



## “GOCL Corporation Limited Q2 FY2018 Earnings Conference Call”

December 08, 2017



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**Moderator:** Ladies and gentlemen good day and welcome to the GOCL Corporation Limited Q2 FY2018 Earnings Conference Call hosted by Axis Capital 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. In case if you require any assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital Limited. Thank you and over to you Sir!

**Aditya Bagul:** Thank You Aman. Good afternoon ladies and gentlemen, on behalf of Axis Capital I welcome you to the conference call for GOCL Corporation Limited for the quarter and the half-year ended September 30, 2017. We have with us from the management of GOCL, Mr. S. Pramanik - Managing Director, Mr. Ravi Jain - Chief Financial Officer, Mr. A. M. Kazmi - Chief Operating Officer and Mr. A. Satyanarayana - Company Secretary. I will now hand over the call to Mr. S. Pramanik for an overview of the quarter gone by, post which we will open the floor for Q&A. Over to you Sir!

**S. Pramanik:** Good afternoon to all participants. We are meeting in this forum after a long time and as we discussed in the AGM, we will be having this conference call with investors and shareholders every half year, so we are starting this series of discussion with this meeting.

Before I start, I would just like to say that this is the first result which we are giving with P&L and balance sheet in the Ind-AS format as required by the stock exchanges and SEBI. Now this is the first time also we are giving the balance sheet in Ind-AS format and therefore all the previous year figures, previous quarter figures wherever stated half-year figures, these are also being adjusted to Ind-AS. This is one of the reasons why we are having this later meeting of the Board to declare the results because this was the major exercise, which we had to carry out converting all our accounts especially with regard to the properties that we have because that has a major impact in Ind-AS, so that is what is taken us time, but now you have the figures before you, so I will now get into the discussion on the figures.

What we have indicated in our press release, which you must have seen by now that is we have given H1 figure of Rs.264 Crores and there has been a slight decline from previous H1 figures of Rs.299 Crores that is mainly because of a dip in the sales of IDL Explosives which is the major subsidiary, which has been consolidated in this. As you are all aware, IDL Explosives is focused on packaged explosives and bulk explosives.

Now we had a slight drop in sales mainly because of (a) the monsoon, very heavy monsoon and (b) certain disruption in supplies due to certain other factors, so that dip in sales is marginal and this will be made up in Q3 and Q4 and we do not expect that there will be any deviation from our budgeted



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figures, which of course are at the moment internal but we will be on our internal budget and there will be no shortfall by year-end, so that will be fully made up.

Now having given these figures, I just want to make one small clarification with regard to the fact that these figures, which we are now quoting is with previous year figures as we have given is that with excise duty. Now in the last format that we gave, we were segregating, we were showing a gross income and we were segregating the excise duty. So, in this new format it is netted out, so on a netted basis, there is a decrease of only 5%. The figures would be reading as follows: It will be Rs.216.41cr. in a current period versus Rs.227.91 cr., so that difference is narrowed down to only 5%. In any case, the other answer I gave you remains the same that the deviation has happened only because of IDL and that will be managed that will be made up in the next two quarters.

Now the other change, which you would have noticed is the valuation of reserves has increased by Rs.160 Crores that is again due to the valuation of Houghton Holdings that we have in this company through our UK subsidiary HGHL Limited.

Now on GST, I would like to say that we have had a very smooth transition and at the moment all our locations that are approximately about 10 of them are totally on GST and the IT systems etc., have been totally tuned to GST requirements.

Now if I will go on to GOCL standalone situation, I will just discuss quickly on Q2 versus previous year Q2. In Energetics division, the revenue is actually up by 39%, without excise duty it was Rs.16.27 Crores last year and it was increased to Rs.22.77 Crores this year, and increase of Rs.6.5 Crores during the period.

The profit before interest is up six times really from Rs.45.27 lakhs last year to Rs.2.88 Crores this year. Now this has happened mainly because of (a) volumes that we have really processed and sold, (b) the export volumes are up, we have done quite well in exports. We have done a lot of rationalization of our processes, of our systems, monitoring issues, control issues and all that. So you are seeing this major change, which has happened now. The overall income is roughly the same Rs.28.28 Crores as against Rs.28.44 Crores in the previous year, so that is very, very similar.

