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July 28, 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 Un-audited Financial Results for the quarter ended on June 30, 2022 with the Management of the Company.

Dear Sir,


In furtherance of our letter dated July 23, 2022, we are forwarding herewith a copy of Transcription of Conference call hosted by Nirmal Bang Institutional Equities on Tuesday, July 26, 2022 at 11:00 a.m. to discuss the Un-audited Financial Results for quarter ended on June 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 Pasari
Company Secretary &
Compliance Officer



Solar Industries India Limited

Regd. Office : "Solar" House, 14, Kachimet, Amravati Road, Nagpur - 440 023, INDIA

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

CIN : L74999MH1995PLC085878 🌐 www.solargroup.com



“Solar Industries India Limited
Q1 FY2023 Earnings Conference Call”

July 26, 2022



ANALYST: **MR. PRASHEEL GANDHI – NIRMAL BANG EQUITIES**

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



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Moderator: Ladies and gentlemen, good day and welcome to the Solar Industries India Limited Q1 FY2023 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prasheel Gandhi from Nirmal Bang Equities. Thank you and over to you Sir!

Prasheel Gandhi: Thank you **inaudible 0:42** and good morning to all participants. Nirmal Bang Equities welcomes you to 1Q FY2023 earning conference call for Solar Industries India Limited. From the management, we have Mr. Manish Nuwal, CEO and MD, Mr. Suresh Menon, Executive Director, Mr. Moneesh Agarwal, Joint CFO and Mrs. Shalinee Mandhana, Joint CFO. I now hand over the concall to the management for opening remarks post which we can take questions from participants. Thank you and over to you Sir.

Aanchal: Thank you so much Prasheel. A very good morning everyone and welcome to this fiscal Q1 review conference. My name is Aanchal and I would like to welcome all of you on behalf of Solar Industries India Limited. On the onset let me state we might make projections or other forward-looking statements regarding future events and about future financial performance in the call. Please remember that such statements are only predictions. The actual events or results may defer materially. Our website will be updated with all the relevant information from time to time. Now I would request MD and CEO, Mr. Manish Nuwal for his open remarks on the company’s performance for this quarter. Over to you Sir.

Manish Nuwal: Good morning everyone. In this challenging environment where businesses were impacted due to supply chain disruptions amid Russia and Ukraine conflict and currency volatility, we achieved highest ever quarterly revenue of Rs.1616 Crores a growth of 96% year-on-year and our net profit is Rs.183 Crores a growth of 81% year-on-year. It demonstrates the real strength of our company. During this quarter significant increase in revenue was contributed by international businesses and non coal India and institutional sectors which showed a growth of 90% and 180% respectively. These numbers are the true reflection of our efforts over the years to nurture overseas business and expand base in non-Coal India Limited customers. Revenue from defense stands at Rs.64 Crores up by 37% year-on-year basis and is likely to start gaining momentum from the next quarter. Our EBITDA margins during the quarter got contracted due to elevated raw material prices and lower realization from one of our key coal customers. The company has taken a strategic decision to invest in



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North India based explosive manufacturing company after taking recent investment in Sky Root and Zmotions to increase the product portfolio for various high-end application and increase its geographical footprints to continuously move towards advanced on contract journey. Going forward high inflation and consequential policy rate tightening measures can impact global demand however the government thrust on building housing and infra, rising coal demand and Atmanirbhar Bharat promoting towards indigenization of defense products will definitely help us to achieve the annual growth guidance which we have given earlier. Now I will request Aanchal for a quick update on quarterly numbers.

Aanchal:

Thank you so much Sir. I guess we are perfectly following our motto Unnati ke Safar Par. We are again back with yet another highest quarterly revenue and profit. It gives me immense pleasure in sharing our success journey back-to-back with our shareholders and potential investors. We grew at laudable pace in Q1 with revenues of Rs.1616 Crores up by 96% year-on-year. EBITDA at Rs.292 Crores up by 66%, PAT at Rs.183 Crores up by 81% year-on-year demonstrating the strength of our business in a challenging environment as elaborated by our MD.

Now let us quickly review the quarter in detail. Explosives, the domestic volume in the quarter increased by 13%. Our realization of explosives showed a growth of 74% as such explosive's revenue was up massive 97% from Rs.419 Crores to Rs.824 Crores. The revenue from initiating system was also up by 20%. Revenue from CIL was up by 76%. Revenue from non-CIL institutions was up by massive 181%. Revenue from housing and infra was up by 83%. Export and overseas revenue grew by 90%. Defense revenue was up by 37% year-on-year.

