SOLAR

Safety • Quality • Reliability

August 7, 2020

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 Audited Financial Results for the quarter and year ended March 31, 2020 with the management of the Company.

Dear Sir,

Further to our letter dated July 27, 2020 we are forwarding herewith a copy of Transcription of Conference call hosted by Antique Stock Broking Limited on Tuesday, August 4, 2020 at 11.00 a.m. to discuss the Audited Financial Results of the Company for the quarter and year ended March 31, 2020 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

Solar Industries India Limited
Regd. Office : "Solar" House, 14, Kachimet, Amravati Road, Nagpur - 440 023, INDIA
(+91)712-6634555/567 (+91)712-2500200-201 solar@solargroup.com
CIN : L74999MH1995PLC085878 www.solargroup.com

"Solar Industries India Limited
Q4 FY2020 Earnings Conference Call"

August 04, 2020

ANALYST: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

MANAGEMENT: **MR. MANISH S NUWAL - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - SOLAR INDUSTRIES LIMITED**
MR. NILESH PANPALIYA - CHIEF FINANCIAL OFFICER - SOLAR INDUSTRIES LIMITED
MR. SURESH MENON - EXECUTIVE DIRECTOR - SOLAR INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Solar Industries India Limited Q4 FY2020 Earnings Conference Call, hosted by Antique Stock Broking 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, Sir!

Manish Mahawar: Thank you Aisha. On behalf of Antique Stock Broking, I would like to welcome all the participants of Solar Industries. From the management, we have Mr. Manish Nuwal – CEO and Managing Director, Mr. Nilesh Panpaliya, CFO and Mr. Suresh Menon, Executive Director, on the call. Without further ado, I would like to hand over the call to Mr. Panpaliya for opening remarks. Over to you Nilesh Ji!

Nilesh Panpaliya: Thank you Manish. A very good morning to all the stakeholders. Thank you for joining us on this conference call.

As always, I would like to remind you that during the call, there might be projections or other forward-looking statements regarding future events, and about 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 the relevant information from time to time.

Now to begin with, I request our Managing Director and CEO, Mr. Manish Nuwal for his comments on the company's performance for this year.

Manish S. Nuwal: Good morning everyone. Thank you all for joining us on this earning call for the Q4 and fiscal year ended March 31, 2020.

Before we begin let me first express my best wishes to you and your loved ones during these taking times in the COVID-19 scenario.

Now I will share the key factors that have led to a decline in our revenue in the year 2019-2020. Heavy monsoons and extended rainfalls continued throughout the mid January 2020, which has affected the demand from mining and infrastructure badly. There was a fall in commodity prices which has resulted in lower realization. There was a general slowdown in the global and Indian economy with the GDP recording a low of 4.2%. This has impacted the overall demand in India and overseas locations especially Zambia and Turkey. Initial challenges in establishing ourselves in new markets like South Africa and Australia were there.

Defense product deliveries extended by the customers and there was delay in getting expected orders. Overseas translation loss of 45 Crores was there in this year. Lastly, the COVID-19 pandemic declaration in March and after which we took immediate actions to create an environment to safeguard ourselves while deliveries on the needs of our customers; however, external factors such as lockdowns and restrictions imposed by the government and local authorities has affected in the Q4 of 2019-2020.

The impact of the same will continue to be visible in our Q1 of financial year 2021. Even with significant impact, to the economies around the world many aspects of Solar's business have proven to be resilient. The recent epidemic has changed the business narratives globally, but strengthened Solar's own mantra which is safety, quality and reliability and it is time that our priority remains value in life and securing businesses to support our community.

Our revenues during April 2020 were impacted due to COVID and we do see some improvements during the month of May 2020, but I am extremely happy and satisfied to share that our performances during the June 2020 were even better compared to the June 2019. The way our operations and business recovered during these uncertain times has boosted our confidence.

As far as our overseas operations are concerned, the green shoots are quite visible in the country where we have our presence. We are also finding situations have been improving and so it will be in the right pace to deliver the better revenues and better bottomline numbers.

Manufacturing operations in Ghana has commenced in the first quarter of 2021. Australia and Tanzania manufacturing facilities will also come in from Q3 of 2021 and as regards our defence business the RFP for multi-mode hand grenade is in the final stage of approval. We will keep our stakeholders informed on the progress.