The profit after tax is of course of a little different. It has gone down slightly from Rs.5.38 Crores to Rs.2.23 Crores that is mainly because there was no dividend income from our subsidiary this year that is IDL Explosives which we have taken last year. We have received last year of Rs.2.32 Crores and this is the major reason why there has been a dip.

Coming to year standalone half year versus half year, you will notice that the revenues are up by 5% in Energetics and profit before interest has gone up by 96% on a standalone half-year basis. Now the



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profit after tax of course for this period is down by Rs.2.26 Crores again mainly because of this reason which I gave you about the dividend from the subsidiary.

Now coming to consolidated situation, I will come to Q2 versus previous Q2 first. Energetics and Explosives revenue as I said has gone up by 5% that is an increase of Rs.6.5 Crores, but IDL volumes went down and that is the drop of about Rs.3.34 Crores. Therefore there is a slight dip in the overall sales that we have recorded on consolidated basis Q2 versus previous Q2.

Coming to consolidated half-year basis, Energetics and Explosives division is slightly down by 5% in the previous period as I said due to adjustment of excise so that part has more or less been explained but drop in profit after tax for the current period is basically on account of drop in PAT by our subsidiary IDL by about 2.25 cr and the drop in exceptional income of Rs.2.04 Crores (from previous year period).

These we expect will be made up by the end of the year to a great extent and from the core business we have at the moment. There should not be much of a shortfall as per our internal targets. The order book, which we have which we have already announced in the press release the volumes, which we have got that is about Rs.680 Crores, which is in the pipeline. Taking into account export orders and all that we are about Rs.700 Crores, of which as you might be knowing Coal India gives the tender for two years at a time, so if you split it into two blocks year one that will be ending in August, about Rs.320 Crores order book. For year two that is again September to August 2019 we will be about Rs.380 Crores already with us.

This execution of orders we are very well organized to take on. We have also in the meantime received certain increase in our license capacities. At the moment, we are expecting an increase in license capacities of about 46% over current year, some of it has been announced in the website of DIPP, but we are awaiting the paper confirmation to be able to announce it formally, the exact locations where these increases are happening and by how much. Overall, we are really geared up to take this volume increase and maybe do a little bit more because at the moment the demand for explosives is up and therefore whatever items we are making and we are able to deliver. At the moment, the delivery system is being revamped because of the capex that we have incurred. It is taking sometime for the delivery systems to come into existence, but it should be all in place by end of March and we should be in a position to revamp our volumes at all locations that we are handling.

We are now coming to the Realty part; what we announced in the AGM the position remains very similar. There is not much movement on that although marketing efforts have increased quite a lot and we have now three or four major customers trying to study their location requirements. People who attended the AGM would recall that we said that the growth of infrastructure around North



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Bengaluru was not very supportive of large IT establishments in that area. Now that has improved slightly but not in a major way and that is the only impediment as of now for us to conclude certain of the contracts, although they are showing great interest in our property because of (a) the location, (b) the accessibility and (c) the kind of infrastructures that we have built in that area, so those are the pluses with us, but the negative side which are slightly holding us back is the infrastructure issues. I expect that we should make a lot of headway by March end in this area of Bengaluru.

As far as Hyderabad is concerned as we announced in the AGM, the revised demand patterns have been all reworked and the final layout drawings have now been submitted to GHMC, processing is on and we do expect that we should be in a position to get these approvals and break ground by end March. That is the overall position I would like to brief everybody.

Some of you may be interested in the capex, which we are working on. At the moment, we have spent in this period up to H1 about Rs.10 Crores and we expect to spend about double of that by March end. We have not taken any loans, terms loans in the meantime and in fact our cash position is good.

With that I would like to close my side of the presentation and open it up for Q&A, so we will take the questions and we have our senior people here who can also take up and give specific answers.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rajeev Rupani as an Individual Investor. Please go ahead.

