SOLAR

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November 8, 2022

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

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

Sub: Transcription of Conference Call with reference to the Unaudited Financial Results for the quarter and half year ended on September 30, 2022 with the Management of the Company.

Dear Sir,

In furtherance of our letter dated **October 29, 2022**, we are forwarding herewith a copy of Transcription of Conference call hosted by Centrum Broking Limited on Saturday, **November 5, 2022 at 11:00 a.m.** to discuss the Un-audited Financial Results for quarter and half year ended on September 30, 2022 with the Management of the Company.

Kindly take the same on record and acknowledge.

Thanking you

Yours truly,

For Solar Industries India Limited

Khushboo Anish Pasari

Digitally signed by Khushboo Anish Pasari
Date: 2022.11.08 10:55:59 +05'30'

Khushboo Pasari
Company Secretary &
Compliance Officer

"Solar Industries India Limited

Q2 FY '23 Earnings Conference Call"

November 05, 2022

MANAGEMENT: **MR. MANISH NUWAL - CHIEF EXECUTIVE OFFICER AND MANAGING 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
MS. SHALINEE MANDHANA, JOINT CHIEF FINANCIAL OFFICER – SOLAR INDUSTRIES INDIA LIMITED
MS. AANCHAL – INVESTOR RELATIONS – SOLAR INDUSTRIES INDIA LIMITED

MODERATOR: **MR. CHIRAG MUCHHALA – CENTRUM BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '23 Earnings Conference Call of Solar Industries India Limited hosted by Centrum Broking Limited. As a reminder all participants lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation conclude. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Chirag Muchhala from Centrum Broking Limited. Thank you, and over to you.

Chirag Muchhala: Thank you, Yashashri. On behalf of Centrum Broking, I welcome you all to the Q2 FY '23 Earnings Conference Call of Solar Industries India Limited. From the management, we have Mr. Manish Nuwal, CEO and MD; Mr. Suresh Menon, Executive Director; Mr. Moneesh Agrawal, Joint CFO; and Ms. Shalinee Mandhana, Joint CFO.

I now hand over the call to management for their opening remarks, post which we can open the floor for Q&A. Over to you, sir.

Management: A very good morning to our dear stakeholders and well wishers. I hope everyone had a fantastic and safe Diwali. Indeed, this year's Diwali is over, but we are here to celebrate it again with our stakeholders as we present to you our sparkling numbers in today's conference call of Solar Industries India Limited.

My name is Aanchal, and I would like to welcome you all to second quarter and half yearly investor conference call for the year FY '22/'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 of the company. 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 CEO and MD, Mr. Manish Nuwal, for his opening remarks. Over to you, sir.

Manish Nuwal: Thank you, Aanchal. A very good morning and season's greetings to all the stakeholders and our well wishers. With strong performance across all the sectors, we are delighted to share that we have delivered yet another quarter of all-around performance with quarterly revenue up by 99% year-on-year, which stands at INR 1,567 crores and the net profit is up by massive 152% year-on-year, which stands at INR 189 crores.

Friends, our strategy to nurture overseas businesses, expanding non-coal India markets and defense continues to boost our performances. Exports and overseas business has outperformed by showing a growth of 107% year-on-year. Defense business has achieved another milestone by crossing INR 100 crores in this quarter.

Now after establishing ourselves in Indian ammunition market, export opportunities are providing us a new avenue of growth and we are first private sector company in India to receive an export orders for ready-to-use ammunitions worth INR 300 crores. We all are aware of geopolitical tensions, shortages of raw materials, high inflation, leading to higher interest rates by banks across the globe, resulting into volatility in currencies and concerns of economic slowdowns are triggering major challenges for all of us.

Despite of these challenges, half yearly results, along with the strong order book of INR 4,000 crores-plus, which includes defense orders of INR 885 crores, gives us a strong confidence to revise our annual revenue growth for financial year '22/'23 from 30% to around 50%.

Now I will hand over the call to Aanchal to take you through the financial details. Thank you.