Coming to cost, raw material the consumption cost increased by massive 127% in absolute terms from Rs.469 Crores to Rs.1067 Crores. Employee cost was increased by 11% from Rs.68 Crores to Rs.75 Crores. Other expenses cost has increased by 69% from Rs.113 Crores to Rs.191 Crores. The EBITDA margins for the quarter for contraction as outlined by our MD but in absolute terms the same grew by 66% from Rs.176 Crores to Rs.292 Crores. The interest cost has gone up by 39% in absolute terms from approximately Rs.10 Crores to Rs.14 Crores. Depreciation has increased from Rs.25 Crores to Rs.31 Crores on account of capex in the previous year. The profit before tax stands at Rs.247 Crores compared to Rs.140 Crores with a growth of 76% year-on-year. The net profit in absolute terms is up by 81% from Rs.101 Crores to Rs.183 Crores approx. Now we would be take any questions, comments, or suggestions that you may have. Over to you Prasheel. Thank you.



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- Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Ravi Naredi from Naredi Investments. Please go-ahead Sir.
- Ravi Naredi:** Definitely in this tough time when geopolitical issues are there our company really grow in your leadership? First of all thanks to height of progress to height of progress. Sir out of Rs.3843 odd Crores order book can you bifurcate between defense and nondefense Sir?
- Manish Nuwal:** Surely we will give you the breakup. Currently defense portfolio is Rs.538 Crores and the rest all is nondefense.
- Ravi Naredi:** Thank you and Sir how much raw material down in Q1 and July and how much time lag we need to transfer to consumer?
- Manish Nuwal:** Definitely the prices of our key raw material has already started softening but we have seen lots of ups and down in the last one year so it is very difficult to give practically a look that what will happen in the Q2, but definitely if we look fall in prices of other raw materials the same thing should come for our raw material as well and based on that definitely cost of raw material will go down and realization should go better.
- Ravi Naredi:** Okay but my question is how much time lag we need to pass on the price down or up to consumer?
- Manish Nuwal:** Based on a constant price basis definitely we should get increase or decrease within a quarter, but if the trend is continuously increasing that definitely that lag always keep remain, but now if we sense that prices has started softening and should consolidate at these levels so definitely the lag should finish in the next one quarter.
- Ravi Naredi:** Okay and Sir last question a special resolution could not pass how do you deal with that situation now?
- Manish Nuwal:** Special resolution has not been passed that is already available in the public domain and we will definitely take care of the impact of these into our business as situation goes down.
- Ravi Naredi:** Okay thank you Manish and all the best.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.



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- Aniket Mittal:** Sir two questions from my side. Firstly just to understand on the gross margins it dipped pretty sharply but Sir what component of these gross margins would you say yet to be passed on in terms of higher prices?
- Shalinee:** Can you just come back with the question.
- Aniket Mittal:** So if I look at the gross margins it has come down to around 34% so I am just trying to understand what percentage of this is the impact coming on margins because it has not yet been passed on to the customer?
- Manish Nuwal:** It is around 2% to 3%, which is still yet to be passed on to the customers.
- Aniket Mittal:** Fair. Sir the other question I had is more on the overseas business? We have seen a very good growth coming in for this quarter so if you could highlight in terms of what is the traction that you see across geographies particularly in some of the newer geographies that you ventured such as Tanzania and Ghana as well?
- Shalinee:** As regards to overseas efforts which the company has been taking and over the years has started reflecting in the numbers. Baring the two years of COVID the numbers were not reflected. Now all the subsidiaries where we are there are performing well.
- Aniket Mittal:** In general what would be the volume growth for your overseas business for this quarter?
- Shalinee:** Around 15% to 18%.
- Aniket Mittal:** Fair. Thank you for taking my question.
- Moderator:** Thank you. The next question is from the line of Deepanshu Jain from Hem Securities Limited. Please go-ahead Sir.
- Deepanshu Jain:** Good morning Sir. Congratulations for a great set of numbers. My first question is can you give capex guidance for FY2023?
- Shalinee:** Capex numbers.
- Deepanshu Jain:** Yes?
- Shalinee:** We are planning a capex of around Rs.400 Crores to Rs.450 Crores in the current year.
- Deepanshu Jain:** And can you please bifurcate this capex guidance into different segments?