On a negative many RFPs under Make in India program got cancelled; however, the other defense RFPs will soon be initiated by the government under Make in India Atmanirbhar scheme. Also, as per the current reports India is all set to win imports of ammunition that can be produced indigenously. This move by the government will surely make us, India key ammunition player. We also expect our margins to improve mainly on account of defense and overseas turnaround. That said it will still be challenging to predict the growth numbers for the subsequent years that is 2020-2021,

We do target and anticipate the topline to cross the last year's numbers that on a conservative side COVID related uncertainties can impact demand from mining and infrastructure in India and as a result, we may see slippages by about 5% to 10%. The experience from the past downturns indicates that once the downturn is over, the gap widens. So, we need to retain to capitalize during these testing times to be able to emerge much, much stronger. We continue to advance our projects, products and technology roadmaps to serve our customers better. I firmly believe that we remain well positioned due to superiority that we will continue to execute and produce strong results in India as well as in our global operations.

As such, we have not altered our capex plans the current capex which incorporate capacity enhancements of initiating systems, new products for defense and expanding our global footprints; however, we will keep a watch on how COVID-19 situation pans out.

In conclusion, I will remind you however that the situation remains very dynamic and we do have a crystal ball to exactly predict what lies ahead in the future. Like everybody else, we did like to see a vaccine become widely available for all of us. Till then after considering all the factors we decided to preserve our reserves to utilize those for our future growth and hence reduce dividends to Rs.6 per share for this year compared to Rs.7 per share last year.

Recently Shri Kailashchandra Nuwal, our Executive Director and Vice Chairman of Solar Industries India Limited has vacated the Office of Director with effect from November 7, 2019. The Compliant Officer has submitted the required information to the Registrar of Companies and the Stock Exchanges.

With that now I will ask our CFO, Mr. Nilesh to take you through the review of financial year 2019-2020 results. Thank you.

Nilesh Panpaliya: Thank you. This quarter was an unprecedented period due to the spread of the COVID-19 pandemic across the globe. During this period, the spread of the virus and eventual lockdown resulted in virtually no field in the latter part of March 2020 significantly impacting our sales performance in the quarter by 100 Crores approximately.

Now we talk about the year in the year 2019-2020, our consolidated revenue was down by 9% that is Rs.2237 Crores from Rs.2460 Crores and that is 10% lower than guidance of Rs.2500 Crores given for the year. The reason for same has already been highlighted by the MD in its opening remarks.

Let us quickly review our sales for the year 2019-2020. Domestic explosive volume was down by 6% that is from 359116 metric ton to 337456 metric ton. Realization of explosives in domestic market was down by almost 5.4% that is from Rs.35442 per ton to Rs.33521 per ton on account of fall in commodity prices.

As such our domestic explosives revenue were lower by 11% that is from Rs.1273 Crores to Rs.1131 Crores; however, during this year, the initiating system revenue grew by 15.4% that is from Rs.257 Crores to Rs.296 Crores and this was on account of capacity enhancement.

Our export and overseas revenue were Rs.793 Crores compared to Rs.866 Crores and that is a fall of 8.49%. The overall commodity prices which were down globally resulted in lower realizations which led to lower overseas revenue.

Now the revenue from defense stands at Rs.122 Crores in the current year compared to Rs.170 Crores as the delivery schedules was shifted by the customers. Now when we talk about customers and domestic market revenue from Coal India has decreased by 47 Crores and as the main reason was that Coal India had targeted a production of 660 million tons and OB removal of 1.07 million cubic meters against which they could reach 602 million tons and 1156 million cubic meter of OB removal and these figures were even lower than 2018-2019.

Revenue from housing and infra were again lower and would like everyone hither to note that our revenue from private sector mines has increased as we have now started supplying to private coal mines with more focus.

As far as raw material is concerned the raw material consumption has decreased by 2.6% as a percentage of sales when we compare year-on-year the same is due to change in product mix that is lower explosive sales and higher sales of initiating systems coupled with improved productivity and efficiency.

The employee cost as a percentage of sales has increased by 1.76% and this is due to lower revenue. In absolute terms it has increased by 22.4 Crores that is 12.17%l; however, if the revenue would have been seen then the there would have been marginal increase of 1.5% and that is an account of annual wage and contract labor increase.

Our other expenses as a percentage of sales have increased from 15.21% to 17.05% and this is again an account of lower sales. On a similar revenue of previous year, it would have shown a marginal increase of 0.28% and that also because of some increased sales promotion expenses.

EBITDA in spite of lower revenues for the year we reported an EBITDA of 475.37 Crores which is 21.25% as compared to 20.99% in last year and which is in line with our earlier guidance of 21% plus.

When we talk about our interest and finance cost as a percentage of sales it has increased by 0.43% that is from 2.03% to 2.46% when we compare year-on-year in absolute terms it has increased by Rs.5.17 Crores and this is due to higher borrowing especially in overseas subsidiary. Secondly due to COVID sales and collections were affected and stock got piled up affecting the working capital cycle.

Depreciation increased from 58 Crores to 84 Crores because of the 271 Crores of capex done in FY2018-2019. The capex for the year 2019-2020 is 235 Crores against the guidance of 215 Crores.

