November 16, 2024

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051
Trading Symbol: "SOLARINDS"
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 Unaudited Financial Results for the quarter and half year ended on September 30, 2024 with the Management of the Company.

Dear Sir/Madam,

Further to our letter dated November 7, 2024 we are forwarding herewith a copy of Transcription of Conference Call hosted by **Nirmal Bang Institutional Equities,** on **Thursday, November 14, 2024 at 11.00 a.m.** to discuss the Unaudited Financial Results of the Company for the quarter and half year ended on September 30, 2024 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: 2024.11.16 16:20:13 +05'30'

Khushboo Pasari
Company Secretary &
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"Solar Industries India Limited
Q2 FY'25 Earnings Conference Call"
November 14, 2024

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** **MR. MILIND DESHMUKH -- EXECUTIVE DIRECTOR– SOLAR INDUSTRIES INDIA LIMITED** **MS. AANCHAL KEWLANI – INVESTOR RELATIONS – SOLAR INDUSTRIES INDIA LIMITED**
MODERATOR:	**MS. NATASHA JAIN -- NIRMAL BANG INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Solar Industries Limited Q2 FY '25 Earnings Conference Call hosted by Nirmal Bang Institutional Equities. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Natasha Jain from Nirmal Bang Institutional Equities. Thank you, and over to you, ma'am.

Natasha Jain: Thank you, Manav, and good morning, everyone. We welcome all of you to the Second Quarter FY '25 Earnings Conference Call of Solar Industries India Limited. Today on the call 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, SRM and IRM.

I would now like to hand over the call to Aanchal. Thank you, and over to you, ma'am.

Aanchal Kewlani: Thank you so much, Natasha. It's a pleasure to have you on the call. 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 Solar Industries India Limited second quarter and half yearly conference call of FY '25. This call's recording, including the transcript, will be available on the site. The financial statements, quarterly fact sheets, investor presentation and press release are also available on our website.

To begin with, I would like to remind you that during the call, we might make projections of 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. Manishji Nuwal for his opening remarks on the company's performance followed by Q&A session. Thank you. Over to you, sir.

Manish Nuwal: A very good morning to all the well-wishers and stakeholders of Solar. With much enthusiasm, I take this opportunity to highlight Solar's resilience and strategic agility. The second quarter of this year, once again, brings us the privilege of announcing record achievements across key metrics. We have delivered a robust performance by registering the growth of 27% year-on-year in this quarter.

We have achieved the highest ever quarterly EBITDA and profit after tax at INR475 crores and INR304 crores, registering a PAT growth of 45% year-on-year and highest ever half yearly EBITDA and PAT at INR949 crores and INR604 crores, registering a PAT growth of 47% in the first half of the year FY '25.

The company has also achieved highest ever quarterly -- highest ever yearly EBITDA and PAT margins at around 27.9% and 17.7%, respectively. The company's portfolio expansions and capacity products from energetic materials to ammunitions has received a strong support from India's defense contracts and export orders. We are expecting the Pinaka orders very soon, along with the orders from international customers.

We are glad to share that the defence section potential has started unfolding with the revenue growth of 204% year-on-year and increasing threefold from INR106 crores to INR322 crores in this quarter. We are optimistic of achieving defence product sales of INR1,500 crores, with defence reaching around 20% of our total sales for the year FY '25. We remain confident in Solar Industries growth trajectory, which will continue to drive long-term value for our investors and stakeholders.

As we move forward, the government's ongoing commitment to housing and infrastructure development, along with the rising power demand gives us confidence to reach our annual guidance. Our industry has faced subdued demand due to elections and heavy monsoon season, impacting the execution of mining and infrastructure activities in the first half of the year. Despite these strong headwinds, we have achieved a growth due to robust performances from our international business and defence section.

We are happy to highlight that we have recently backed the 2-year order from Singareni Collieries to the tune of INR887 crores and defence products worth INR1,110 crores, consolidating our current order book to INR5,700 crores plus. On the backdrop of these orders and upcoming opportunities, we are revising our annual CapEx guidance significantly upward from INR800 crores to INR1,200 crores for the year '25. The progress made by the company over the past 2.5 decades, with substantial contracts across defense, in distal explosives and export segment. Solar Industries has fortified 5 order books and laid a solid foundation for sustained growth.