**Rajeev Rupani:** Congrats to you Sir, Pramanik Sir and the team. Thank you very much for holding the concall for the benefit of all shareholders. Sir my first question was regarding the 500 acres leased land. Sir any update do we have on that because it has been like two years since you mentioned that we are looking for some out of court settlement, so any update on that Sir? Are we closer to some settlement? Could you guide us?

**S. Pramanik:** We are working on that but in the meantime the Supreme Court has not given us any kind of date as yet. As far as the legal side is concerned there is no movement. The understanding side or whatever you want to say, talks on but nothing conclusive to be in a position to announce.

**Rajeev Rupani:** Could we look before the end of this financial year, could something positive come out?

**S. Pramanik:** The issue as of now is status quo as per the Supreme Court order, so there is no change, everything is operating as it was, it all depends on how the Supreme Court dates come and we are able to progress there. We are trying our best to sort it out as fast as possible because these are in our interests and our requirements for taking on these extra loads that we talked about. We are on it and we will announce it as soon as we come to some concrete position.



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- Rajeev Rupani:** Thank you very much. Sir my next question was regarding the Houghton stake which was acquired by QUAKER, so we have to receive about 17 million dollar so can we have an update as to when can we get the same?
- S. Pramanik:** I will give this to our CFO, Mr. Rajiv Jain, to answer this question because there have been some developments here and he will update you.
- Ravi Jain:** Good afternoon Rajeev. Regarding this Houghton one, the QUAKER shareholders have approved this scheme in their meeting on the September 7, 2017 and so now with all these legal things are going on because they are operating in more than 20 countries, so all these antitrust issues have to get a clearance. They are in that process and they are expected to close this deal by first quarter of the next calendar year They have also cleared the elements in the charter provision which had voting right for the shareholders holding more than 36 six months. So going forward all the shareholders of QUAKER would have one to one voting rights regardless of their holding period that is also beneficial to us. Once this deal has been closed by February or March of 2018, we will come to know how much amount they were going to have in all. We will then update you about this.
- Rajeev Rupani:** Fine and just one more update on so we will be having 2% stake of the combined entity, so is there any update as to how do you plan to unlock value for shareholders from that?
- Ravi Jain:** Still the deal has not been closed. Once it is over then we will come to know the shareholdings pattern as well as the funds coming to us, then only we will decide how we have to dispose or whether to keep it or whether to take it in cash and all, because at the time the prices would definitely be higher side, so we will have to take the full advantage of that.
- Rajeev Rupani:** Thank you. Next my question was regarding the Hyderabad development, Pramanik Sir. Sir you mentioned in the press release that we have submitted the plan for approval, so Sir at the AGM you informed us that you have submitted about July and it takes four to five months, so by when do we expect to get the approvals?
- S. Pramanik:** When we met in the AGM, we had given just the master plan, now they have asked us for detailed plan, so those detailed plans have also been submitted last month. It is progressing. This is actually quite sequential, so as the thing progresses as they asked clarification or details then we give that set of papers. So that is what we have now submitted. I think things are moving and it will take some time, I am sorry I cannot out-guess these dates.
- Rajeev Rupani:** Okay, so Sir then can we expect the development work to start in Q1 next year?



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- S. Pramanik:** We are planning to start as fast as possible. because the interesting part is that the demand for commercial space specifically in this Hitech City, Gachibowli, Kondapur block is really doing well and I think it is in our interest also to start as soon as we get the approval. We are working towards that end but let us see. Until we get the paper in hand we are not in a position to give you any dates.
- Rajeev Rupani:** Fine. Thank you.
- Moderator:** Thank you. We have the next question from the line of Rajesh Udeshi as an Individual Investor. Please go ahead. There is no response. We will move to the next question. That is from the line of Punit Kabra. Please go ahead.
- Punit Kabra:** Good afternoon Mr. Pramanik Sir. Just a follow up on Rajeev Rupani's question I think in the opening remarks did I hear it right you said that for Hyderabad you have submitted the detailed plans and you are expecting to break ground by the end of March?
- S. Pramanik:** Well in the remarks, I said we expect that it should happen but if you ask me for precise dates I am not able to update you on that just now.
- Punit Kabra:** No that is okay but we expect the approval will come?
- S. Pramanik:** Yes we are expecting that the approval should come in by March end and we should be in a position to break ground and start some work before the monsoon; that is how I would like to put it.
- Punit Kabra:** We have mortgaged about 64 acres of land for the loan taken for the Houghton stake acquisition so is this 64 acres part of the 100 acres for which the master plan has been submitted or it is a separate part?
- S. Pramanik:** No, it is a separate block totally. It does not affect the development in anyway.
- Punit Kabra:** Is there any update on what is the outstanding loan now of HGHL which were standing at about 821 Crores?
- S. Pramanik:** As on date it is \$97 million only. We have taken 300 million if you recall.
- Punit Kabra:** Yes so one-third is left.
- S. Pramanik:** Yes.