As such the profit before tax margin stands at 15% compared to 16.57% and the current tax rate for the year is 25% compared to 33% as the tax rate was reduced because of budgetary provisions of 2019.

This results in net profit margins which has improved by 1.22% that is from 11.24% to 12.46% that is 278.67 Crores compared to 276.80 Crores. This was also update for the year.

Now let us quickly review the quarter and see what happened other than corona? Since the revenue for the quarter was down by almost 18.64% year-on-year that is from 672.95 Crores to 547.48 Crores, the domestic volume in the quarter got reduced by 10% and our realization of explosives is down to almost 15% as such explosive revenue was down by 23% from 382.48 Crores to 294.53 Crores.

Revenue from initiating system was also down by 3.97%. That is from 76.37 Crores to 73.34 Crores. Revenue from Coal India was lower by 17%, revenue from non-Coal India and institutional grew by 6.31% with our improved focus on private sector mining.

Revenue from housing and infra was down by almost 30% and export and overseas revenue grew by a marginal 2.05%. Our defense revenue was again down by 54% that is from 57.27 Crores to 26.48 Crores.

The raw material consumption in Q4 has decreased by 4.84% as a percentage of sales this is on account of change of product mix and even the ammonium nitrate prices were quite lower that is Rs.25362 per ton compared to 27183 per ton which resulted in lower realization.

The employee cost increased by 3.36% again because of lower revenues. Other expenses are being increased by 6.24% on account of lower revenue and an account of sales promotion expenses when compared to similar quarter last year.

The EBITDA for the quarter is 20% compared to 21.53% and the interest cost as a percentage of sales has increased from 1.58% to 2.63% and if you talk on absolute terms it is 14.42 Crores compared to 10.63 Crores year-on-year basis; however, it is in line with 14.11 Crores of previous quarter that is the third quarter.

Now the depreciation has increased from 15 Crores to 22 Crores an account of capex in previous year, the profit before tax stands at 13.33% compared to 17.75% and with the current tax rate of 25% the net profit in absolute terms is down by 29.31% to 53.18 Crores from 75.23 Crores. That is net profit margin of 9.71% compared to 11.18% in similar quarter previous year.

This was all the update on the quarter and a few other things which we would like to highlight is working capital. So, the working capital days have increased from 90 to 113 days mainly on account of increased inventory due to COVID pandemic; however. the debtor deals remain the same.

It was only the inventory levels in the last 15 days. Now the debt to equity ratio is 0.5 compared to 0.49, which has slightly increased. The networth is 1380 Crores compared to 1238 Crores and the capital employed is 1658 Crores compared to 1430 Crores which resulted in return on equity of 19.38% compared to 21.13% and return on capital employed is 23% against 32% and lower sales is the main reason and why we could have lower sales the reasons has already been explained to you.

For the year, we had a planned capex of 215 Crores. The total order book as on hand is 1304 Crores which comprises of orders from Coal India, Singareni and defense.

Now this was all the updates on our financial performance for the year and for the quarter. Now we would happy to take any questions, comments or suggestions that you may have. Back to you, operator. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Santosh Yellapu from Ashika Stock Broking. Please go ahead.

Santosh Yellapu: Sir congratulations on the multi-mode hand grenade order and I think it would be very key step on the defense business side for us going forward. I had three questions what is the outlook on the international markets across key geographies? Second what is the capex outlook for, is that is there any still capex pending for Tanzania, Australia and in the domestic markets that we are planning for FY2021? Lastly, we heard that there are three ammunition tenders that got cancelled are these three where we were participating or are there other ammunition tenders

Manish S. Nuwal: So, first Suresh Menon will take your question on our international.

Suresh Menon: We have seen a major effect of COVID in within South Africa and a moderate effect in rest of the country. However, the demand in Nigeria, Turkey, Zambia and Tanzania is picking up. South Africa is affected because there are restrictions in underground coal mining and in surface mining because of COVID restrictions from the government side. Australia had travel restrictions between the countries. This delayed our plant construction activity to some extent, but they have reopened the restrictions and reinforced restriction in certain states.

Manish S. Nuwal: Capex will remain the same we are continuing with the same capex that we had planned for in the overseas market. We are going to continue with the same capex.

Santosh Yellapu: I mean to ask have we done the entire capex in Ghana now and Tanzania and Australia are they done or is it just that we are trying to do some sample testing for the clients and getting their comfort or that the actual capacity is yet pending.