Our development has been radical as we continue to explore growth opportunities. We remain committed to high performance culture, which will help the company to create value for the stakeholders.

Now I will hand over the call to Aanchal for the quarterly update. Thank you.

Aanchal Kewlani: Thank you so much, sir. Before beginning, I would like to highlight on major quarter updates. Highest ever quarterly EBITDA at INR475 crores and PAT at INR304 crores. Highest ever quarterly defence revenue registered at INR322 crores, highest ever order book crossing INR5,700 crores, revised CapEx for FY '25 from INR800 crores to INR1,200 crores.

We have already shared the investor presentation, carrying all necessary information for your operations. So we will go quickly through the numbers. The consolidated revenue for the quarter is INR1,716 crores versus INR1,347 crores and for half year, INR3,401 crores versus INR3,030 crores. Our explosive volume for the quarter and half yearly has increased by 7% and 12%, respectively. Initiating Systems revenue increased by 2% in the half year. The percentage of the sectors in the customer basket are as follows: CIL is down in the basket to

10% from 14%. Non-CIL & institutional is at 13% from 15%. H&I is at 11% in the basket. Exports and overseas is almost similar at 46% from 47%, and defence has increased and is at 19%, quite close to our annual guidance of reaching 20% from 8% in the basket in the previous year.

In the half year, the basket more or less remains the same, except for CIL, which has come down from 15% to 12% in defence, which is majorly increased from 9% to 15% in the basket. And in absolute terms, the same has increased by 98% year-on-year. Raw malarial consumption for the quarter stands at INR843 crores versus INR653 crores and for half year, it stands at INR1,713 crores versus INR16,15 crores.

Coming to employee costs, the employee cost for the quarter stands at INR145 crores against INR103 crores. And for half year, it is INR276 crores against INR203 crores. Other expenses for the quarter stand at INR283 crores versus INR255 crores in the quarter. And for half year, it stands at INR518 crores.

Coming to EBITDA. We reported an EBITDA of INR475 crores against INR344 crores showing a decent rise in the margin from 25.52% to 27.70% in the seasonally weak quarter. We reported half yearly EBITDA of INR949 crores against INR675 crores with a margin of 27.90% against 22.29%. Interest and finance charges. The costs stand at INR30 crores against INR25 crores and for half yearly, the cost stands at INR57 crores against INR50 crores.

Depreciation cost stands at INR44 crores against INR34 crores. And for half yearly, it stand at INR84 crores against INR68 crores. PBT stands at INR407 crores against INR285 crores. And for the half year, it stands at INR815 crores versus INR557 crores.

For PAT, highest ever quarterly PAT stands at INR304 crores, against INR209 crores, with margin standing at 17.70% against 15.51%. For the half year, it stands at INR604 crores against INR411 crores with a margin of 17.77% against 13.55%. These were the updates for the quarter and half year consolidated.

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, Natasha.

Natasha Jain: Yes. So Manav, can you please start the Q&A round.

Moderator: We have our first question from the line of Bharat Shah from ASK Investments.

Bharat Shah: Remarkable results, congratulations to the team, just one question. I was looking at last 3 to 4 years of the results quarter-by-quarter. And it's evident that what is the volume sold and trying to relate to the profits made or profitability in terms of the margin is easy or very directly correlated exercise. So therefore, I presume amount of -- or the quantity of the volume sold relatively has low correlation with the profits made.

Profits will be the function, I suppose, of the mix. So clearly, defence has gone up as a percentage. And that has a deep impact on the margins also, the highest ever margins in a quarter. Is that a correct way to judge? Because quantitative volumes sold have varied even in a high volume sold, profits have been lower in some quarters and low volume sold also the profits have been much higher. Therefore, I think the profits are more coordinated to the mix and the maybe the raw material situation at a particular point of time as well. So I just wanted to have...