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**Punit Kabra:** On the Bengaluru, we have completed block III. In the opening remarks you have said that we have been looking out working with some MNCs and soon we will also have the block II getting completed in calendar year 2018 Q1. So, what is going to be our strategy considering the block III itself has been completed for a while we have not been able to lease it, we have not been able to sell it. So Block II coming being ready and again if we are not generating income it just are to more pain?

**S. Pramanik:** There are two issues here. One is that this development which is taking place has no cost to us so that is not an issue as far as the Company is concerned, but in the joint development agreement it is the responsibility of the developer to market it. So, they are doing their best because their cash flows are really more stuck than ours because they have put in new money in to this. That is one part. The other part is there is no sale being contemplated of these blocks. It is going to be purely lease transactions and I am happy to say that the lease rentals, which had gone down quite a lot have started picking up again and we are expecting a much better rate than what we thought of maybe a year ago. Things are much better that way, but yes there is a delay and we are trying our best to tell the developers that they should close. The problem is what we are being advised that they are able to get smaller areas but if we give out smaller areas then the bigger clients who are already studying this project have an issue. We would basically like to lease bigger areas rather than smaller areas so that is where it is that is why I said in my preamble that about three to four serious customers are really looking at this project.

**Punit Kabra:** So like for Hyderabad you have given us a ballpark of March, is there any ballpark timeline that we have in mind for Bengaluru?

**S. Pramanik:** See we are trying our best to monetize as fast as possible. We do expect the things will happen in the first quarter, but as I said that we are targeting slightly bigger customers and clients and therefore the other ones. We could have started saying that okay we have done so much, but they would be smaller clients. We are trying to balance this out with the developers and trying to see how to get a better-packaged deal with the clients. As I said there is an issue, which regards to the infrastructure available in this area. What I said in the AGM still stands that good development has taken place up to Hebbal, but once you get into the Yelahanka block and come towards the airforce station where our project is the social infrastructure is still just developing. It is much better than what we announced earlier but it is still developing and that is why there is a bit of delay or hesitation on the part of the clients who are approaching us to conclude the deal, but they are evidently very interested because we are dealing through JLL, Knight Frank and the other two agencies so we know what is happening with the clients' side. We are not locking in as yet.

**Punit Kabra:** What could the prevailing lease rates are and a ballpark number in that area?





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- S. Pramanik:** The rents are moving somewhere between Rs.42 and 45.
- Punit Kabra:** Okay for the lease of commercial places?
- S. Pramanik:** Yes because it has gone down quite dramatically last year and now it is picking up again.
- Punit Kabra:** Sir my next question is on the Coal India tender has been on the two year tender that Coal India opened recently is up by 25% versus the previous one. How much of it has actually been gained by GOCL so what has been our increase with Coal India versus the previous tender?
- Ravi Jain:** We have received Rs.332 Crores order in the last month itself and again we have received another 20 Crores and Rs. 80 Crores orders. So almost we have a Rs,500 Crores plus order booked for the Coal India and as MD has already explained we have a total Rs.680 Crores order today along with the private sector.
- Punit Kabra:** Yes I am talking the comparison with the previous Coal India tender so previous tender versus this tender, how much are we up by?
- Ravi Jain:** Yes we are up by about 25% volume wise and 21% value wise, there is 4% fall in price, but quantity wise we are 25% up.
- S. Pramanik:** The other part is, if I may slightly extend this question is regarding new customers in the non-CIL sector, we have been able to more or less conclude discussions with two major clients and we should be in a position to announce that a bit later. Our marketing efforts are doing very well, we have been able to maintain deliveries, quality and application services with our customers and that is helping us to really grow faster than the average volume demand in the industry.
- Punit Kabra:** Sir what would be our capacity for bulk explosive and cartridge explosive by the end of this financial year?
- S. Pramanik:** For cartridge explosives, we are at the moment got a license capacity of 50000 tonnes and the new approvals we will be increasing it by about another 50%. So the new licensed capacities which are going to be announced soon we should get an increase of about 50%. That will take us to about 75000 tonnes. As far as the bulk side is concerned, we should be moving up by another 52000 tonnes that is about 42%.
- Punit Kabra:** What is our capex plan like for the next two to three years Sir because if I look at our competitors...?