Suresh Menon: As far as Ghana is concerned the first phase of campus is already over and as we get more opportunities, more investments will be planned and as far as Tanzania is concerned the construction has already started and the erection commissioning will start and that is what we have said that we are likely to start operation in the Q3 from this kind of this investments which we have been making. As far as Australia is concerned in another four to five months, we should be we should be able to finish the construction part and the capex program for Ghana is almost over. For Tanzania and Australia, it is in the pipeline

Nilesh Panpaliya: About your question on defense RFP so the two RFPs which got cancelled was 30 mm and 122 mm grade and ones which is still under consideration is DMCS, so I hope we answered your three queries.

Santosh Yellapu: Thank you Sir. I will join the queue. Thank you.

Moderator: Thank you. The next question is from the lineup Bharat Shah from ASK Investment. Please go ahead.

Bharat Shah: Manish I just wanted to highlight the background and the events leading to Mr. Kailashchandra Nuwal' stepping down as a director.

Manish S. Nuwal: As far as the Vacation of Office of Directors Office of Kailashchandra Nuwal is concerned it is basically that Vacation of Office is automatic as a director of Solar Industries India Limited by operation of law. The facts and circumstances related to this issue has been brought out in the disclosures by the company before the stock exchanges on July 30, 2020. I think those disclosures, the required disclosures have been made and this is what are the information as of now.

Bharat Shah: Would you like to elaborate that a bit?

Manish S. Nuwal: I think the required disclosure is already been there and the effect of this disclosure one was the Vacation of Office which is already known. As far as the other impact because of this transaction the legal team will take care and take the necessary or appropriate actions as per the legal opinion sort by the company.

Bharat Shah: Any comments on what may happen to the shareholding of Mr Kailash Nuwal going forward?

Manish S. Nuwal: This issue is related to suggestion of Office and not related to the shareholding aspect. As far as shareholding aspect is concerned shareholding will still remain with him only.

Bharat Shah: Which means the rest of the Nuwal family will hold about close to 45%?

Manish S. Nuwal: The promoter family which includes all the family members are still holding the same equity and as per our family settlement, the equity will remain within the family or as per the terms spelt out in that.

Bharat Shah: Thank you Sir.

Moderator: Thank you. The next question is from the line of Bhagyesh Kagalkar from HDFC Mutual. Please go ahead.

Bhagyesh Kagalkar: Can you give more specific on the defense part last year the revenues and secondly going forward the Pinaka products we have been doing a lot of development activity and they have cleared the Pinaka systems and so over three years what is the scope in the defense now how much revenue is not actually we can generate because it has been a very long activity for us essentially?

Manish S. Nuwal: Mr. Nilesh has already shared about the defense revenue which we have achieved in 2019-2020 which is 122 Crores and whereas in the previous year it was 170 Crores. Our target in this year 2019-2020 was basically earlier target was 250 Crores then we said that we are likely to reach 200 Crores but due to delays and deferments, delays of shipments and delay in getting the fresh orders resulted into the less numbers in 2019-2020. As far as the future expectations are concerned looking at the current RFP of multi-mode hand grenade which is in the final stage of award and that will definitely put us into a reality mode what we have been sharing over the last couple of years. So once that RFP is in place our defense revenue from different segments really get a big boost and as far as Pinaka is concerned like we have shared that we have set up a complete exploration facility for rockets and missiles so that will definitely help Solar to be in one of the key player in this sector. As far as technology absorptions are concerned, we have already in the line for Pinaka Mach 1, Pinaka Mach II and now we have also working on this Pinaka Guided Missile. So based on the developments and efforts over the last four years we are a production agency for these items and once the decision which has been taken by the recent defense acquisition council regarding expanding the regiments for Pinaka, we will see a boost for these products and we will share all the development as and when it really happens.

Bhagyesh Kagalkar: Roughly one cannot quantify right now because how much portion will come to Solar and how much will go to to DRDO or other bodies?

Manish S. Nuwal: It is too early to really spell out what will be the share of a private and government sector but definitely it is a matter of few months we will all come to know about the final policy decisions of the government but if you look at the recent policy announcement which has been there in last couple of years which was in Make in India then the recent decisions by the government to really give a big push for making ammunitions in India and make our country self-reliant these policy and push will definitely give a positive support to the private players in India and Solar will be one of the key ammunition player in this segment.

Bhagyesh Kagalkar: Thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Yogesh Manik from Vallum Capital. Please go ahead.

Yogesh Manik: Good morning Sir. My question was regarding the initiating systems. I wanted to know whether these systems are compatible with competitor's products and can they be sold separately, or they have to be sold as a package with package explosives.

Manish S. Nuwal: As far as the initiating systems are concerned many companies in the world have the complete range of products; however, many companies accept the top 5-10 players. Nobody have the complete range of products and as a matter of sales practice we do not see that initiating system is necessarily to be coupled with the package and bulk explosives but as a matter of practice, a8s a matter of prudent practice, many people prefer the initiating systems and the bulk explosives or package explosives to be supplied from one source so that in case of any kind of missile misfailure or failure or non-performance they can held one party accountable. This is a practice which depends and varies from player to player, customer to customer.