Manish Nuwal: Actually, if you look at the last 3, 4 years of our bottom line analysis, it's very clearly evident that the way the defence as well as international business is unfolding, it is helping us to increase our EBITDA margins. And before last 3, 4 years, we were continuously investing for creating infrastructure for defence, development of product. At the same time, we were expanding in new territories across the globe. So as a result, during those periods, the impact was there of higher overheads and higher depreciation, higher interest.

At the same time, we were facing losses due to foreign exchange fluctuations. So once we are coming out of those headwinds, so we are getting better EBITDA margins and as a result, better profit after tax also. So as far as volumes are concerned, definitely, sir, volumes are impacting or giving a positive support for the bottom line because the volumes which we are mentioning is only for Indian market. At the same time, in the international business, we are also expanding our volumes like I said. So it's a combination of these 2, 3 factors, which is helping us to deliver better results.

Bharat Shah: Right, which means, essentially, given the fact that defence is a rich margin or richer margin business in the international business also, I presume, is a richer profitability business. How they shape up, coupled with the volumes will really determine the amount of profits we make rather than looking at volumes in isolation. And volumes, as you correctly explained, is purely domestic and doesn't have impact from the other 2 activities.

Manish Nuwal: True story. That is what the reality is.

Bharat Shah: Okay. Okay. And again, remarkable performance in a quarter which is seasonally otherwise not the best quarter, domestically speaking.

Manish Nuwal: Correct, sir. Correct.

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

Amit Dixit: Congratulations for great performance, sir, and particularly the momentum on defence is very heartening. I have 2 questions on defence side only. So the first one is on that we have recently developed 3 new explosives, which were approved by Navy. So just wanted to get an update that what is happening on Air or Army? Where are we on that? And if there is any development on commercialization of these exposes as well as if you could highlight the further development in case of chaffs and -- chaff factory that whether we have sent any product for approval, the status over there?

Manish Nuwal: Yes. Like we have shared in our previous quarters that we have developed the products like SEBEX and related products through our in-house R&D efforts, and those are definitely path-breaking products for our company's future growth. So like we have shared that these products are being tested by Navy and definitely going to add into the product list very soon.

But Amit, like you are aware that the qualifying the product, developing the product based on these raw materials, it takes time. So these are long-term initiatives, which will definitely deliver positive support for the company. And as far as the facility for chaff and flares are concerned, it is first of it's kind in India, which will be provisioning these products. So we have already participated in the RFPs, which require the products to be made in India, designed by Indian sources. So we are expecting the outcomes. So as we receive the orders, we will definitely share with all our stakeholders.

Amit Dixit: Okay. Sir, the second one is on Pinaka. While in the prepared remarks, you mentioned that we are expecting the order soon, but we have also certain media reports suggest that France is also showing interest in Pinaka. So once we get the domestic order, do we see significant export opportunities? Previously, I think they were kind of limited to, as we understand, to basically other friendly countries, but now with France coming and showing its interest, I think it becomes even more widespread. So just wanted to get your comments on that.

Manish Nuwal: Yes. Like I have shared in my previous quarterly call that we are going to receive Pinaka order very soon. So very unfortunate that we have still not received the order. We were expecting orders to reach in our hand in the last month itself. But based on the Diwali vacation and long holiday season, so I think it got delayed due to all those reasons. And now we are expecting that in a month's time, we should receive, we should start getting Pinaka orders. So those will be definitely big milestone for our company.

Similarly, if you look at the -- apart from Indian opportunities, we all have seen the press articles, which shows that a lot of countries are showing interest in buying the products which is definitely a big achievement for Indian defence industry, Indian defence research organizations that countries like France are showing interest in buying these products. But definitely, as we move forward, there will be many such opportunities which can come up from friendly countries. So we are also looking forward for those opportunities. So whenever it will come, definitely, we will be there in the system or we will definitely get orders.

Amit Dixit: Sir, one more, if I can squeeze in again on defence. The DRDO has reached -- recently, we read certain articles that DRDO is kind of developing long-range rockets with guided rockets with an Indian company. So there could be a production order also for the same. So are we involved in this in some way or it is, I mean, too early to comment anything on this?

