorb new technologies and develop new products as well.

Moderator: Mr. Rohan Gupta, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Dhananjai Bagrodia from ASK. Mr. Bagrodia, your line has been unmuted, you can go ahead and ask your question.

- Dhananjai Bagrodia:** Congratulations on good set of numbers. Wanted to understand, in your balance sheet, our net working capital has reduced net working capital days year-on-year. Any reason specifically for that?
- Shalinee Mandhana:** Net working capital?
- Dhananjai Bagrodia:** Yes. Net working capital days.
- Shalinee Mandhana:** Working capital days, earlier it was -- last year, we had closed around 90 days. This year, the days are around 95 days. However to mention -- and we are targeting it to come down this year. However to mention that, in fact, the debtor days has come down drastically along with the inventory days also. But along with that, the creditor days has also come down. So as a result, it's only 95 days. And we are targeting around 85 days in the coming year.
- Dhananjai Bagrodia:** Targeting 85. And sir, in this quarter, our growth was substantially higher than what we had also expected, any reasons particularly regarding that?
- Shalinee Mandhana:** Sorry, I didn't get your question.
- Dhananjai Bagrodia:** So in this quarter, was there any specific reason for such a high growth comparatively than what we had expected, INR1,928 crores. Was it more realization led or was there volume overall in the segment?
- Shalinee Mandhana:** Actually, fourth quarter is always a good quarter for our company, as a result, growth is there.
- Moderator:** Our next question is from the line of Noel Vaz from Union Asset Management.
- Noel Vaz:** I just have one question. So regarding our operating margins. So can we expect that the current operating margins at the end of FY '23 should continue? Or should we expect it to be more in the realm of high teens kind of a number?
- Shalinee Mandhana:** That has already been answered, but I'll repeat that. So, from current margin of 18% to 19%, we are targeting an EBITDA margin of 21% to 22% in the current year.
- Moderator:** Our next question is from the line of Karan Gupta from Varanium Capital.
- Karan Gupta:** I have one question regarding the acquisitions we have in Australia and Tanzania and Ghana. So what will be the expected cash flow we are estimating from that regions, cash flow from operations I am asking?
- Shalinee Mandhana:** For us, explosives business is considered as a whole, including all global manufacturing facilities. So current year, we had a cash flow of close to INR160 crores plus. So based on that we are growth expecting similar levels.
- Karan Gupta:** Okay. And what will be the growth?
- Shalinee Mandhana:** 15% plus.

- Karan Gupta:** Okay. 15% plus in volume terms?
- Shalinee Mandhana:** Yes.
- Moderator:** Mr. Karan Gupta, may we request you join the queue again as your line is not clear. Our next question is from the line of Ravi Naredi from Naredi Investment.
- Ravi Naredi:** Sir, what is the margin in defense revenue? And how many months we take to receive the debtor payment from defense? And how many more orders we are expecting in current year?
- Manish Nuwal:** So the working capital cycle for defense is normally higher than our working capital cycle for nondefense, but since we have been saying that once we start supplying the products, it can reach to the normal level like explosives. So like we have started supplying of multimode hand grenade and other products. So we are not expecting that the debtor days or inventory levels to go beyond the normal level what we have been in the business for explosives section.
- Second point, more orders, definitely yes, like we have said that we are likely to complete all the trials of Pinaka in the next couple of months. And once we complete all these trials, we will be getting more orders in this financial year. And there are plenty of RFPs in which we have already applied. But the cycle time from submission of RFP and getting orders always takes some time. So as of now, the order book is INR1,100 crores. And once we receive more orders, we will update.
- Ravi Naredi:** And defense margin, sir?
- Manish Nuwal:** So as a business what we have mentioned that in this financial year, we are targeting, that our EBITDA margin should reach to around 20% to 22%. So definitely, we are optimistic that we will try to -- or we should be able to reach on the upper side of the EBITDA margins, which we have given a guidance on that.
- Ravi Naredi:** Okay. And Manish Ji, any defense equipment we are exporting to any other countries?
- Manish Nuwal:** We have already shared that we received orders of Pinaka rockets and which we are supplying, and there are plenty of small, small products which we are already supplying to various countries.
- Moderator:** Our next question is from the line of Aniket Mittal from SBI Mutual Fund.
- Aniket Mittal:** I have two questions. The first one is on the realization front. I think during the quarter, we've seen a 7% sequential dip over there. And you highlighted ammonium nitrate prices have gone lower. So based on the current prices, in your view, what would be the steady state realization that we can expect?
- Manish Nuwal:** Like we have already shared that the current realization of finished goods depends on the current raw material prices. And like we have shared that in this quarter, the average utilization of explosives was around INR66,913 per ton. And in this financial year, we are expecting that the prices of raw materials would fall, and that will benefit in increasing or enhancing the demand in the market. So at this moment, it is very difficult that how much it will fall, but like

we have seen that it can fall and it can go up again also in the second half of the year. So in the first half, we see that there can be a drop in the finished goods prices. And in the second half, we see that it can come back again. So we are not 100% sure at this stage how the volatility of ammonium nitrate prices can play. But as it happens, we will definitely share on quarterly basis.