Yogesh Manik: But they are compatible with competitor's products, other products in the market?

Manish S. Nuwal: By and large yes, these are compatible, but in some of the products in some of the cases those products do not fit to each other.

Yogesh Manik: My second question was on the defense segment so we have been investing for quite some time in this segment and I just wanted to know is there a benchmark that we are looking at for sales generation or for fructifying the existing capex before we commit more towards it?

Manish S. Nuwal: Like I have shared that we were waiting for a few RFPS to be released in the last one year which got delayed and I think the multi-mode hand grenade RFP is in a final stage and it does not mean that this is the only RFP which is about to come. There are various smaller RFPS also in which we have participated and based on the ground reality and the positions we are quite confident that these will fructify very soon and we will not amend our capex programs; however, COVID can definitely make some kind of deferment in those capex programs which we will keep sharing with you all the people, but as of now the technical and the price negotiation for RFP of multi-mode hand grenade is over and the contract awards should be awarded soon.

Yogesh Manik: That is, it from my side. I will come back for more in the queue.

Moderator: Thank you. The next question is from the line of Sagar Naik from Equentis Wealth Advisory Services Private Limited. Please go ahead.

Sagar Naik: Thank you for the opportunity. I had four questions. First one is, so Western Coalfields has inaugurated three new mines, one in Nagpur and two in MP. So, have we got any contracts for these?

Nilesh Panpaliya: I will just tell you for these coal mines, especially of Coal India Limited, it is a centralized tender and not a mine-specific or subsidiary-wise tender.

Sagar Naik: Okay. So, they have their own mining plants and whenever they will come up with the next, we see any addition from these three mines in the next year?

Nilesh Panpaliya: Yes. So, they have their own mining plan. And whenever they will come up with the next tender, these quantities will get included based on what is the requirement.

Manish S. Nuwal: But yes, with the starting of the new mines, definitely, it is in line with the Ministry of Coal Projection which they have already shared, and it is available in the public domain. Based on that, they will keep opening the new mines. And in WCL, these three mines opening will give a boost to the coal production from Western Coalfield Limited. And we have a very strong presence in this belt. And the opening up of these mines, definitely, they will be an advantage to us.

Sagar Naik: The second one would be so one of the listed competitors has got a license for RDX and HMX. And in the last quarter, they have even won orders in Turkey. So how do you see this playing out for Solar?

Manish S. Nuwal: We will share what we are doing. It is difficult for me to comment on my competitors' product launch or the orders which they are getting.

Sagar Naik: The third one would be you know the employee costs have increased from Rs.49 Crores to Rs.57 Crores quarter-on-quarter. And generally, we see that increase in Q1. So, what would be the reason for this?

Manish S. Nuwal: Basic reasons were there. First was the annual increase of wages, which starts from the January 1. Second reason was the lower sales in the Q4 due to pandemic. Third reason was the growth which we were expecting from our defense and overseas during these quarters was not up to the expected numbers although the people are on the ground, and we are doing good things, and we are quite hopeful to reverse this trend of percentage of staff cost increase in the total metrics. So, we will see the improved numbers from Q2.

Nilesh Panpaliya: Had the revenue not been there, the increase would have been marginal, 1.5% only. And had it been more, as per our earlier guidance, then this would have been flat or lower than the percentage which is getting reflected.

Sagar Naik: The last one is, you mentioned in the opening remarks that there has been a delay in the defense delivery schedule by clients. So, if you could give any quantum and when would this be realized in this year? If you can share that? So that would be the last one.

Nilesh Panpaliya: Yes. So, these delivery schedules had got shifted. So typically, from last year, now this has come into the current year. So accordingly, we are expecting it in this year.

Manish S. Nuwal: From Q2, we will see the improved numbers for defense products sales.

Moderator: Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund. Please go ahead.

Shreyas Bhukhanwala: Thank you for the opportunity. Sir, couple of questions. So, in the earlier remarks, you said, our June performance has been better than compared to last June. So, is it on the domestic operations you were referring or at the company level?

Manish S. Nuwal: We were saying about June 2020 was based on a company level, not on a domestic front only, it is combined, and it is a combined number, which I had shared.

Shreyas Bhukhanwala: Sure. So more or less, both are doing equally well? Or actually, overseas has done better than domestic and hence your overall average number looks more or less similar to or better than last June?

Manish S. Nuwal: Looking at the COVID pandemic spread in India and other parts, definitely, the improvement is there in domestic market also. But overseas has started doing better.