Manish Nuwal: Definitely, we have also -- we are also aware that there are efforts in developing the longer range Pinaka rockets. So as such, it will be a bigger opportunity for a company like us to be participating in those programs. But since these programs are still in initial stages. So as we move forward, as we know, the things very clearly, we will keep you updated.

Moderator: We have our next question from the line of Dipen Vakil from PhillipCapital.

Dipen Vakil: Congratulations on a great execution quarter. Sir, my first question is in the line of -- in the order book, is it possible to give us a split between defence and nondefense?

Shalinee Mandhana: Total order book stands at INR5,757 crores. So out of that, defence stands at around INR3,336 crores and around INR2,224 crores is for explosives.

Dipen Vakil: Noted, sir. Sir. And next question is, how has raw material prices mainly ammonium nitrate prices moved in last, say 1 year -- either year-on-year basis or quarter-on-quarter basis, if you can help us with the prices for those, please?

Shalinee Mandhana: See, year-on-year basis, the raw material prices have been flat. So as you've see in our realization, it's around 2% fall. So raw material prices have fallen and currently, they have stabilized.

Dipen Vakil: Sir, 1 last question. Sir, we have some new product development in the form of Bhargavastra. So -- and what stage would that be in right now? And are there trials or when will be the orders expected for that?

Manish Nuwal: So we are developing this product from last couple of years. And we have also received some request for proposals where we have to share the specifications and we have to fine-tune those specifications based on the user requirements. So it is at that stage. But once RFP comes up, once we participate and once we receive the orders, we will share with you. But it is not going to be over in the next 6 months or 12 months. It may take 1 year or it may take 2 years also. We are definitely on the verge of developing and qualifying the products for armed forces requirements.

Dipen Vakil: Got it, sir. Sir, the export orders that we have received in last month or so, most of them are explosive orders or a lot of them are equipment or production orders?

Manish Nuwal: The orders details has already been shared. And if you look at those, then in the past 2 orders from international customers are for the defence products, and one of them was from India, which is Singareni Collieries.

Dipen Vakil: Okay. So defence orders, so that's also export orders in defence-based application, are those from like product or explosives?

Manish Nuwal: I didn't understand what you are asking actually.

Dipen Vakil: No worries. I'll fall back on the queue and come back again.

Moderator: We have our next question from the line of Pratik Mukasdar from RNL Investments.

Pratik Mukasdar Congratulations for a great set of numbers. And it is even heartening to see the guidance which you have given. I just want to ask, since you are dealing closely with the government every time and government spending in the last 6, 8 months due to election and all, and various other reasons is very slow. So as per your experience, what do you think about the government CapEx picking up? And secondly, is our EBITDA and PAT margin sustainable?

Manish Nuwal: There are a couple of things like in every country, whenever there are elections. So definitely for a certain period of time, the decision-makers and bureaucracies are always involved and busy for those things. In India also, we have seen the similar thing because of election, a couple of months in this first half were getting slowed down because of those factors. If you look at the rainy season, which we all are aware of, this year, the country has seen record rainfall and normally it is above average by around 10%, which has impacted the mining and infrastructure activities.

But if you look at the India's growth projections and the government emphasis on housing and infrastructure. And if you look at the power demand, which was say, around 8% in the first half of the year. If you take out only 1 month of September, then definitely it is around 8%, which is a big rise in power consumption. So if you capture all these factors, so there can be seasonal up and down or 1 or 2 months of lag here or there. But on an overall basis, demand situation looks good to us.

And as far as the EBITDA margins are concerned, I have answered this question in just a couple of minutes back. Sir, as we are unfolding our capacities, as we are unlocking our defence verticals, so definitely, as a result of that, our EBITDA margin has increased. In last couple of years, we were seeing that EBITDA margin for our company, we were giving or sharing guidance of 20%, 22%, which has increased now 25% plus and in this quarter, we are seeing that it is 27% plus.