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- Shalinee:** In this segment the overall capex for the group as a whole.
- Deepanshu Jain:** This number is Rs.200 Crores to Rs.250 Crores right?
- Shalinee:** It is Rs.400 Crores to Rs.450 Crores.
- Deepanshu Jain:** Okay and this is for the whole year FY2023?
- Shalinee:** Yes.
- Deepanshu Jain:** My second question is this revenue has grown by 23% Q-on-Q and 96% Y-o-Y and PAT has been increased by only 5% so can you throw some light on this why PAT has increased only by 5% as compared to revenue?
- Shalinee:** PAT on the year as a whole has increased by 81% on year-on-year basis.
- Deepanshu Jain:** Yes madam I am talking about Q-on-Q? Q-on-Q it has increased by 5% only?
- Shalinee:** Yes Q-on-Q there were two to three factors which had affected that. The last quarter we had a forex gain of around Rs.16 Crores and in this quarter we have a loss of around Rs.28 Crores so one was that and secondly the increase in raw material prices as there is always a lag in passing on the prices so due to this two reasons the same has been affected. The PBT has been affected and the third reason is that we had some tax benefits in the last quarter in one of our subsidiaries so as a result the PAT in this quarter increased only by 5%.
- Deepanshu Jain:** Okay madam can you repeat the forex gain Rs.80 Crores and forex loss Rs.28 Crores right?
- Shalinee:** Rs.16 Crores was in Q4 and in the current quarter we have a loss of around Rs.28 Crores that is the forex loss.
- Deepanshu Jain:** Okay and Rs.16 Crores right 16 right?
- Shalinee:** Rs.16 Crores correct.
- Deepanshu Jain:** Okay madam thank you so much. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go-ahead Sir.



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Abhijit Mitra: Thanks for taking my question. Congrats on a great set of numbers especially on the overseas side so on the overseas can you list out what is the factors which you see playing out over the course of the next one to two years or next one year in particular in terms of volumes which are newer geographies which were contributing? Have any new geographies started contributing to volumes this quarter and the second question which I had is that now the raw material prices have dropped very sharply and probably the impact will be visible in the next couple of quarters? What will be the normalized overseas margins be when the dust settles in terms of softening raw material prices? Is it safe to assume that will be back to 20% to 21% level? Thanks. That is all from my side.

Manish Nuwal: Thank you Abhijit. The first point is that the growth in our overseas business is mainly on account of volume growth which Shalinee has already said that it is around 15% to 18%. The second reason of growth is that wherever we have invested in the last couple of years have started given the returns of our investment. Now in this quarter we have not added any new country but definitely in the next coming quarter we will finish the plant in Australia. That will start commercial production from Q3 and we are also likely to start our Indonesia plant from Q3 so those territories will definitely add or help us to increase our revenue further. As far as your question on falling of raw material prices so like we have already said that we have assumed some increase in the last couple of quarters we are expecting that these prices should soften in the coming quarters so based on that we have given a guidance that we should be able to achieve a target of 30% growth in our revenue so definitely once half year numbers are over we will come out with another positive set of guidance for the whole year and I believe this commodity prices should soften a bit and that should help the demand to increase and that will also help us to sustain the current businesses.

Abhijit Mitra: Right a bit of thought on the margins because on the domestic margins while the absolute percentages might have declined but on a pertinent level we see a relatively steady performance. I was more thinking on the overseas side when the dust settles in terms of dropping raw material prices is it fair to assume that 20% to 21% to 22% range of margins in the overseas business will be brought back?

Manish Nuwal: In the current quarter our EBITDA margin is around 18.05% and if you remove the factors or the impact of currency loss then it definitely adds up to almost 1.5% to the bottom line and if you factor in that it is already at 19.5% so definitely we believe that prices starts opening the EBITDA margin should come to the normal range of around 20%, 21% and 22%.