Shreyas Bhukhanwala: Sir, secondly, on the overseas front, so you do not have the numbers for FY2020. But can you share some light on how has been the performance, especially in Nigeria and Turkey? Did you had a flattish growth over FY2019, or did we have some growth on a year-on-year basis?

Manish S. Nuwal: 2019-2020 or expected growth in 2020-2021?

Shreyas Bhukhanwala: No. 2019-2020.

Manish S. Nuwal: As far as the individual geography wise is concerned, it is difficult to share each geography at this moment. But overall, the revenues from the countries, especially Nigeria and Zambia, Zambia was pretty down, Nigeria was pretty comfortable. The significant drop was there in the sales from the Turkish market, which we have been sharing with you all the investors that due to the political situation and the geopolitical equation changing in the ground, there was a drop in demand. The currency hit was also there. So, these were the key reasons.

Shreyas Bhukhanwala: Sir, so of the Rs.793 Crores of FY2020 revenues coming from exports plus overseas, how much would be from overseas?

Manish S. Nuwal: From overseas, it was Rs.646 Crores.

Shreyas Bhukhanwala: And how much was it, Sir, for FY2019?

Manish S. Nuwal: Rs.700 Crores.

Shreyas Bhukhanwala: Okay. So, Sir, how do we see these overseas revenues, broad, if you can throw some light, panning out in FY2021? Based on the current scenario, how things are moving?

Manish S. Nuwal: I have already shared in my initial remarks that based on the current situation and the green shoots, which are quite visible we see a good turnaround in the revenues and bottom line from the overseas operations. And with the results coming out after the Q1, say, specifically for Q2, we will see significant improvements.

Shreyas Bhukhanwala: Okay. Sir, earlier, our target was around Rs.900 crores, if I am not wrong, for FY2021 for overseas. Is it good enough to assume that possibly that target for FY2022 is achievable since we would have some disruptions due to COVID?

Manish S. Nuwal: Yes. If we summarize that why the revenue from overseas was lower than our target, then the key reasons are like this. First was, there was a reduction in our commodity prices, as a result of which, the overall realization has gone down in line with the commodity prices. Second was that, in Turkey, our sales have gone down. Although our market share has not reduced, it has gone up slightly, but the overall demand was down. And our sales from Turkey although it will be shared in our annual results, annual reports also, but the sales from Turkey was dropped by almost 18%, and Zambia was also dropped by more than 10%. So, if you look at overall reason, then first was commodity prices, second was drop in sales from Turkey side, although we were expecting sale increase. And third was our initial challenges in establishing ourselves in South Africa. So, these three were the reasons of reduction in the sales. But looking at the current situation, I repeat again, in 2021, we will be near to the initial target, which we gave for '19/'20.

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

Rohan Gupta: Good morning. Sir, a few questions from my side; first, you gave a cautious statement for the current year that though you will try to achieve the current year revenue, but it may be 5% to 10% down. So, is the stand-alone you were talking about? Or on a consolidated level, you were talking about that the revenue will be lower by 5% to 10%?

Manish S. Nuwal: The statement was for the whole year and not for the period for, say, for June onwards. The reference was given, or the reference was in relation to the COVID pandemic and its impact for the whole financial year 2020-2021.

Rohan Gupta: On a consolidated basis, I think, Sir?

Manish S. Nuwal: Yes, on a consolidated basis.

Rohan Gupta: So, while we are very optimistic about our international revenues still being achieved by close to Rs.900 Crores, so it means that we are looking definitely all the impact of almost 20% coming from the domestic market and also some impact of defense?

Manish S. Nuwal: Like I said that there will be a turnaround in overseas, we are expecting improved numbers from defense segment. However, looking at a COVID pandemic related impact in the local market, definitely, demand from the housing and infrastructure will be low although I do not see or I do not based on the ground reality, it does not reflect that the demand from coal mining will go down. But definitely, there can be impact on those things. Based on an overall estimation and overall analysis, we have said that we are expecting that the revenue in 2020-2021 should cross the revenue of 2019-2020 despite of all these challenges. But on a conservative note, we said that this pandemic spread or, say, if second wave of pandemic starts, if lot of lockdowns are in place like we have seen in India and we have seen in South Africa also, then, on a conservative note, we feel that the revenues can go down also, which we are not sure of at this stage. The situation is quite complex, and nobody can predict with a firmness at this moment. I hope you will understand why we have shared these things.

Rohan Gupta: Definitely, Sir. Sir, definitely, the current scenario remains very volatile. Many companies have taken multiple cost initiatives to reduce the cost and maintain the margins. Do you see that we are still in the process? I mean we have taken many cost initiatives and that will reduce our overall cost because our operational utilization probably in Q1 will be significantly impacted. So, I just wanted to understand that in terms of cost initiatives, what kind of initiatives taken by the company?