So if you look at all those things, definitely, it's an outcome of our efforts in the last many years of setting up infrastructure facilities and developing a variety of products, expanding ourselves in a variety of geographies. So as a result of all these efforts, we have seen better EBITDA margins. As far as sustainability of these margins in future is concerned, it is quite unreasonably optimistic on my part, if I say that we will achieve 30%, 20% every year. Definitely. It's a wish of every company that we should maintain all these margins. And we are reasonably optimistic that we should achieve 25% plus EBITDA margin going forward as well.

Moderator: We have our next question from the line of Chirag Muchhala from Centrum Broking.

Chirag Muchhala: Sir, the question is on international markets. So in Q2, we have consolidated the South African entity, Problast. So sir, is it possible to share how much it is contributing sales?

Manish Nuwal: In this quarter, the international business has delivered INR799 crores revenue, and it includes all those subsidiaries.

Chirag Muchhala: Correct. But would Problast be very large as in kind of...

Manish Nuwal: You will get the country-wise details at the annual results, which we will share after the end of this financial year.

Chirag Muchhala: Okay, sir. And directionally speaking, so a couple of large countries for us, which is Nigeria and Turkey. So how are their outlook for FY '25 considering that both of them have gone through individual country-specific problems last year? So in the H1, how was the demand? And how is the outlook for this year?

Manish Nuwal: Yes. We have seen that in the last couple of years, we were struggling a lot in those new territories. But after taking a lot of corrective measures, we have seen a lot of improvements in South Africa and nearby countries and even in Australia also. So we are expecting and we have seen that those countries are showing a lot of positive turnaround. And as a result, performance has also improved and which has helped us in improving our margin also. So we believe that this momentum will continue.

Chirag Muchhala: Okay. And sir, for the Southeast Asian region, like Australia and Indonesia. So are both these countries' operations PAT positive now? And I mean what is our progress in terms of getting client approvals and revenue booking, et cetera?

Manish Nuwal: Yes. We have set up the infrastructure. We got the licenses now, and we have started the operations. And now we are EBITDA positive in all those subsidiaries.

Chirag Muchhala: Okay. Okay. And sir, lastly, in terms of CapEx, as we have announced the CapEx from INR800 crores to INR1,200 crores. So 2 questions regarding that. Firstly, is it possible to give a breakup in terms of domestic market, overseas and defense for this INR1,200 crores?

Manish Nuwal: We will share at the end of the year, please.

Chirag Muchhala: Okay, sir. And a related question is that even in the next 1 to 2 years, will CapEx remain elevated like INR1,000 crore plus kind of a figure will continue in FY '26, '27 as well?

Manish Nuwal: As of now, like I said that in this year, we have revised our CapEx program from INR800 crores to INR1,200 crores. Looking at strong opportunities and a lot of orders in pipeline, we believe that there will be enough opportunities where we can invest more than INR1,000 crores or INR1,200 crores on an annualized basis. but it all depends how the things turn up, but we are optimistic. And we will share the CapEx program by end of this year, where we can give certain guidance on 1 year or 2 years CapEx programs. But as of now, like we said, we are targeting or we are -- the projects in pipeline will require around INR1,200 crores of CapEx.

Moderator: We have our next question from the line of Ravi Naredi from Naredi Investments.

Ravi Naredi: Mr. Manish, you and your team deserve good accolades for nice result in H1 and since you took MD responsibility, sir, you have planned to increase CapEx and higher defence order, need high working capital. So how you plan fund for this?

Manish Nuwal: So thank you very much for appreciating our efforts. As far as CapEx programs are concerned, we have opportunities, and we have revised our CapEx program to INR1,200 crores. And most of this CapEx will be funded through our internal resources only. And we believe that by the end of this financial year, company should be debt-free with the optimism of defence orders and advances against them.

Ravi Naredi: So nice, sir. Because so many companies make QIB. So if you are not making, it is a very wonderful thing for shareholders. Sir, INR5,700 crores, we supply in how many years?

Manish Nuwal: So INR5,700 crores is the total order book and it includes explosives and defence also. And every order have different time lines. So by and large, all these -- some of them orders are for 2 years, some of them orders are for 3 years and a few of them are also 4 to 5 years. So it depends on each order. So it is difficult to give 1 average benchmark.