Management: Thank you so much, sir. Let's begin the numbers. The consolidated revenue is up by 99% at INR 1,567 crores versus INR 788 crores. Explosives revenue was up by 90%. Realization of explosives has increased by almost 73%, that is INR 70,900 versus INR 40,874. Initiating Systems revenue increased by 50%. Coal India percent under revenue stands at 13% compared to 15%, where revenues increased by 67% year-on-year to INR 198 crores from INR 118 crores.

Non CIL & Institutional is up by 202% year-on-year to INR 267 crores versus INR 89 crores. Housing & Infra, the revenue was up by 55% to INR 240 crores versus INR 155 crores. The Export & Overseas revenue showed an increase of 107% year-on-year to INR 739 crores versus INR 358 crores. Defense revenue is up by massive 95% in the quarter, INR 111 crores versus INR 57 crores. Raw material consumption increased by 111% year-on-year from INR 442 crores to INR 933 crores.

The employee cost has increased by 32% year-on-year from INR 66 crores to INR 87 crores. The other expense has increased by 67% from INR 149 crores to INR 248 crores. We reported an EBITDA of INR 303 against INR 143 crores, showing an increase of 112%. Interest and finance charges cost was up 64% from INR 11.80 crores to INR 19.41 crores.

Depreciation has increased by 11% from INR 27 crores to INR 30 crores. PBT has increased by massive 144% from INR 104 crores to INR 254 crores. PAT has increased by 152% from INR 75 crores to INR 189 crores. These were the updates for the quarter.

Let me now take you through the half yearly performance. The revenue for the half year is up by 97% year-on-year, that is from INR 1,613 crores to INR 3,182 crores. Realization of domestic explosives increased by 74%, that is from INR 41,405 to INR 71,404. Revenue from domestic explosives increased 91%. Initiating Systems domestic revenues increased by 34% year-on-year from INR 180 crores to INR 241 crores.

Coal India as a percentage of sales is 14% in the basket from 16% in the previous year. It has grown by 72% year-on-year, contributing INR 449 crores. Non-CIL & Institutional have grown by massive 191% and stands at INR 557 crores. Housing & Infra has grown by 71% year-on-year, stands at INR 638 crores. Export & Overseas, showed an increase of 99% and stands at INR 1,331 crores.

Defense has shown a rise of 69%, stands at INR 175 crores. Raw material cost is up by 119% from INR 911 crores to INR 2,000 crores. The employee cost has increased by 21% from INR 134 crores to INR 163 crores. Other expenses have gone up by 68% from INR 262 crores to INR 438 crores.

EBITDA has increased by 87% from INR 318 crores to INR 595 crores. Interest and finance has increased by 53% from INR 22 crores to INR 34 crores. Depreciation has increased by 16% from INR 52 crores to INR 61 crores. PBT, we recorded a PBT of INR 500 crores compared to INR 244 crores, an increase of 105%. PAT, we recorded a PAT of INR 371 crores to INR 176 crores, which is an increase of 111%. This is all from our side.

Now we would be happy to take any questions, comments or suggestions that you may have. Over to you.

Moderator: [Operator Instructions] We have our first question from the line of Sujit Jain from ASK Investment Managers Limited. Please go ahead.

Sujit Jain: Manish and team, congratulations on a very strong set of numbers. If you can give us in the guidance, what is the volume growth that you are estimating?

Manish Nuwal: Sir, we have already given a guidance of 15% volume growth for the whole financial year and we stand by that.

Sujit Jain: Right. So you expect a higher volume growth in H2 because I believe at least in domestic, the volume growth was at 11% in H1?

Manish Nuwal: Yes, we are expecting more volumes in the second half as we are aware. The first half always have lower demand due to monsoon. And in the second half, the demand is more. So that's why we have the confidence that we should be able to gain a 15% volume rise in the whole financial year.

Sujit Jain: And what has been the volume growth for the exports business in Q2?

Manish Nuwal: The export volumes are also around 15% to 16% year-on-year basis.