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



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- Moderator:** Thank you. The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go-ahead Sir.
- Aniket Mittal:** Sir to understand a bit more on the Australian and Indonesia expansion that you I think you are setting up cartridge and detonator facilities over there if you could may be throw some light in terms of the capacity that you building there and what is the kind of revenue potential that you see from these two geographies over the next five years?
- Manish Nuwal:** At the moment we can share some facts that we are setting up a bulk plant in Australia and in Indonesia we have already started detonator manufacturing and initiating system section and likely to finish another set of products in the coming quarter so as far as start of these two ventures are concerned in the next one or two quarters we will start the commercial productions and as far as future potential of the next three to five years is concerned it is too early to state anything on that side so we will definitely keep sharing on the progress on these ventures and we will share the progress report or our prediction or projection out of these ventures.
- Aniket Mittal:** Sure. The other question was actually a bit more on the on the coal side so if I look domestically I see what is happening is we are seeing a large amount of increase in production coming in not just from the likes of Coal India, but a lot of these captive and commercial coal blocks are also coming through and I think if you look at the data I think some of these mines have overtaken SCCL as well so when you look at that piece of the segment is there any sort of increased demand that you see coming for your explosives from some of these captive and commercial coal blocks?
- Manish Nuwal:** Yes Sir I think the coal production in this year is posed for an increased growth coming from the government sectors like Coal India, Singareni and also from the private sectors. We have seen the Q1 the private sectors have done and have grown well as far as coal production is concerned so going forward I think the demand from this coal sector will be increasing for the year and it hovers well for us from the explosive side.
- Aniket Mittal:** Are there any sort of tenders that you are seeing from any of these captive and commercial cold blocks coming in for your explosives?
- Manish Nuwal:** In this year we do not see it probably in the next year we will see standards coming in and the private sectors they come in on and off as the period for the tendering comes up.
- Aniket Mittal:** Okay just one question on the defense front. I think on the Pinaka Mark 1 enhanced there has been tests that have done I think earlier this year if you could just highlight in terms of



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tests that have been done in the in the RSP on that front how do you look at those coming out for Pinaka Mark 1.

Shalinec: The Pinaka test are in the final legs so once the test of all the products are over, we will come up with further details.

Aniket Mittal: Fair. Thank you for taking my questions.

Moderator: Thank you. The next question is from the line of Chirag Muchhala from Centrum Broking. Please go-ahead Sir.

Chirag Muchhala: Sir I was asking that you made a comment that the ammonium nitrite prices have started to soften in the month of July so it is possible by how much percentage the prices have declined?

Manish Nuwal: So in the Q1 the prices has actually increased from the previous quarter by almost 10% to 11% to 14% and in Q2 we are expecting that it should go down by 10% to 15%.

Chirag Muchhala: Okay Sir. The second question is on the RECL acquisition so Sir have we taken over the full company or have we taken a minority stake in that company?

Manish Nuwal: No we have a strategic decision to invest in this company and the final due diligence will should be over in another couple of months and then we will announce the fine details of the deal.

Chirag Muchhala: Okay so is it possible to share any license capacity or the revenue that this firm is doing or the likely transaction value?

Manish Nuwal: We will share all these details once the deal is completed.

Chirag Muchhala: Okay Sir thanks a lot for your time Sir.

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

Rohan Gupta: Nuwal good morning and congratulations on such a strong set of number in such a challenging environments? Congratulations to the entire team? Sir a couple of questions from my side? One is on this softening raw material prices so we have seen that definitely on a Y-o-Y basis the AN prices have been continuously going up and even in Q1 also it has gone up from Q4 as you mentioned roughly 10% but despite this sharp rise in prices input



prices we have been broadly maintaining our EBITDA margins in terms of percentage? Still we are at close to 18% to 19% for the forex you are close to 20%? Just wanted to understand sir when the raw material prices will start softening and if they go back to the previous level so do you see that our margin profile will remain same at 20% kind of margins or you see that it is going to stabilize at a much higher margins of 25% or 27% range because right now whatever the price increase which we have seen we have seen that is also going or is helping us in EBITDA growth also in line with the top line growth so just want to understand that the scenario when the raw material prices will start softening?

Shalinec: Yes. As said by Manish he said like next quarter around 10% to 15% softening should be there in the raw material prices so once there is a stability in the prices we feel the margins sustain at around 20% to 22%.

Rohan Gupta: Okay so it means that with the falling raw material prices and sustaining margins and 20% to 22% probably we may see a flattish kind of EBITDA growth despite volume led growth because it seemed that our EBITDA per tonne has improved significantly in the entire rising price scenario is it not?