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- S. Pramanik:** Well we have about two to three years' capex plan but this year's capex plan is going well on schedule and we should be able to I think do about Rs.30 Crores by end of this year.
- Punit Kabra:** Because our competitors whether it have announced capex plans for the next two to three years including capex for defense and have started supplies on so far defense?
- S. Pramanik:** Yes that is because the defense side is heavier with most of our major competitors. That is not a major item on our side. We are more focused on commercial explosives. Well we are supplying certain things to defense but that is on the very specialized items and mainly in the pyrotechnics area.
- Moderator:** Thank you. Mr. Kabra we would request you to join the question queue for any follow up. This will move to the next question. We have next question from the line of Govindlal Gilada. Please go ahead.
- Govindlal Gilada:** Thanks for giving me opportunity and organizing my request for conducting concall Sir.
- S. Pramanik:** We did announce in the AGM so we are staying with what we agreed.
- Govindlal Gilada:** Yes I am thanking you know Sir you organized my request I was only requesting.
- S. Pramanik:** You are welcome.
- Govindlal Gilada:** I hope that this will be continued in due course also it will not be abruptly stopped here.
- S. Pramanik:** You see if you have it quarter-on-quarter we may be repeating ourselves too often.
- Govindlal Gilada:** No it is fine. I requested half-yearly.
- S. Pramanik:** Yes so we will stay with the half-year request that has been approved and accepted by our Board.
- Govindlal Gilada:** I have got two questions. Sir, one you told that profits have dipped because of some dividends we have not received from some subsidiaries so can you quantify how much was the dividend and what is the reason why we have not received this time?
- Ravi Jain:** We had a dividend of 40% from the subsidiary around Rs.2.4 Crores but as MD has already explained the subsidiary could not do well in the last H1. That is the reason the subsidiary company has not declared the dividend.
- Govindlal Gilada:** So shall I presume that this is one off. In future we can hope to have this dividend Sir?



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- S. Pramanik:** Yes, I did mention in my preamble that whatever shortfall has happened in H1 will be made up in H2. So, I do not see a major shift in our dividend policy with regards to IDL.
- Govindlal Gilada:** My next question is regarding this Hyderabad development real estate. So I think it is 80 acres or total 100 acres. Sir this total plan is what we have just to take up?
- S. Pramanik:** We have taken up 76 acres for development with the Hinduja's Realty Ventures subsidiary so they are going to handle 76 acres out of the total development is about 100 acres.
- Govindlal Gilada:** I want to know Sir how it will be developed in one go or in phases?
- S. Pramanik:** Yes it will be in phases. We have announced this earlier that it will be in phases.
- Govindlal Gilada:** So first that will be how much acre Sir tentative?
- S. Pramanik:** Which one?
- Govindlal Gilada:** Hyderabad I am asking about.
- S. Pramanik:** 76 acres is what we are taking up for development and this we expect to be what we have understood from the developers is they are planning it in about five phases.
- Govindlal Gilada:** Five phases total 76 acres.
- S. Pramanik:** Yes.
- Govindlal Gilada:** Okay, it will consist of what Sir some residential or commercial and we are planning to just keep around?
- S. Pramanik:** Yes, this we have announced that as far as the development is concerned it has to be 60% commercial and 40% residential.
- Govindlal Gilada:** And we will outright sell all?
- S. Pramanik:** No that model is the revenue model is still being worked out. It would not be total sales. It will be a mix of lease and sales.
- Govindlal Gilada:** So how much is our portion Sir in this JV?
- S. Pramanik:** That is 35%.