Sujit Jain: Sure. And just to understand this order book that you sail out every quarter, which at the end of this quarter, stands at INR 4,000 crores. This is basically the tonnage that you have in the order book multiplied by the pricing that you referred to, the closing pricing. Is that the right understanding?

Management: Correct.

Sujit Jain: Right. And the ammonium nitrate price, if I look at an index such as the Baltic Sea price, that's actually up only 5% Y-o-Y, whereas our realizations were up much beyond that in the domestic business in Q2. Like you just spelled out 74%. So how does that phenomenon work, the movement of prices and translation?

Suresh Menon: Yes. If you look at the BALTIC Freight Index is basically for the shipping freight. That's maybe 5%.

Sujit Jain: The nitrate price, the ammonium spot prices, yes.

Suresh Menon: Yes, that's indicated by a Fertecon index, and I believe it has gone up substantially compared to last year.

Moderator: We have our next question from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: First of all, congratulations for a good performance. I have just two questions. The first one is, essentially on the EBITDA margin. So if we look at the EBITDA margin, consolidated EBITDA margin has jumped to 19.1% this quarter compared to 17.5% last quarter. Now while I understand realization has gone significantly up.

So going ahead, since the volumes are also giving you support, do you expect to get back to 22% -- 20% to 22% band in H2? Or is the incremental growth that you mentioned it is going to come at lower margins? So what would be your EBITDA margin or gross margin guidance for the year?

Management: Yes, you're correct. As compared to previous quarter, the EBITDA margins have gone up. This came on account of mainly two reasons, one is you can see from the numbers that Export & Overseas revenue has gone up, as well as the Defense revenues have gone up. Given Export increases, so the cost of goods sell. And as a result, other expenses increase and the proportionate is reflected in the EBITDA margin. Going forward, the year as a whole, we maintain the guidance of 18% to 20%.

Amit Dixit: Okay. The second question is on the segment pie. If I look at it, Export and Defense, and it was mentioned by the MD's commentary also have done well. Can you let us know the key areas that are working for you and that have prompted the increase in revenue guidance as well from 30% to 50% for the year?

Manish Nuwal: Yes. The revised guidance is based on the better realization in input prices and the improved sales from our overseas subsidiaries and the Defense business has also given an upward trajectory, that's why we have given that in this financial year, we will be able to achieve a growth of around 50% instead of 30%.

Amit Dixit: I was mentioning, basically the elements of it. So if I look at last quarter, your order book for Defense was around INR 538 crores, INR 540 crores, if I'm not mistaken. This quarter, it has gone up to INR 880 crores, which is a significant growth.

So specifically what areas in Defense are you targeting? And do you expect this order book to grow further as we go by you expect further order inflow? If you can throw some more light on that, that would be very helpful.

Manish Nuwal: Yes. As we have been sharing over last couple of investor calls that our bucket of products covers a variety of offerings for different applications like high energy materials, pyros, propylenes, rockets and war heads. And now we have entered into the drone with ammunition as well. If you look at the current prospect, which we have mentioned in our commentary that we have received an export order of ammunition, which is worth around INR 300 crores. And we have also shared that RFPs for Pinaka is also likely to come.

So one of the RFP has already floated by the government and we are likely to participate in that. And a few more RFPs are likely to come in the next couple of months or 1 or 2 quarters. So based on these inputs only, we have said that in this financial year, we are likely to reach say around INR 6,000 crores number and we have said in the last call also that Defense business, we are targeting INR 750 crores revenue in the next financial year.

Moderator: [Operator Instructions] We have a next question from the line of Kishan from Polar Venture.

Kishan: Good morning. Congratulations on good set of numbers, first of all. I have two to three questions. Basically, the first question is, how was this Ahmedabad Expo and the company participated into it and specifically for our company, how beneficial could it be from the long-term perspective?

Manish Nuwal: The defense expo, Ahmedabad was quite good. It has demonstrated that our country building, the capabilities of Indian establishments, and that is what government has focused to all the visitors that Indian companies and all the policy makers are very positive, and they want to achieve, Total AatmaNirbhar in defense requirements. And now they want to establish India as an export hub.