Ravi Naredi: Sir, can we have the bifurcation of INR5,700 crores order?

Manish Nuwal: Yes, it is INR2,400 crores from Coal India and Singareni and INR3,300 crores approx from defence section.

Moderator: We have a follow-up question from the line of Bharat Shah from ASK Investments.

Bharat Shah: Yes. Manish, our exports and international plus the defence in this quarter is almost about 2/3 of the total turnover, almost 66%. Would you say over, say, 3-year time frame, this percentage probably will move more like 75-25 or 80-20 because those seem to be the areas where greater trust overall also appears to be the -- resonate the faster growth.

Manish Nuwal: Your observation is quite right, sir, and I definitely appreciate your analytics skill. So the point you have raised is very valid, sir. If you look at the Coal India, institutional and housing infra, which is basically Indian market for us, which is around, say, 1/3 of the total basket. And balance all is from our new initiatives in last, say, 10, 12 years, which was defence and international, which is now 2/3 of our business.

As we move forward, I think defence verticals from Indian section will also go up and our international will keep doing around similar levels. But I think 2/3 percentage level is also a very high level and we believe it will continue like this. So 60% to 70% will come from these 2 new sections, and rest 30% will come from our core domestic businesses.

Moderator: We have our next question from the line of Jenish Karia from Antique Stock Broking.

Jenish Karia: Sir, the question is on working capital side. There is a significant increase in the inventory and debtor days during the half year and reduction of the payable deals. So could you please help us understand where the working capital is getting blocked and is this permanent or just a one-off scenario because of muted domestic demand?

Shalinee Mandhana: Yes, you're very correct with the last line that was muted domestic demand as Mr. Manishji has spoken that the rainfall had been quite high, and it was 8% above normal, and this was highest since 2020. So as a result, the inventory, you see the numbers in inventory and the working capital days from 84, it currently stands at 89, which is well within our normal business operations, 90.

Jenish Karia: And did Manish sir says that we will be net debt free by end of this year?

Shalinee Mandhana: Yes, yes. Because we had mentioned that we'll be receiving different orders. And along with that, we'll have advances to -- considering those, we will be net debt positive by year-end.

Jenish Karia: Okay. So currently, the net debt stand at around INR8 billion. Okay, you are including the current investments also.

Moderator: The next question is from the line of Narendra from Robo Capital.

Narendra: Congratulations on a good set of numbers. My question is on the defence side. So given the strong order pipeline that we are looking at, would it be possible to give a kind of medium-term view on where we would like our defence segment to be in terms of revenue or order book in 2 or 3 years? Would it be possible, sir?

Manish Nuwal: We have already given outlook on defence sales for this financial year, which is around INR1,500 crores. We did around INR500-odd crores in the last financial year. This year, we are expecting INR1,500 crores. And once we receive all the orders or the orders from Pinaka and international business in next 1 or 2 quarters, we will be able to issue guidance for the next coming years.

Narendra: Okay, sir. Okay. And on the 25% margin that you said, right, it's including the defence segment as well, right, on the consol basis you are expecting.

Manish Nuwal: We say margins on overall basis, it includes explosives and defence also.

Moderator: The next question is from the line of Zaheer Makhani from -- an individual investor.

Zaheer Makhani: Manishji, my question was on the initiating systems part of our business, which I see is about INR300 crores in H1 FY '25. Does there tend to be an attachment ratio between initiating systems and explosives because explosives, domestic explosives have grown by 12% in volume terms in H1 versus 2% volume growth in initiating systems?

Shalinee Mandhana: Yes. So you are saying that, yes, we said that 12% volume growth is in explosive, but that doesn't run in proportionate. So initiating system, as you see a small part of revenue, so it stands at INR304 crores out of INR3,400 crores.

Zaheer Makhani: My question was on the disparity of growth because explosives was growing at 12% and initiating systems was growing at 2%. Is there an explanation for this?