Manish S. Nuwal: The company has taken various initiatives to address the current challenges. We will be sharing the key initiatives in our results, which we will be announcing after we complete the limited review of Q1 numbers. So, I think it will be fair for us to share in those Q1 review.

Rohan Gupta: Okay. Sir, third one is, Sir, three RFPs which got canceled. So, in our defense order book, were we building any revenue from those RFPs?

Manish S. Nuwal: No. We are not capturing those RFP into our revenue potential or revenue target from defense-related products.

Moderator: Thank you. The next question is from the line of Vikas Rajpal from Reliance PMS. Please go ahead.

Vikas Rajpal: Good morning. Sir, I am fairly new to the company. So, pardon me if any of the questions seem repetitive. Sir, first question is basically on the order book that you get. So, is your order book capped on the margin or on the ROE front from Coal India or from the defense sector?

Manish S. Nuwal: Yes. So, the margin is not capped. However, we have a price escalation clause, which is there with them. So typically, in bigger tenders like Coal India, so where it is a 2-year tender, and there are various factors which are built into it. So accordingly, it is there. And even with our other major customers, we have similar price escalation clause. As far as one set of customers is concerned, that is housing and infra, there we are doing it on a regular basis, but it is again, as per the market parameters.

Vikas Rajpal: Sir, the other question is regarding the Turkey operations. So, we do a fair level of business from Turkey and as you said previously that the demand has gone down. So, the demand has gone down, is it because there have been some import duties on imports from India? Or is it a general demand decrease which you have been seeing?

Manish S. Nuwal: As far as revenue from Turkey is concerned, this question has no connection to that because Turkey as a country imports from various countries. Even if there is an import duty from the countries like Asian region, it is uniform for all the people, except European countries, they have some concessions on import duties. Otherwise, it has no relevance or no connection to our sales from Turkey operations, are concerned. But like I have been sharing that last year was quite bad as far as Turkey is concerned. But now based on the current estimation and current reality, the business is doing good now.

Vikas Rajpal: Sir, lastly, just a follow up question. Like in the next five years, what kind of a revenue target that you have internally?

Manish S. Nuwal: Sir, at this moment, we all are passing through certain challenges, especially arise out of the COVID pandemic. Once I think it gets settled, we will be able to answer this question. It is difficult for us to give any kind of guidance for next three years.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: Thank you for taking my questions. I have five questions, but to start with. Just to give some color on what is the size or opportunity of this multimodal hand grenade which is being discussed at this point of time? Over a two-years' time frame, how big of an opportunity it can be from the order side, I am not saying our Solar shares, I am just saying from the India's requirement point of view?

Manish S. Nuwal: Like we have shared in the last year that the RFP was for 1 million pieces to be supplied in two years from the date of award of contract. So, this is the first answer. Second, we are a production agency or the nominated agency for this product apart from Ordnance Factory Board. And this RFP was basically for getting the products from private sector and not from the Ordnance Factory. They have other orders on nomination basis to them. As far as the opportunity in future is concerned, so we will definitely share more on this once the first stage of awarding the contracts to the private player, especially in ammunition gets over. So that will be the one first big milestone for private ammunition manufacturers in India is concerned.

Nitin Gandhi: But if the size is somewhere outside, 20 million, 30 million, 50 million, what is it, approximately overall?

Manish S. Nuwal: I do not have those figures at this moment. As far as the value of the product is concerned, we will share the total value of the order once RFP is awarded to us.

Nitin Gandhi: No, that is okay. I am not speaking of value. I am just speaking in quantum requirement of the country. Anyway, secondly, ROCE, can we share how much is overseas deployment and how much is on defense out of capital?

Manish S. Nuwal: Which one? Please repeat again the question.

Nitin Gandhi: Our total capital employed is approximately Rs.17 billion. So, can you share how much is in overseas and how much is for defense?

Manish S. Nuwal: Our defense business, as such, we have been sharing that, the investment till last year was almost Rs.500 Crores. And to be precise, it is around Rs.540 Crores to Rs.550 Crores for defense segment. Rest all is for the products for non-defense.

Nitin Gandhi: Overseas, how much is capital employed?

Manish S. Nuwal: Out of the total capital employed, Rs.540 Crores to Rs.550 Crores is for defense. Rest all is for India and overseas countries.

Nitin Gandhi: No, I am speaking only overseas figures. I am not worried about India figure.

Manish S. Nuwal: We will share the exact number.

Nitin Gandhi: I will surely drop a mail or talk to somebody. And the next question there was a postponement of business from Q4 to Q1. So, can you quantify that?

Manish S. Nuwal: Postponement of?

Nitin Gandhi: Certain business, could not be completed in Q4 because of the delivery issues, so that revenue is postponed to Q1, right?