So from that angle, the defense expo was quite good. Variety of visitors were there, and we also participated. We have demonstrated our products in the exhibition. Response was quite good.

Kishan: My second question is your domestic revenues have gone down Q-on-Q, whereas your exports have gone up. Is it a technical shift that you are trying to do to make the mix towards export a better mix? Or is it because of the season that reduction?

Manish Nuwal: No, this reduction in domestic value compared to the Q1 is only because of the monsoon period and which is quite normal for our industry.

Kishan: Okay. And the third question is, in this quarter, I've seen quarter-on-quarter, the employee costs have gone up substantially, and also the other expenses have gone up. Any particular reason? Just a bookkeeping question.

Management: Yes. Regards to our bench strength is our focus and other question that since the Export & Overseas revenues have gone up, so as a result the raw material cost in those products that comes down and other expenses are in freight and transportation goes up. And as regards to the employee cost, it's on the volume of the business associated to that.

Kishan: And this forex gain or loss has been considered in the other expenses or is it in other income or what -- where it has been shown?

Management: It is considered as other expenses.

Moderator: [Operator Instructions] We have our next question from the line of Surbhi Saraoge from Smiffs Capital. Please go ahead.

Surbhi Saraoge: Sir, I have just one question and that is you have given a revenue growth guidance of 50% for the financial year '23. So, can you give a guidance as to how much the PAT will grow for the year 2023?

Management: The current year, the PAT in the quarter numbers, yes, if we see the margins, our EBITDA margins are around 19.3%. So we maintain the EBITDA margin growth from the range of 18% to 20% for the year FY '23.

Surbhi Saraoge: And what about PAT, the profit after tax?

Shalinee Mandhana: The PAT comes after taxation. So normally, that should also be in the EBITDA range, 11% to 12%.

Surbhi Saraoge: Ma'am, actually, your voice is breaking. Can you just repeat the last part?

Shalinee Mandhana: Yes. As I said, the current PAT in the quarter is 12%, so we have given a guidance of 11% to 12% for PAT.

Surbhi Saraoge: 11% to 12%, okay. That's helpful. Okay, that's all.

Moderator: Thank you. We have our next question from the line of Abhishek Ghosh from DSP Mutual Funds. Please go ahead.

Abhishek Ghosh: Just a few questions. Can you just help us understand the pricing trend in the ammonium nitrate in the last couple of months? How has that trended?

Shalinee Mandhana: Yes, please see on -- from last quarter, the prices have marginally come in similar levels around…

Moderator: I'm sorry to interrupt but you are not very clear.

Shalinee Mandhana: Hello. Can you hear me?

Moderator: Yes. Please go ahead.

Shalinee Mandhana: Yes. If we compare the actual prices on quarter-to-quarter basis, last quarter, it was around INR 83,500. And in this quarter, it's around INR 82,500. So there's not much of a decline in that.

Abhishek Ghosh: So largely stable.

Shalinee Mandhana: Yes.

Abhishek Ghosh: And ma'am, one more thing in terms of standalone, we see very sharp improvement in gross margin Q-on-Q. So is it because of export or there has been some price increase which has happened with the lag? Any thoughts?

Shalinee Mandhana: You are talking on the standalone numbers.

Abhishek Ghosh: Yes, ma'am, standalone.

Shalinee Mandhana: So in the standalone also, there is significant increase in export sales. So as I've been saying normally when the export revenue rises, with the increased sales, the freight and forward cost goes up. So other expenses have gone up and raw material prices come down.

Abhishek Ghosh: There is no element of price action in the domestic customer, I was trying to understand that?

Shalinee Mandhana: Generally, what happens, we have been saying in the previous quarters, whenever the raw material prices rise, the pass on of rise into the finish goods generally comes with the lag. So since I said that the prices are nearly stagnant in this quarter, so we were able to pass on the prices, which was there in last quarter. The lag was present in the last quarter.