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- Govindlal Gilada:** For that we are not putting any cost?
- S. Pramanik:** No. We have no cost in it and we do not have any kind of liability also.
- Govindlal Gilada:** Thank you very much Sir. That is from me.
- Moderator:** Thank you. We have the next question from the line of Rajesh Udeshi. Please go ahead.
- Rajesh Udeshi:** Good afternoon Sir. Sir my question to you is regarding the Hyderabad property development. You have already mentioned that we have submitted the claim to GHMC and we are awaiting approval. Sir my concern is that this statement through AGM and also through the press releases, we are giving since last almost 10 years now if you see from 2008 onwards we are giving the similar statement that we are we have revised the plan, we are giving to GHMC and it is in approval stage. So my question to you Sir is what comfort would you give to investors so that they may think that okay this time it is the real one and not yet another let us say revision and we should not expect this same statement next year?
- S. Pramanik:** I think I would like to clarify one thing that they were all real statements made even earlier. The issue is that first of all the environmental situation changed dramatically around 2008 to about 2012-2013. Based on the demand pattern, we submitted our master plan, while that was being processed there has been a major change like there was a government change in 2014 and as a result of that outlook changed and that outlook got strengthened in 2016 and therefore based on that demand pattern we started reworking our plan and that is the set, which is now submitted to GHMC for approval. So, every time we are giving the statement that is was fully backed up with papers there was nothing unreal about it.
- Rajesh Udeshi:** No only irony sorry Sir to cut you but the irony is that we have build a property where we seem to have demand problem in Bengaluru and where we have adequate and robust demand around you mentioned that in Hitech city we have robust demand properties are going there we are continuously going back to the drawing board and we are not started yet? It is the irony we have.
- S. Pramanik:** Yes because if you recall the progress of this project at the beginning this 100 feet road was not in the picture then the 100 feet road came in so another change of the plans had to be done to take advantage of the 100 feet road passing through our property. It is unfortunate that it has taken time and it was not that it was a settled position where the environment was supportive of a large commercial development in this area so now with the kind of stability which has come in the government here and the plans and the investment atmosphere, which has changed here in Telangana there has been a major shift in the kind of thinking and the ability to attract investors. That is what happened actually. So we think that this could be the final round on which we should be able to kick off.



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- Rajesh Udeshi:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen we will take the last question that is from the line of Punit Kabra. Please go ahead.
- Punit Kabra:** Sir just two last questions. First is, can we see positive that the Bengaluru block III could be leased out before the block II gets ready and we get the occupancy and we have to start the marketing effort for it also?
- S. Pramanik:** As far as the occupancy areas I mean formalities are concerned we have fulfilled most of it. I do not see any issue there; all the difficult procedures have all been completed. As far as Block II is concerned, well we will start the procedures we expect by end January or so. We should be starting the procedure there so as far as these three blocks are concerned that is Block IIA, IIB, IIIA, IIIB and the MLCP. We are well on schedule there and we do not expect any problems with getting the OC. In fact we are actually doing active marketing there and people are visiting and they are making their plan. But as of date as I said we have not really signed up.
- Punit Kabra:** So that is happening even for block II?
- S. Pramanik:** Block II is really quite a mirror image of IIIA so it is very similar to IIIA, but okay the outside facade is a bit different.
- Punit Kabra:** But we are looking for market backlog also?
- S. Pramanik:** Yes but then they see the overall environment, the kind of infrastructure etc. These all make a difference especially when we are targeting MNC customers.
- Punit Kabra:** Sir, the last question was even on commercial explosive side we have our competitors committing like 200, 300 Crores for capex over the next two to three years, which is on a conservative side also it is a runrate of about 75 Crores a year so how do we expect to kind of keep pace on what growth is coming in this explosive industry or with whatever competitors are also looking at be it modernization be it expansion of existing capacity or in terms of a new location?
- S. Pramanik:** As far as capacities are concerned, we have capacities already available at many of our locations especially Hyderabad and in Rourkela. We have also got expansion plans already chalked out. The only point, which I made to you, was that I am not ready with the figures for next two years. This year we are clear, next two years capex is still open and we are under discussion there because another interesting thing, which is happening in our industry is that the demand patterns have changed and it has changed quite dramatically, items which were, say for instance in Hyderabad, which were