Aniket Mittal: Fair. And the second question was just on the overseas markets. This year, we've seen a very strong growth coming in, revenues have almost doubled. If you could just highlight which are the key geographies which have contributed to this doubling of revenues?

Manish Nuwal: Yes. Like we have been saying that our businesses in Turkey have done exceedingly well. We have almost doubled the revenues from Turkey. Similarly, we have doubled our revenues in Australia. We have almost more than doubled in Nigeria. So we are doing very well in all these subsidiaries, except Ghana, where we are still in an SME state. So we are expecting better revenues in coming years, especially from West Africa and South Africa. And we are expecting that the more footprints which we have said that from the current 8 manufacturing destinations, we will start 4 new in this financial year. Backed up by all these efforts which we have taken in the last couple of years, we will see that there is growth in overseas business even from the current level.

Aniket Mittal: Just a follow-up to that, in your 15% volume growth guidance, how would this be split between domestic and international?

Manish Nuwal: We give the growth guidance or volume guidance for basically domestic market. But as far as international market is concerned, definitely, there will be also growth of around 15% to 20%.

Moderator: Our next question is from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: Sir, my first question is this order book of INR2,900 crores, this will be executed over what period?

Shalinee Mandhana: Next 1 year.

Alisha Mahawla: One year. And this is both for the defense and the nondefense parts?

Shalinee Mandhana: Defense, as we said, we expect the revenue to double. So it may be for 1, 1.5 years.

Alisha Mahawla: Okay. And the nondefense order book of INR1,800 crores you are saying should be executed in 1 year?

Shalinee Mandhana: This will include additional. As I said, we'll have additional orders from Coal India post October. So we'll have additional order book for next 6 months.

Alisha Mahawla: Okay. Understood. And the defense order book of INR1,100 crores, is this including the Pinaka rockets, because you said the product is still under evaluation? But you also mentioned that you all are exporting the product.

- Shalinee Mandhana:** We have already received an export order of Pinaka. So that is included in the defense order book. As regards to evaluation and testing, that was for the domestic orders of Pinaka.
- Alisha Mahawla:** And is it possible to quantify that once the domestic testing is complete, what could the order value be?
- Shalinee Mandhana:** Once we receive the RFPs and tenders are completed, we'll update the same.
- Alisha Mahawla:** Sure. And our target or aspiration for margins is 21%, 22% for FY '24. Will this be driven by faster growth on the defense side or because of growth on the export side? I just want to understand which piece is more margin accretive and hence expected to give us relatively better margins.
- Manish Nuwal:** Like we've already mentioned that the improvement in margin will be mainly because of few factors like the increased defense business, improved overseas businesses, and the volume growth of around 15%, and it can go up to 20% also in these financial years. So these things will definitely help us. And there were other factors which have impacted the bottom line in the FY '23, which was mainly on currency fluctuations and impact of hyperinflationary effect. So these things, we don't expect to continue in the next financial year. I hope this will clear your questions.
- Moderator:** Our next question is from the line of Sanjaya Satapathy from Ampersand Capital.
- Sanjaya Satapathy:** Thanks a lot for giving all the detailed guidance. Can I just ask you one thing that considering how the raw material realization and many other things are fluctuating and also the currency, so based on your volume growth guidance, will your absolute profit grow faster than volume growth or not?
- Shalinee Mandhana:** Yes. So we've given a guidance of 15% volume growth. So we expect similar growth in our bottom line.
- Sanjaya Satapathy:** Okay. And this 15% is for explosive, not the defense part, right, ma'am?
- Shalinee Mandhana:** Agreed -- no, this is 15% growth for explosive and for the business as a whole.
- Sanjaya Satapathy:** Okay. Okay. Okay. I thought volume growth is something which is not related to defense.
- Moderator:** Our next question is from the line of Kaushik Mohan: from Ashika Stock Broking.
- Kaushik Mohan:** Sir, another question that I have is that when looking at the numbers, consolidated level, the other expenses has been increased by INR400 crores. So can you give the breakup, if possible? And what is this exactly increased from?
- Shalinee Mandhana:** As you see, for the fourth quarter, the expenses have gone up by about INR60 crores, INR62 crores. So that includes mainly on account of hyperinflationary losses. Turkey is a country economy where hyperinflation has been affected since the financial year '22-'23. So as a result of the restatement of the balance sheet items of nonmonetary items, there was a loss of around

INR48 crores that had to be muted through P&L as per index 29. So as a result, the expenses have gone up, -- 2% plus the EBITDA level.