Abhishek Ghosh: And Manish also spoke about this export order of INR 300 crores in the RFP for Pinaka. If you can broadly help us understand the nature of this export order. Is it largely related to what product and the floated RFP for Pinaka, what are the quantities and the broad tender side calculation?

Manish Nuwal: Yes. As you are aware that the company always keep sharing the information as and when things materializes. So we will definitely share the information as and when RFP are finalized. And like I said that government has already floated the RFP, and we are likely to participate in next couple of months. And we are hopeful that the commercialization of our key products, say, Pinaka, will start from next financial year.

Abhishek Ghosh: Next financial year, is it?

Manish Nuwal: Yes. It's '23-'24.

Abhishek Ghosh: And this export order of INR 300 crores, it is executable from when?

Manish Nuwal: Yes, the likely time line is next two years. So we are likely to commence the production from the Q1 of the next financial year and likely to finish in 12 months to 18 months' time.

Abhishek Ghosh: Sir, just one last question. If you look at the revenue mix, and you all have done a great job in getting down the diversification and the coal, particularly Coal India revenues are down to just about 12% of the overall revenue mix. Over a next two years to three year's period, any thoughts, how should one expect the contribution from Coal India? And how should one look at it given the strong growth in export?

Manish Nuwal: Yes. As we all are aware that Coal India has also announced their ambitions, plan to raise the production to almost 1 billion ton. So based on those targets, we believe that sales to Coal India will always be in an increasing trend. Whereas if you look at the private coal mines, they will -- their growth rate will be much more than the Coal India. As a result, we believe that the sales or the growth in non-Coal India will be more than the sales towards Coal India. And we think that the share of Coal India, which is around, say, 14%, 15% on the half yearly numbers are likely to remain around 10% to 15%. So it will float, it can fluctuate, but the total as a basket in our overall sales, Coal India will remain around 10% to 15%. It will not cross more than that.

Moderator: Thank you. We have our next question from the line of Ravi Kumar Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Thank you, Manishji, and Solar Team for marvelous result. Sir, there was a media clip regarding Solar, we are getting INR 2,000 crores in consortium defense order. What is reality? If yes, how much order we may receive or already received?

Manish Nuwal: Sir, as you are aware, the company always keep sharing information as and when thing materialize. And based on that, in yesterday's press note and investor update, we have mentioned that we have received an export order of INR 300 crores, and we have already clarified on this point. Thank you very much.

Ravi Naredi: And this enhance in net profit margin likely to continue in next financial year?

Manish Nuwal: Yes, I think that is what we believe, sir, that based on the current elevated raw material prices, we believe that 18% to 20% is a sustainable EBITDA margin and we maintain on that.

Ravi Naredi: And sir, this financial year '23, you are giving 50% guidance. And in our first half, we already achieved 100%. So is it not so conservative guidance?

Manish Nuwal: Sir, as we all are aware that there are a variety of challenges in the global economy. There are global political tension going on various side, higher inflation leading to higher interest rate. And as a result, there is fluctuation in the currency market, and we can observe there are slowdown in various markets. So after capturing all these inputs, based on our experience, we have given a guidance of around 50% growth.

Ravi Naredi: Definitely, you are very conservative. It is good for investor also. And anything you would like to give for next two years, few years about any guidance, financial year '24 '25? Anything in your mind? I'm not giving a percentage term, but anything in your mind if you go on to give?

Manish Nuwal: For next financial year, sir, we will come out with our guidance after the Q4 numbers.

Ravi Naredi: And sir, one more question, if you may allow me. This current assets are higher side in spite of so much handsome profit in H1, our debt rises due to capex and rising current assets. So will you comment on this development?

Manish Nuwal: Yes. The current assets has gone up, you have rightly pointed out. It is mainly because of the very high raw material prices, and we have to continue with better inventory or higher inventory to maintain any kind of stoppages in the production. As a result, current assets has gone up. Otherwise, there is nothing alarming or drastic change in our overall working capital structure. It is well within the norm, which we try to follow of 90 days, it is less than that.