Manish Nuwal: Rohan we will answer to this question in the same question what we did that based on our guidance we maintain that we are expecting 18% to 20% EBITDA margin for this year and that also depends on the commodity prices so at a current elevated raw metal prices we expect that 18% to 19% is a sustainable margin level and going forward like everybody is expecting that there will be a softening of commodity prices due to various factors either it is recession or some other factors so we also expecting that prices should start softening. Based on that we are saying that we expect 20% to 22% is a reasonable margin whether you convert it into the value terms or per tonne that we cannot answer to that.

Rohan Gupta: Fine. Sir second question is on you mentioned that our Indonesia facility where we are planning to put regenerator facilities and some other evaluated water baskets so I understand so far now these products we were manufacturing in India and were primarily supplied in India and also probably being exported from India itself so any particular reason that we are setting up the facilities for these value added products in Indonesia are there any cost advantage or any other particular reason that this Indonesia is a market we have chosen for those value added rather than India for ramping up the production facilities in all these value added product basket?

Manish Nuwal: So like we have already shared in previous investor calls that we are entering into that market with some reasons. The first reason is to when you are present in a particular country definitely your reach to the customer is always better instead of supplying from



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India to Indonesia so based on that we have decided to invest in that country. The second is that once we are there definitely supplier chain related, which have started coming in last couple of years every country want to have the manufacturing base in a particular country. Indonesia is a big market. Looking at that potential we have decided to set up the manufacturing base in Indonesia.

Rohan Gupta: Okay and Sir answer in our international markets operation so definitely this year focus will be on Indonesia and Australia and ramping up the facilities? Are we in a process of identifying any other geography or over next one year or two year in the near term for further expansion or focus will continue to remain on existing geographies only?

Manish Nuwal: Now at the moment our focus is to increase revenues from our existing facilities and once these are over then definitely we will look for the new geographies.

Rohan Gupta: Right Sir so just last bit on defense? We have seen close to Rs.46 Crores kind of revenues coming from the defense in the current quarter just wanted to understand sir we have this multimode hand grenade revenues already in place so do you see that is there any seasonality because that kind of order of Rs.450 Crores to Rs.500 Crores for next two years so will it come on a quarterly basis or you see that there is a lumpiness in some quarter gardening more revenues and some quarter being impacted as far as this business is concerned in defense?

Manish Nuwal: We have given a guidance of reaching of crossing Rs.400 Crores in this financial year and in this quarter we have already done Rs.64 Crores which is up by 37% and we have already mentioned that from next quarter there will be more momentum in sales of defense products so in products like which goes for defense application it is not the season which impact the demand and supply. There are various other factors related to supply chain production, qualification so there are N numbers of factors which impact some ups and down so based on that we are saying that from next quarter there will be more momentum towards sales of defense products and we are confident that in the whole year we should be able to reach to our target of Rs.400 Crores from defense sales.

Rohan Gupta: Thank you Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Pratik Mukasdar from RNL Investments. Please go-ahead Sir.

Pratik Mukasdar: Manish congratulations on a fantastic set of numbers to you and your team. Sorry I missed your initial address of first five to 10 minutes so I would just request you can you just brief



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of what led to such a great result number one? Number two how did you manage the raw material inflation which happened in April, May, and June and now that prices are falling off how would it affect us when the prices were up and now when they are coming down? Also one last point what are the business segments which you are seeing really great traction which can be a big growth driver for us other than defense thank you?

Manish Nuwal:

We have already answered to most of your questions but still we will reiterate those factors. First is there is a volume growth of around 13% in India and around 15% to 18% in overseas market and there is definitely price rise in most of the products that has led to a growth of almost 96% in this quarter. The second point is that the prices of raw material has definitely increased a lot in last nine months and we have lots of contracts with our local suppliers and we procure raw material on spot basis also so there is always a mix of some percentage on spot basis and some percentage basis and most of our customers finish good prices are linked to those raw material prices but there is always a lag between raw material increase and the finished good sales price increase so those lags always keep coming when prices are going up we are losing. When prices will fall we may gain out of that fall. If you look another point what you said on that how we will maintain in future so similarly we are anticipating there will be some falling prices so our inventories level has to be reduced so we are doing that.

Pratik Mukasdar:

Okay and Sir lastly which offers business segment other than defenses you think is the gaining strong traction?