Shalinee Mandhana: I mean, that's not much of a correlation between those 2 because initiating system is a part which is needed along with the explosives.

Zaheer Makhani: Okay. And does the -- is the margin profile for initiating systems better than explosives?

Shalinee Mandhana: Margins, as we said, we talk on overall business. So the current margin stands at 27.7% EBITDA margin, which includes both initiating system explosives, defence, everything.

Zaheer Makhani: Right. And we will be -- will it be possible to get some kind of guidance in terms of the capacity utilization for the initiative systems?

Shalinee Mandhana: Capacity utilization for a business, which we are in, it's very difficult to speak on the capacity because every -- the different products of different capacities and utilization is not possible on a product-to-product basis. One single benchmark is not there because there are different SKUs.

Zaheer Makhani: So for the initiating systems, are we exporting this from India? Or is it also a part of the international business per se?

Shalinee Mandhana: So it's a combination of both.

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

Amit Dixit: Again, I have actually 3 bookkeeping questions. The first one is on -- if I look at purchase of trading goods in the P&L statement that has gone up significantly high in this quarter. So just wanted to understand the nature of this and the trend, I mean, of this particular expense going ahead?

Shalinee Mandhana: Yes. So you know that we have received the order of loitering munitions. So loitering munitions, the drones we have purchased from one of our associates that is Z Motion and then we have supplied that, after adding explosives to it, to the government.

Amit Dixit: Okay. Okay. Got it. Got it. So once this order is executed, this will return back to the original even provided we don't get further orders. Okay. Got this. The second one is on, if I look at receivables, they have also gone up while you have explained inventory increase in one of the earlier questions, why have receivables gone up? Is it due to increasing defence proportion and international operations? Or what is the reason for that? And whether this receivables also would be unlocked as we go ahead in H2?

Shalinee Mandhana: Yes. If you see the international business has risen around 25% in this quarter -- 25% in this quarter. So obviously, the inventor -- debtor days, there are more as compared to the Indian sales. As a result, they have gone up.

Amit Dixit: Yes. And this is expected to be unlocked as we receive...

Shalinee Mandhana: That will get reduced within the normal. As such, our normal working days are from 85 to 90, the total working capital cycle is there. But on a quarter-to-quarter basis, that may differ for some number of days.

Amit Dixit: Okay. But as the defence proportion and international business proportion increases, do you expect it to remain at elevated level or it will normalize at a certain point in time?

Shalinee Mandhana: Currently, 80, 85 and 90, I said that it's a normalized level. So within that, you know 4, 5 days may increase in a quarter. It depends on the sales when the sales are made.

Amit Dixit: Okay. The last one is that we actually recorded an expense. Of course, it's a noncash expense on the account of hyperinflationary accounting. So can you just explain a bit, it is around INR18-odd crores for this quarter, INR26 crores for H1, if I'm not mistaken. So I mean where do we see the hyperinflation in which -- about all countries and how is the situation in Q3 evolving?

Shalinee Mandhana: So currently, the hyperinflationary economies are Ghana, Turkey and Zimbabwe where we operate. And this year, as compared to last year, we see the movement in these economies are not as high as compared to last year. But we have factored that in our cost. So we should see this should stabilize going forward.

Amit Dixit: Okay. Fair enough. And the last one is with South Africa, I mean, are we PAT positive over there?

Shalinee Mandhana: Yes. Individually. On a stand-alone basis, also, we had been positive in last quarter itself. And this quarter also, we are positive.

Moderator: Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to Ms. Natasha Jain from Nirmal Bang Institutional Equities. Over to you, ma'am.

Natasha Jain: Thank you, once again, Manav, I would now request the management to give closing comments, if any.

Aanchal Kewlani: Thank you so much, Natasha. We absolutely appreciate the time given by our well-wishers and shareholders, and we'll keep coming in the next quarter for these question and answer round from Mr. Manishji Nuwal. We expect our well-wishers to keep supporting us. Thank you so much.

Natasha Jain: Thank you, Aanchal. Now this concludes the conference. Participants can disconnect their lines. Thank you.

Moderator: On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.