Moderator: Ladies and gentlemen, to ask a question please press star and one on your phone. We have our next question from the line of Kishan from Polar Venture. Please go ahead.

Kishan: Yes. Just a few more questions after I've already asked two questions. My first question is that in the export market, is the margins higher than the business which we do in the domestic market?

Manish Nuwal: Normally, like we have been saying that the margins in domestic and overseas are in a same range. It all depends on in which quarter or which month the sales of which sector of products is more. So that's why there is always some kind of fluctuation of 1% or 1.5% on EBITDA margin, which is quite normal for our company, Solar. And we believe that whatever guidance we have given of 18% to 20% is a reasonable guidance. And we should take note of that, that this is a sustainable number and we are trying to achieve that.

Kishan: And related to this, one more question. Basically, the better deal that we had, is it better in the -- what you say domestic market or always better in the export market, sir? Does it help us to do the business in a better way by having a better days in the export market?

Manish Nuwal: Yes, the better days in India is always on lower side compared to the international business. As we are all aware that the logistic time from shipping the goods from our factory reaching to the customer will not take less than 60 days to 75 days. So based on these kind of the reality, as we are trying to expand our footprints in global market and variety of raw materials are also coming from different destination. So if you capture all these reality of sourcing from raw materials from different location, supplying material, key raw material are key measures from India to those market, it take more time and as a result, better days are always more.

Moderator: Thank you. We have our next question from the line of Shivang Doshi: from Centrum Wealth Management. Please go ahead.

Shivang Doshi: First, if you can quantify if at all we have booked any forex loss or gain during the quarter? What will be that quarterly?

Shalinee Mandhana: Your voice is not really loud.

Moderator: Right, can you repeat your question, Mr. Joshi?

Shivang Doshi: Actually, can you quantify ma'am, what is the forex loss or gain that you've accounted for during the quarter?

Shalinee Mandhana: During the previous quarter, we had a forex loss of around INR 28 crores. And during this quarter, we've registered around INR 35 crores.

Shivang Doshi: There is a forex loss that you have registered?

Shalinee Mandhana: Yes.

Shivang Doshi: Secondly, if we indirectly/directly to try to derive what, one is your EBITDA margin? Secondly, I understand that we're not disclosing that, but EBITDA per ton if we try to calculate, it apparently seems though we cannot quantify, it apparently seems that year-on-year and as well as sequentially, EBITDA per ton has risen considerably. So whether it is higher EBITDA per ton is sustainable or is it only because of the lag effect that uncertain one of the previous participant's question?

Shalinee Mandhana: Yes. As we have said that for the current year, we're maintaining the guidance of 18% to 20% at EBITDA level. And as regards per ton, we do not share these information as part of our company's policy.

Shivang Doshi: Going ahead, I understand that further guidance will be coming up. But I believe two operations, two facilities are going to be operational, like you mentioned in the previous con calls, Australia and Indonesia facilities were -- you were planning to bring the operations in line from third quarter FY '23. Can you give us the status of the facility?

Shalinee Mandhana: Yes. We'll update our stakeholders as soon as the team gets operational.

Shivang Doshi: So far, we don't expect any delay.

Shalinee Mandhana: No, no.

Shivang Doshi: Once these facilities come online, South Africa starts becoming PAT positive, in a longer and maybe -- if we happen to take a broader view in the next three years to four years, how much do you expect your volume growth in the export market to be higher than the domestic market?

Manish Nuwal: So like we have said in our previous calls that the demand of products in India is quite good due to the Coal India and focus of government on increasing the mining activity. There is a lot of thrust on housing and infrastructure in the country. Similarly, our overseas expansions are materializing in the last couple of years. And South Africa, Australia is also started given the better results than what it was in the last financial year. So we believe that the growth is there in all parts of the globe for us. And based on those, we have said that we are likely to have around 15% volume growth, not only in India but outside India as well.

Shivang Doshi: Once your new facilities start becoming fully operational, should we expect a faster growth? You don't need to quantify that. I understand that you'll be coming up with a proper guidance for next year after the quarter or two. But can we expect accelerated growth in the exports market or in the overseas market, not export, so in the overseas market versus domestic in the years to come once your facilities are operational?