Manish Nuwal:

The most significant question is coming from the coal market. The coal mining is definitely going up in the country. Lot of experts have said in the past couple of years that there will be no growth in mining but we have seen that there is a growth and we are expecting the same growth momentum to continue in next couple of years so that will definitely help the company to give more volume in the coming years.

Pratik Mukasdar:

Sure. Thank you sir and congratulations to all.

Moderator:

Thank you. The next question is from the line of Saurav Jain from Astute Investment Management. Please go-ahead Sir.

Saurav Jain:

Good morning Sir. A very impressive result. This is actually the first call that I am attending and some of my questions seem very basic and I will be happy to connect with you offline so just wanted to check Sir that you talked about guidance for the future and on growth I just wanted to understand for the next three to five years would you like to give any sort of guidance of volume growth that you were expecting from the business?



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- Manish Nuwal:** In the last quarterly call we have said that after giving the strong numbers in FY2022 we have again given a guidance of 30% rise in this financial year also and going forward next couple of years we are expecting that we should be able to grow at least 20% and that that is quite visible looking at various business growth opportunities for our company.
- Saurav Jain:** Sure and we should take this at 20% percent on a value basis Sir or on volume basis?
- Manish Nuwal:** No I am saying it on value basis because already there is a lot of price rise has already happened in last couple of years especially in last three to four quarters so definitely value increase will be difficult but we are expecting that there can be some minor corrections on annual basis but mostly the growth will come from volume say around 15% volume growth or 4% to 5% value growth price rise. We are expecting 20% sales rise in the next couple of years.
- Saurav Jain:** Sure because I was not able to reconcile Sir that you have said that in this quarter you have grown your volume at 13% in India and overseas is about 15% to 18% but our revenue has grown by 96% so is it all due to variable pricing which is prices are higher or we are selling higher priced products?
- Manish Nuwal:** Yes most of that is basically say you take 15% to 16% volume growth and balance is from price rise and if you look at defence sales also it has increased by almost 37% so all these factors has led to a price or the sales rise of almost 96%.
- Saurav Jain:** Sure but this price rise is obviously something which is temporary or it may go down also?
- Manish Nuwal:** That is quite obvious.
- Saurav Jain:** Sir this growth that you are talking about what would be primarily the growth drivers for the future because again I might be asking some very basic questions but from what I understand your industrial exposures business is 96% of your business and only 4% is defense so what might be driving this group in the future?
- Shalinee:** We are expecting that sales from defense should reach to 10% in next couple of years and balance will come from explosives from Indian market and overseas markets.
- Saurav Jain:** Got it and Rs.64 Crores is the turnover that we have from defense in this quarter which is 4% so any specific products are that on your website what has contributed to the defense revenue in this quarter?



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- Manish Nuwal:** We normally as a company policy do not give the breakup on a product wise sale especially for defense products so you have to go by the total revenue from difference which is Rs.64 Crores.
- Saurav Jain:** Thank you and Sir also what is the current capacity utilization of our plants all put together?
- Manish Nuwal:** So we have already shared a couple of times that we as a company have a variety of products, different SKUs and terms of the weights are also different something is in tonnage. KGs, length, or meters so it is difficult to give capacity utilization as a specifically product wise to the investors at this stage, firstly there are seasonality's also there which does not give the right reflection if you compare our industry with various other industries which always works on capacity utilization like cement or steel. It is difficult to compare on that factor explosives with other sections.
- Saurav Jain:** Got it and the cyclical of such kind of business on explosives and what you use and anything you would like to say on that?
- Manish Nuwal:** Please repeat again.
- Saurav Jain:** This business is it cyclical?
- Manish Nuwal:** Definitely our industry depends or the volumes goes up and down based on the season rather than cyclically like in the monsoon period sales goes down and when the monsoon is over demand start picking up. It is the same like construction market.
- Saurav Jain:** Got it and the earlier participant touched on this part about investing in Indonesia and Australia when we have actually been exporting from India itself so any numbers like to provide for how much of money we are investing for this plant in Indonesia as well as in Australia?
- Manish Nuwal:** Can we have a separate the detail call with you after this investor conference call where everybody is listening to us and everybody spending their valuable time we can have a call directly with you. Is it okay with you.
- Saurav Jain:** That will be great Sir. I will speak with you offline. Thank you so much Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Sumit Jain from Ask Investment Managers. Please go-ahead Sir.



