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November 03, 2021

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

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

Sub: Transcription of Conference Call with reference to the Unaudited Financial Results for the Quarter ended on September 30, 2021 with the Management of the Company.

Dear Sir,

In furtherance of our letter dated **October 23, 2021**, we are forwarding herewith a copy of Transcription of Conference call hosted by Centrum Broking Limited on Saturday, October 30, 2021 at 11:00 a.m. to discuss the Unaudited Financial Results for quarter ended on September 30, 2021 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**

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“Solar Industries India Limited  
Q2 FY2022 Results Conference Call”

October 30, 2021



**ANALYST: MR. CHIRAG MUCHHALA - CENTRUM BROKING LIMITED**

**MANAGEMENT: MR. MANISH S. NUWAL – MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER - 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**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Solar Industries India Q2 FY2022 results conference call hosted by Centrum 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 call, please signal an operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Mr. Chirag Muchhala from Centrum Broking Limited. Thank you and over to you Sir!

**Chirag Muchhala:** Thank you Vikram. Centrum Broking welcomes you all to the Q2 FY2022 results conference call of Solar Industries India Limited. The management is represented by Mr. Manish Nuwal, Managing Director and Chief Executive Officer; Mr. Suresh Menon, Executive Director, Mr. Moneesh Agrawal, Joint CFO, and Ms. Shalinee Mandhana, Joint CFO. I now handover the call to the management for their opening remarks post which we can take questions from participants. Over to you Sir!

**Shalinee Mandhana:** A very good morning and welcome to Solar second quarter and half yearly investor conference. My name is Shalinee and I would like to welcome all of you on behalf of Solar Industries India Limited. To begin with I would like to remind you that during this call we might make projections or other forward-looking statements regarding future events and about the future financial performance. Please remember that such statements are only predictions, actual events or results may differ materially and our website will be updated with all the relevant information timely. Now I request Solar’s CEO & MD, Mr. Manish Nuwal for his opening remarks. Over to you Sir!

**Manish Nuwal:** Thank you Shalinee. A very good morning to all the valued investors We are pleased to present highest ever second quarter and half yearly numbers with good growth across geographies and sectors. We have been able to achieve a decent EBITDA margin despite of challenges mainly arising out of steep rise in commodities and foreign exchange fluctuation in the current quarter. However the company has started passing on the increase in cost to the end customers and we are expecting the impact of commodity prices should subside in the coming quarters. The Government of India has been laying great emphasis on infrastructure development, housing, and mining. The Gati Shakti Master Plan announced by Government of India will definitely give a tremendous boost to our industry. Positive momentum in the defence, exports and overseas business has laid a strong foundation for sustainable growth in the future. We are entering into the second half of the year with a strong order book of 2842 Crores which includes new orders from Coal India Limited to the tune of Rs.1471 Crores. Despite of risk associated with rising commodity prices and likely



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COVID third wave the half yearly results has given us confidence to revise our earlier given annual growth guidance from 30% to 40%. Now before I handover to Shalinee to take you through the financials I would like to wish you all a very happy Diwali in advance. Thank you very much.

**Shalinee Mandhana:** The key highlights for the second quarter are the consolidated revenue is up by 34% that is 788 Crores versus Rs.587 Crores. The explosives revenue is up by 48% that is 328 Crores versus 222 Crores. Our explosives volume has increased by 16% that is 80327 metric tons versus 69195 metric tons. The realization of explosives had increased by almost 27% that is 4087 Crores versus 32074 Crores. The initiating systems revenue has also increased to almost 38% that is 84 Crores versus 61 Crores. The raw material consumption has increased to almost 53% if we see y-o-y from 289 Crores to 442 Crores on account of steep rise in raw material prices in absolute term. The other expenses increased by 27% from 117 Crores to 149 Crores which includes mainly amount of Rs.29 Crores on account of forex fluctuations. EBITDA increased in absolute terms to 143 Crores against 128 Crores, a rise of almost 12% but PBT increased by 13% from 92 Crores to 104 Crores. PAT for the similar quarter has increased by 11% from 68 Crores to 75 Crores. These are the updates for the quarter.

Let me take you through the half yearly performance. The half yearly revenue is up by almost 50% y-o-y that is from 107 Crores to 161 Crores. Domestic explosives quantity increased by almost 21% from 139481 metric tons to 182124 metric tons. Realization of domestic explosives increased by 24% that is from 33164 to 41045 per ton. Revenue from domestic explosives increased by 62% from 463 Crores to 748 Crores. The initiating systems domestic revenue increased by 48% y-o-y from 122 Crores in half yearly to 180 Crores in first half 2022. The raw material price is up by 63% for the half year y-o-y from 558 Crores to 911 Crores on account of steep rise in raw materials. The employee cost has increased by 27%; the other expenses have gone up 33% from 197 Crores to 262 Crores which includes a loss of 26 Crores on account of forex fluctuations. EBITDA for the half year is up by 42% from 2 to 4 Crores to 31 Crores in absolute numbers reported a PBT of 244 Crores compared to 153 Crores. We recorded a PAT number of 176 Crores compared to 112 Crores. The capex till September 30, 2021 is 137 Crores and the annual guidance plan is 315 Crores. We have a total order book of 2842 Crores comprising of new order from Coal India to the tune of 1471 Crores and defence order book of 576 Crores. This is from our end. Now I would be happy to take any questions, comments or suggestions that you may have. Back to you!



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**Moderator:** Thank you very much Madam! Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sujit Jain from ASK Investment Managers Limited. Please go ahead.