Manish Nuwal: Like we said for the new year, we will come out with guidance after Q4 number. So we will address to your query during that call.

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

Pratik Mukazdar: Congratulations for the fantastic set of numbers. I have a couple of short questions. First is, forex loss, we are having a forex loss, so I just wanted to ask, do we have a forex hedging policy or do we have a number where say, like a rupee is depreciating, so every INR 1 depreciated of rupee impacts our margin either way positively, negatively. So can you just highlight on this?

Shalinee Mandhana: Yes, we do have our forex policies. But as the company has been operating in so many economies. I think – raising rate by the Federal Reserve, so volatility has been seen at a huge level. Compared to this, we do have balance sheet hedges in many of our economies.

Pratik Mukazdar: And secondly, we have seen a rise in interest cost. I think you have highlighted earlier. Can you just highlight what would be the nature of this debt, which you have incurred, is it for a short-term basis or what is the purpose of it?

Shalinee Mandhana: Yes. As a matter of company's policy, we have been maintaining the debt equity around 0.5, lower than 0.5, so we are maintaining that policy.

Pratik Mukazdar: And we had also -- we were also going to consider issue of NCDs also that was given in the exchange. So any development on that?

Shalinee Mandhana: Yes. As per RBI policy, the company comes under large corporate, so 25% of borrowing has to be through NCD. So as a result, there is two funds through NCDs.

Pratik Mukazdar: And my question to Manishji is, we have a huge exposure to mining sector and housing and intra. These are our two big sectors. So in last call, Manishji, you mentioned that mining is doing quite well. And what do you see from here on in Coal India and in private miners also and also the housing sector?

Manish Nuwal: Like I said, there is a good demand from the mining sector, and there is a huge thrust from the government side to build the top-class infrastructure within our country. So based on these ambitious programs, which government is already working on, we believe that growth will be there from mining and housing infrastructure as well. There can be some ups and downs for a month or two months, but that should not derail the plan of building the world-class infrastructure in the country.

Pratik Mukazdar: As the tagline says, Unnati Ke Safar Par, our company is really doing well. I would like to congratulate once again.

Manish Nuwal: Thank you very much from our team.

Moderator: Thank you. We have our last question from the line of Bharat Gupta from Fair Value Capital. Please go ahead.

Bharat Gupta: Manishji, congratulations for a great set of results. A couple of questions, Manishji. First in regard to the margins and such, so definitely, we do know that the company follows a pricing mechanism and definitely ammonium nitrate prices though it comes with an alarm, but we try to pass it across and there has been a good amount of improvement which we see going forward in terms of the defense order book, which is concerned, and that is a high margin business for us. So don't you think in the next one year to two years, we can climb up to more than 20% kind of a margin level, which generally we do have in the past like where do we have maintained in the past also?

Shalinee Mandhana: As we've said, for the current year, we maintained a margin of 18% to 20%. For next year, looking at the global challenges, the guidance for next year will be given by the end of fourth quarter.

Bharat Gupta: And second question, coming on to the capex side, like you were earlier looking out for capacity enhancements across all of the regions. So where do we stand? Have you finalized the locations? And what kind of a capex plans should we have for this year and next year?

Shalinee Mandhana: Yes. For the current year, we have a capex plan of around INR 300 crores to INR 500 crores. And as regard the plans for new setup, we will update the stakeholders as soon as the deal materializes.

Moderator: Thank you. I would now like to hand over the call to Mr. Chirag Muchhala from Centrum Broking. Please go ahead.

Chirag Muchhala: Yes. Thank you to the management for giving us the opportunity to host the call and thank you to all the participants for your presence. Sir, do we have any closing remarks?

Management: Yes, sure, Chirag. We being an explosive company, I'm sure to have blasted this conference call with presentation of good numbers. We expect our well wishers to keep supporting us like this. Thank you.

Moderator: Thank you. On behalf of Centrum Broking Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.