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- Sumit Jain:** Yes Sir this is Sujit and one question is on our billing in overseas subsidiaries is it in dollar terms for most of the subsidiaries?
- Shalinee:** In some subsidiaries we have dollar billing and in some we have local currency billing and their proportionate billing in respective subsidiaries also.
- Sujit:** But in the main subsidiaries key subsidiaries how is the billing like in which currency so for example Turkey and Tanzania the main contributors to the overseas sales?
- Shalinee:** It is proportionate.
- Sujit:** We had kind of indicated and guided for FY2023 in Australia and South Africa will start making money even at the PAT level how is our progress on that?
- Shalinee:** We had said that in our last call that we will be having a profit at the EBITDA level we had said that and Australia will be starting in the Q3 so we feel that in next year we should be at profit level.
- Sujit:** So from Q3 onwards Australia should be PAT positive?
- Shalinee:** Australia commercial production will start from Q3.
- Sujit:** Okay and South Africa will be PAT positive when?
- Shalinee:** By next year.
- Sujit:** So on a run rate basis beginning of the year or somewhere in H2?
- Shalinee:** Yes maybe beginning of the year.
- Sujit:** Sure thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go-ahead Sir.
- Ravi Naredi:** Thank you very much to give again chance. Any other country defense need we are thinking along with India?
- Shalinee:** Currently nothing as such.



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- Ravi Naredi:** Yes madam?
- Shalinee:** Currently nothing as such.
- Ravi Naredi:** Okay nothing as such and usually how much net profit margin we got from defense?
- Shalinee:** For us we are into explosives whether it is commercial or defense explosives, so we speak on the margin taking company as a whole that is the full range of baskets of products for defense as well as explosives.
- Ravi Naredi:** So we cannot bifurcate between defense and others?
- Shalinee:** Yes as a matter of policy of the company we do not give bifurcation.
- Ravi Naredi:** Okay and last question madam 13% quantity led growth is there in Q1 so for whole year how much quantity led growth we are planning this year?
- Shalinee:** Around 15%.
- Ravi Naredi:** Okay madam thank you very much.
- Moderator:** Thank you. The next question is from the line of Arun Subramaniam from Apersande. Please go ahead.
- Arun Subramaniam:** Thanks a lot for the opportunity. Just wanted to know the amount of forex loss and why that happened if you can just explain again?
- Shalinee:** The forex loss for the quarter stands at around Rs.28 Crores since company operates in many countries so if we see Turkey, the Turkish Lira has depreciated around 91% on year-on-year basis. Similarly we had depreciations in Ghana. Then we had depreciations in Australia and South Africa so as a result the unrealized forex losses have come.
- Arun Subramaniam:** Understood and is it recoverable overtime or because of the hedge or it is like kind of a cash loss which is like done with?
- Shalinee:** It is unrealized losses currently.
- Arun Subramaniam:** So it can be recovered back?
- Shalinee:** Yes.



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Arun Subramaniam: My last question is that when you are giving this guidance of growth for this year as well as the subsequent year and you are also talking about both price as well as volume lead growth considering that your raw materials can be very volatile what could be the reason why you were looking at a consistent 4% to 5% kind of a price hike even in the forecasted period of 2024 and beyond?

Shalinee: This is as regards commodity never stays stable so as per our experience of last so many years we are giving the guidance.

Arun Subramaniam: Understood and in terms of your growth as you said the difference is something which will be growing lot more than your overall revenue? Similarly will exports be growing much more than your domestic revenue or domestic will be the main growth driver?

Shalinee: So we talk on business as a whole so for the current year on the whole we have given a guidance of around 30% on the top line.

Arun Subramaniam: I understand? What I wanted to understand is that in terms of growth prospect which are the areas where you are going to see far higher growth than the overall industry that that is exports, it has grown or defense or the core domestic mining related business which are really going to be the better growth driver or prospects in the coming years?

Shalinee: We do not give a detailed bifurcation on each customer product wise detail but for us business as a whole will grow with the percentages as we have said as like for the current year we have said 30% and going forward maybe 20% percent year-on-year.

Arun Subramaniam: Understood. Thanks a lot.

Moderator: Thank you. The next question is from the line of Manish Mahawar from Antique Stockbroking. Please go-ahead Sir.

Manish Mahawar: Good morning everyone. Can it possible to share our revenue impact of forex loss in the overseas subsidiary because Rs.28 Crores is the EBITDA loss right?