- Kaushik Mohan:** Okay. So for this reason, this INR400 crores has increased?
- Shalinee Mandhana:** So this INR400 crores, we cannot quantify as compared to previous sales because if you see the sales have also gone up by 75%. So, in proportion, expenses also go up. Export and overseas has also gone up. So as a result, sales and forwarding also reduces and ForEx currency losses of around INR80 crores are also accounted for in this year.
- Moderator:** Our next question is from the line of Chirag Muchhala from Centrum Broking.
- Chirag Muchhala:** Sir, so now that we have completed RECL acquisition, is it possible to share some financial details on the same, like the capacity, revenue, profits, etcetera?
- Moneesh Agrawal:** Yes, like we have shared that we have acquired Rajasthan Explosives Chemical Limited. It is based out of Rajasthan, which is in the city of Dholpur. And this acquisition will help us to expand our market base in the northern part of India. And the explosive capacity is around 30,000 tons, which we are likely to increase in next one year time. And the company has almost a big range of products, which we are already operating into. And the company's land is almost more than 900 acres. And this is what we can share. And as far as the revenue is concerned, we have already shared that it is in the range of around INR100 crores -- sorry INR200 crores, and we are likely to continue this.
- Chirag Muchhala:** Okay. And sir, what is the consideration that we have paid for the same?
- Moneesh Agrawal:** The consideration we have already done is around INR70 crores.
- Chirag Muchhala:** Okay, sir. Sir, the second question is actually on ammonium nitrate prices. So is it possible to share the average price of Q4 and where it is currently?
- Moneesh Agrawal:** We don't share the average prices of our actual purchase. Sorry for that.
- Chirag Muchhala:** Okay. Because, sir, in Q1 and Q2, you had shared that ammonium nitrate is hovering between around INR83,000 per ton. So just wanted to compare that industry-wide where the prices are, not specifically for Solar, but industry-wide prices.
- Moneesh Agrawal:** All right. The current RCF prices is around INR60,000, Which has reduced from almost INR84,000 in the peak. It has reduced to INR60,000 in the end of March.
- Moderator:** Our next question is from the line of Abhishek from DSP.
- Abhishek:** Sir, just in terms of your initiating systems, the top line growth seems to be quite healthy at about 44-odd percent. And subsequently, your stand-alone margins are also very healthy. So is it also because of product mix? Or how should one look at it?
- Manish Nuwal:** Yes, you are very right. It's a combination of product mix. And the current impact which we are seeing in the business that we are increasing our footprints in various parts of the country.

So that is helping improve our realizations also. So it's a combination of various factors, and one of that is increasing initiating systems sales.

Abhishek: Okay. Sir, the other thing which you partly also mentioned is that housing and infra demand seemed to have gotten impacted also because of price increases. So with that normalizing now with ammonium nitrate prices coming off, do you think that segment can see healthy improvement from here on, which if I look at your fourth quarter number, you're virtually flat. So how should one look at that segment?

Manish Nuwal: So we are expecting that the demand from housing and infra show increase in this financial year. The key reasons are that in the last year, because of high prices of not only explosives but of steel and cement also, a lot of work were getting deferred and payments were also slow from the various organizations. So in this financial year, we are expecting that this will improve. Apart from this, there is a natural buoyancy in this section because the government is also pushing for completing all the infrastructure projects as early as possible. So this will help in improving our sales from housing and infra. But like from last 15, 20 days, we are seeing that there are unseasonal rains. So these factors can keep coming, which can impact the demand. But on an average, we are expecting that demand for our explosives should land at 15%, and we are trying to increase from 15% to 20% in this year.

Abhishek: Okay. Great. Sir, one last question from my side. Since you've increased the capex intensity to almost about INR750 crores and a lot of it is also going into defense, do you expect this capex momentum to continue into FY '25 as well? Or how should one look at it?

Manish Nuwal: It is very difficult to comment at this stage, but definitely looking at the huge opportunities and the company's aggressive plans in expanding the footprints, expanding the product portfolio, investing in new technologies, projects, products, which will help our presence in variety of customer sections, which can sustain the expansion of future growth plans. So we believe that in this year, we are expecting INR750 crores, and in the next year, we are expecting that it should be around INR600 crores to INR700 crores.

Abhishek: Okay. And one should assume similar asset turn, except defense, in these to continue, whatever you are doing current asset turns, these new capex also should be able to earn you that asset turns. Is that the right assumption, sir?