nearly 35%, 40% of our load has shifted. We are really working on all that and to announce that this will be the capex for the next two years it is difficult at this point of time. The other part is that many of the major competitors that we have in our industry have also got defense blocks so they are more or less announcing a lot of capex in that block so to that extent I do not think these figures will be comparable. It is a bit of different product mix that we have with our competitors.

**Punit Kabra:** No I have excluded defense and I have excluded overseas domestic, commercial explosive competitor competitors have announced like 250 to 300 Crores and that is where I wanted to understand what is our plan in terms of selling of capacity for the demand because of the road work, infrastructure all the offerings, demand that is expected what is the outlook that we have?

**S. Pramanik:** We are planning capex but I am not saying that we are not going to do any capex we are going to do capex but the catch is at the point of time there is a market shift, which is taking place and we would like to understand that very well before we go in for committing capex. See for instance, I have said that we are expecting an increase in licensed capacities by nearly 42%. That 42% in most areas will not come without capex. The customers in each zone and how it will be serviced by our existing plants or how they will be supported are what is under working and to give you a straight answer that this is what figure we have in mind for next two or three years is at this point of time difficult. When we meet and discuss next time in the month of May we should be in a position to give you a more concrete position.

**Punit Kabra:** Sir let me put the question differently what kind of growth do you expect the domestic explosive industry to have over the period of next two to three years given all the uptick in mining, road infrastructure, housing?

**S. Pramanik:** I would like ask Mr. Kazmi who is here to take this question.

**A.M. Kazmi:** Good afternoon. Our industry is linked to the consuming industry is that it commercial explosives are industrial consumables therefore our fortunes are directly linked mainly to the coal industry because in India almost 75% of the total explosive consumption commercial explosives is by the coal industry. Now the coal industry is projecting a growth in their output by at least 15% to 17%. Now even if they achieve 13% as compared to their projection of 15% but coal output is not a true indicator of the explosives consumption because for coal they have to remove waste rock where most of the explosives is consume. So 30% growth in coal will mean about again 17%, 18% growth in overall explosives. Now within overall explosives the growth will be more in bulk explosives, and less in packaged explosives and lesser still in what we call accessories, which are detonators, detonating card and the like. Now what we are projecting is we are projecting 20% compounded growth over the next three years for our commercial explosive revenues whereas the industry will be growing at 10% to



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12% but we are aggressive and we are confident of securing a growth of at least 18% to 20% compounded over the next three years.

**Punit Kabra:** Thank you. That is helpful.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you!

**S. Pramanik:** Thank you very much for the participation. What I tried to mention in my preamble and in the question and answers is that we have now come on to a very positive growth path as far as the Company's core business in explosives and energetics is concerned and we are seeing that some of our products especially the new products, which we have now developed are doing extremely well. They have been accepted by the customers and our exports are also growing quite well. We have added a few new countries into our list this year and we expect that this kind of a trend will continue mainly because (a) of our R&D, quality standards and (b) our technical services that we give in this industry. So these are some of the strong points that we have developed over the years and it is really helping us to grow. Now as far as the orders in hand are concerned, as I said we have at the moment Rs.700 Crores worth of orders, which is between Coal India, which we have announced already and the other large customers who are now coming in. Smaller customers who are already working with us and our Application teams are trying to get them to switch over to our new products, which are much more accurate, more efficient but costlier. That is the direction which the core business is moving and we do expect that with this increase in licensed capacities we should be in a position to really increase our current offtake, which we have in various locations. On the Realty side there is constructive work going on, on the ground but unfortunately it is taking more time than we envisaged and we do expect that by end of this financial year we should be in a position to make announcements of certain marketing efforts which have come to conclusion. With that I would like to close this discussion and look forward to again discussing with you in the month of May when we announce the annual results. Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.