Shalinee: Yes for the year-on-year basis around Rs.162 Crores if we see if you keep the currency constant as regards as on last quarter of FY2022 around Rs.162 Crores on the revenue front.

Manish Mahawar: Rs.162 Crores on revenue and Rs.28 Crores on an EBITDA impact right and in terms is it possible to share the ammonium nitrate average realization for us for this quarter versus the last quarter last base quarter?



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- Shalinee:** So prices if see, the price for this quarter as compared to the previous quarter has gone up by around 15%.
- Manish Mahawar:** 15% or 50%?
- Shalinee:** 15.
- Manish Mahawar:** 15 and is it possible to share absolute per ton realization or a cost?
- Shalinee:** We will share it. We can take call later and then share it.
- Manish Mahawar:** Okay and after may be the Q1 average price to low in July because July we have seen a correction what is the correction absolute correction into percentage terms in ammonium nitrate for us?
- SHalinee:** As Manish ji said we are expecting a softening of around 10% to 15% in the Q2.
- Manish Mahawar:** Understand and the correction we have seen to other raw material as AN where we are backward integrated and we have plant as well?
- Shalinee:** This is on the overall basis of all over raw material of the company.
- Manish Mahawar:** And in the raw material again in terms of backward integrated does it mean last two quarters that we have benefited in terms of our backward integration of some of the raw material?
- Shalinee:** Yes whatever effort we have been taking that has been reflected in the numbers.
- Manish Mahawar:** Okay and in terms of one of the comments made by Manish ji in the opening remarks, three factors he said? One is the high raw material and the second is the forex and last point he mentioned I think some lower margins or price of one of the coal customer? Can you elaborate in that front what is that meaning on one of the coal customers?
- Shalinee:** Generally what happens we have contractual terms with some customers and some are spot customers so as per the formula the price of the finished good are determined so it is not necessary that proportionate rise can be full transferred ie 100% fixed cost element cannot be considered so as a result the gross margins got hit.



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Manish Mahawar: Okay so basically this is just a three-month rolling over our price I think so right we have on our coal side that is the right thing to understand? The impact will be recoverable in the Q2 of this year?

Shalinee: Correct the lag is there you are correct. For a quarter, the lag is there and secondly as I said it is not possible to pass on 100% price because there are some fix elements also.

Manish Mahawar: Understand and lastly in terms of defense revenue perspective right we have seen a good growth in this quarter so this is a also some pricing growth impact will also be there in a different revenue as well and also the annual revenue guidance for the money you highlighted is Rs.400 Crores of revenue? We are also considering this? This is a purely I believe there is some volume growth as well as the price impact will there with that number right so what could be the price and volume growth in terms of this annual guidance perspective?

Shalinee: For defense there is no bifurcation on volume of price rise. The difference is we said that current we have an order book of Rs.538 Crores so orders keep coming as and when the as per the requirements of customers so that captures. That is the revenue that Manish ji captured while giving that currently we will cross around Rs.400 Crores.

Manish Mahawar: Okay but the pricing element will also be there right in that where the raw material cost definitely will up as well?

Shalinee: That is as per the contractual terms with them.

Manish Mahawar: Understood. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sumit Jain from Ask Investment Managers. Please go-ahead Sir.

Sumit Jain: Thank you just wanted to check with you this 30% guidance revenue guidance for FY2023 though it is difficult to predict? Broadly if you can split between value increase and volume increase?

Shalinee: We have spoken on that. We said that current year we are expecting a volume growth of around 15% and balance should be from **inaudible 54:16**.price

Sumit Jain: Okay and to the previous question that is on our minds as well in defense contracts these would be fixed price contracts or there is some variation clause for the RM because the RM has fluctuated so widely?



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- Shalinee:** So it depends on contract-to-contract basis.
- Sumit Jain:** Looking at our margins one believes that we are kind of protected there in one way or the other?
- Shalinee:** They have been speaking like for us the company as a whole we consider full basket of products both explosives as well as defense explosives so the margin is on full basket.
- Sumit Jain:** Sure all the best. Thank you.
- Moderator:** Thank you. Due to time constraints we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.
- Aanchal:** Thank you so much to all the participants. We expect a similar kind of dedication and participation from our investors in all the conferences coming ahead. Thank you.
- Moderator:** Thank you. On behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.