Manish S. Nuwal: Q2, Q2 defense revenue, you are talking about?

Nitin Gandhi: Yes, correct. So, what is the number?

Manish S. Nuwal: Yes, that is the Q2.

Nitin Gandhi: So how much is that figure?

Suresh Menon: That figure is roughly around...

Manish S. Nuwal: Yes, we will share it. You put the mail; we will share it there how much is the figure.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment. Please go ahead.

Bharat Shah: Manish, if we look at our business in three parts, relatively more short-term, like consumables, whether in mining, roads, housing, etc., over the more medium-term, tender-driven kind of business of Coal India and others or a long-term business like defense, which has a longer sales cycle, how would you view overall, on a long-term basis, likely shape of business into these three parts, so that there is a short-term one, which is kicking in all the time, and it is reasonably replicable and quicker, more medium-term part as well, which is work-in-progress and long-term which is even a longer work-in-progress, how would you like to visualize?

Manish S. Nuwal: You have rightly analyzed it. Basically, if you divide our business into these three kinds of business portfolios, first is the mining. So, we see that mining growth will be there in India because of the recent policy changes announced by the Government of India, where private players will be allowed to participate in the mining. So that will definitely create a situation where efficient suppliers in each area will get more reward compared to a normal situation, which we have seen in last 20, 25 years, where everybody gets the order despite of various issues. So, in future, the competitive players who will offer a best techno-commercial offer will get more volume. So that will give us an advantage. Second, Sir, you said about the road and infrastructure-related products or products towards that segment. So, we believe that this side, we expect that once the current phase is over, from October, November onwards, we will see a spurt in demand. And we are well positioned. We are also working on taking some strategic initiative to enhance our footprint in Indian market also. So, it is strategically very important for us. Third is the overseas market. Our foray into South Africa and Australia was to enhance our market presence and market perception about Solar in a global market although the results from these territories were quite lower than our expectation, we struggled a lot, but I would like to share that the situation which is emerging for us in those markets is quite positive, and it is in line with our strategic intent. And defense is, yes, it is a long-term business for those products that takes long term. But if you look at the delays in starting the releasing of RFPs and then finalizing, so, Sir, over the years, there was no policy in place to buy ammunition from private sector, first. Second, the real push was not there. But with the recent policy in place, and push is there, where any import of ammunition, if it is Rs.200 Crores plus, the government has straightforwardly announced that they will not import any ammunition, if it is beyond this limit. It will open a gate of opportunities for players like us. There are various items required by the services, which are smaller in nature, even Rs.40 Crores, Rs.50 Crores, Rs.70 Crores, and the ammunition stocks are also low if we see the reports which are available in public domain. So, if we combine all these scenarios, we believe that housing, infra, mining and overseas will do very well. Defense will start now, and it will give us a good boost to our bottomline because the capex, the major capex and the time which we have spent on absorption of technologies, qualifying the product is already over. But going forward, we will add more product portfolios. And that will take time. So, going forward, we believe that 20% of revenues should come from defense in future. However, since defense is more capex-oriented, long gestation, so definitely, EBITDA margins will be better than the explosives. And the overseas in India market will be well spread, so we can expect that 50% will be from India, 50% from the overseas. And rest all will come from defense.

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

Rohan Gupta: Thanks for the followup. Sir, the question is on the families' arrangement which you mentioned that between Mr. Kailashchandra and the other family members. So those shareholdings will still remain with them. Is there any arrangement between the family members that you guys have a First Right of Refusal in case of any other family members want to sell their shares?

Manish S. Nuwal: As far as this matter is concerned, I would like to share that there is a family settlement deed is there. And every transaction arise out of this will be within that only.

Rohan Gupta: Sorry, Sir. Can you please repeat again, Sir?

Manish S. Nuwal: I am saying that any transactions related to shareholders are concerned, promoter shareholders, it will be dealt as per the family settlement deed only.

Rohan Gupta: Okay. So, family members only have the First Right of Refusal to that any exchange of shares.

Manish S. Nuwal: Yes.

Rohan Gupta: That is all the questions. Thank you.

Moderator: Thank you. I would now like to hand the conference over to Mr. Manish Mahawar for closing comments.

Manish Mahawar: Thank you, Aisha. On behalf of Antique Stock Broking, I would like to thank the team of Solar Industries for providing us an opportunity to host the call. Manishji, would you like to make closing comments?

Manish S. Nuwal: On behalf of Solar Industries India Limited, we would like to thank all the valued stakeholders for listening to us patiently and giving us their suggestions, feedback and thought process. We will definitely work in the direction to ensure that the value of stakeholders is enhanced. Thank you so much.

Moderator: Thank you. On behalf of Antique Stock Broking Limited, that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.