Manish Nuwal: No. This may not be right assumption at this stage. Like we have been saying that defense expansions, whatever we will do, it will take at least 3, 4 years to turn around and then improve the sales from those assets. But like we have been investing in the last almost 10 years, so we are getting the fruits of those investments. In this year, we are expecting a revenue of INR800 crores. And with the current capex program, it can definitely -- the capex which we have already done, the revenue should reach to around INR1,200 crores comfortably. But like we are absorbing the new technologies, increasing the product portfolios, so the capex will be there, and those things will help us in the coming years.

Moderator: Our next question is from the line of Kishan Toshniwal from Polar Ventures LLP.

- Kishan Toshniwal:** As Manish Ji, you said that we'll see 15% to 20% rise in the volume terms, can you give me the breakup or the color of how much it would be towards the explosive side and towards the defense side? And would that lead to the top line growth in the same ratio? Or would it be higher because of the 15% to 20% volume rise? My first question.
- Manish Nuwal:** Like I have already answered that the volume growth will be bearing India and overseas business. And the growth will come mainly from Coal India, Singareni, and housing and infrastructure sector. As far as defense is concerned, this business doesn't work on volume growth of like 10%, 15%, 20%. These are mainly dependent on products, and each product are being numbered in a different manner. So SKUs are different, unit measurements are different. So for different sections, we have mentioned that in this year, we are expecting revenue of INR800 crores. We will try to increase it, but from INR400 crores to INR800 crores is our target for this year.
- Kishan Toshniwal:** And the capex that you have done is basically for what? It is for explosive or the capex has been done for the defense part of our business?
- Manish Nuwal:** capex program or capex which we have already...
- Kishan Toshniwal:** No, the capex program that you have given of INR400 crores or INR750 crores.
- Manish Nuwal:** We have given the breakup just now.
- Kishan Toshniwal:** I just couldn't see it. That's why I'm asking.
- Manish Nuwal:** We will share it.
- Moderator:** Our next question is from the line of Karan Gupta from Varanium Capital.
- Karan Gupta:** Most of the questions have been answered. But the questions regarding the cash flow from the operations, as of FY '23 what will be the CFO?
- Manish Nuwal:** Sir, a small request that can you connect after the con call? Because your voice is not clear. Sorry for this.
- Moderator:** Our next question is from the line of Pratik Mukasdar from RNL Partners.
- Pratik Mukasdar:** Manish Ji, congratulations to you and your team for a fantastic set of numbers. I wish you all the best for the future. Most of my questions have been answered. So thank you so much.
- Manish Nuwal:** Thank you very much for your kind appreciation.
- Moderator:** Our last question is from the line of Rohan Gupta from Nuvama.
- Rohan Gupta:** Thank you very much for the follow-up. Sir, just some clarification on our defense business. So we have recently got orders in loitering ammunition and also we have a few pending orders from MMHGs. We also have export orders. So the kind of revenue growth numbers in defense, which you're talking about INR800 crores, that seems to be, I mean, primarily coming

from these orders itself. Just wanted to check that is there are any upside, because in the normal course of the defense business where we are doing some INR300 crores kind of annual run rate, that business, how is that panning out? And is there an upside of the INR800 crores revenue which you're talking about in defense in the current year?

Manish Nuwal:

Like we said, the current order book is INR1,100 crores. And if everything goes well and if they buy out in this first year itself, so definitely, we can increase our sales from INR800 crores to INR1,100 crores. But like we have seen in our past experience, it takes time, and there are always some challenges that keep coming, because you are already aware that this is the first time that any private company is supplying ready to use ammunition.

Loitering ammunition has been ordered for the first time to any private company from the country. This has been developed for the first time. Similarly, Pinaka rockets have never been exported in the past. So this is also the new milestone for any company like ours, solar industries. So if you look and capture all these things, it takes time. And then the INR1,100 crores order book deals a lot of room of optimism that in the coming years we will see a much better performance in defense section. We are confident that we should comfortably cross INR800 crores.

Rohan Gupta:

Okay. So just one more clarification, the guidance part, which you mentioned is roughly 15% to 20% growth in revenues. That you're primarily talking only on the volume front, right? Because the prices this year will be falling because of the fall in raw material prices. So this 15% to 20% revenue growth guidance which you're talking is for volume growth, right?

Manish Nuwal:

Whatever I've said is already said. You can look at my con call script. That should answer your question.

Moderator:

That was the last question of this question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Aanchal Kewlani:

Thank you so much, everyone, for your time. We expect our shareholders and stakeholders to keep supporting us like this in the coming financial years as well. Thank you so much.

Moderator:

On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.