**Sujit Jain:** ManishJi and team congratulations and our complements for the highest ever turnover like you mentioned. My question is on Coal India large order that you have received which will kind of getting executed over the next two years, one presumes that a lot of it would be bulk explosives does that meant that because of the PAT change in the mix the operating profit margins over the next two years could be little muted?

**Suresh Menon:** The order book with 1471 Crores is mainly bulk that is the new order that we have received. There is an increase in volume by about 17% from the previous order and there is a price increase of roughly 26% so I do not think that this product mix will make major difference at this juncture.

**Sujit Jain:** Right when I look at the gross margins for Q2 they were kind of depressed and as you mentioned the raw material price inflation would be passed on to consumers with a lag does that mean that eventually our margins will come back to 20% from Q3 to Q4 onwards?

**Shalinee Mandhana:** Yes we have never seen such a steep rise in commodity prices in last so many years which is currently visible everywhere. The company has started passing on the increase in the top to the end customers but passing the full price is not possible on immediate basis, also there is always a lag of month or two or a quarter depending on the terms and the relationship with the customers. So when we talk about margins we feel that the EBITDA margin should be around 20% and PAT should be around 11% on annual basis.

**Sujit Jain:** Right that is great and you had called out 29 Crores in other expenses as forex fluctuations item if I add that back ex of that our margins could have been higher by 3 to 4% for Q2, is the understanding correct?

**Shalinee Mandhana:** Yes it should have been up by around 3% plus.

**Sujit Jain:** Right sure. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Brijesh Joshi from HDFC Bank. Please go ahead.



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**Brijesh Joshi:** Very good morning everybody. Many congratulations first of all to Solar Industries India Limited for achieving this beautiful result and from my end from HDFC Bank I am wishing everyone who are on this call wishing you very, very happy Diwali and a very happy prosperous New Year. I actually have a small question on this as it is mentioned that the prices of raw material has increased and Solar to a large extent has been able to pass on this price hike to the end customers, the freight prices have also increased, trade has gone up in some of the cases, in some of the other companies I am dealing in, in those companies I have seen the hike of around 200% in freight so what is the situation in case of Solar Industries and how Solar is managing all these?

**Shalinee Mandhana:** The price of raw materials when we talk about includes all the factors, we take into account all the factors and when we see there is an increase of around 38% y-o-y and the raw material prices increased by 11% from previous quarter so this includes the freight as well so the same will be passed on to the customers but with a lag of a period.

**Brijesh Joshi:** How much the company expects it will be a quarter or two maximum?

**Shalinee Mandhana:** Not a quarter it is around one to three months.

**Brijesh Joshi:** One to three months, that means a quarter.

**Shalinee Mandhana:** Yes that is a quarter, correct.

**Brijesh Joshi:** How much will be the effect of the freight hike?

**Shalinee Mandhana:** We have taken all the factors into account and as I said we should maintain the EBITDA margins on annual basis around 20% including all the price hikes.

**Brijesh Joshi:** Okay, thanks. That is it from my end.

**Moderator:** Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

**Abhishek Poddar:** Good morning Sir. Thanks for taking my question. First is regarding the raw material situation if you could highlight any challenges that you are facing in sourcing of key raw materials and how is the inventory situation?

**Manish Nuwal:** Like we have been sharing over the last many years we have a good relationship with our vendors due to our commitment and volume terms and our payment terms so we have a



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fairly comfortable position to fulfill our obligation with our customers who are on contract or on spot basis so we have a very good relationship with our customers and vendors as well and we are in a comfortable position.

**Abhishek Poddar:** Understood but because of the energy shortage is there a possibility that you would be concerned that it could impact the ammonium nitrate supplies and you probably would want to overstock if the event happens like that?

**Manish Nuwal:** As far as our company is concerned we have taken all the best efforts to fulfill our contractual obligations and to meet our routine customers' requirements so we are pretty much comfortable.

**Abhishek Poddar:** Understood Sir. Regarding the defence side of the business any sense on the Pinaka orders, what is the progress and what is our expectation now and also if you could highlight what is the defence order book and what kind of execution we are looking at for this year and next year?

**Manish Nuwal:** As vision informed earlier that our company is one of the authorized production agencies for making this Pinaka rockets and Defence Acquisition Council has acceptance for necessity for capital acquisition proposal for modernization and operational need of their armed forces and it includes Pinaka rocket ammunition. The value and our share will be known only after RFP is finalized so we are waiting for RFP to come. Apart from this like we have shared that our order book is now stands at 576 Crores because of this order which we have received a couple of months back which was multi-mode hand grenade, so we are now in a comfortable position and definitely we will see the better numbers coming from defence from next quarter.

**Abhishek Poddar:** Any sense of timelines for Pinaka in terms of RFP **(inaudible) 16:39** basis also?

**Manish Nuwal:** Recently they have cleared the acquisition of these products so once they release RFP we will definitely share with all our stakeholders.

**Abhishek Poddar:** Understood. Sir on the international operations if you could highlight how this equation in Turkey and also if you could talk about the expansion in Australia and Tanzania?

**Suresh Menon:** Our operations in Turkey is business as usual and though Turkey has come under the grey list but **(audio cut) 17:17** business except there could be some foreign currency fluctuation and we do not see much other issues because of Turkey coming under the grey list. As far



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as Tanzania is concerned I think we have almost completed our project and it should go into commercial production I think in November. Australia the construction is still gone; it has been delayed because of COVID and heavy monsoon in that part of Australia. I think we should be able to complete in this financial year.

- Abhishek Poddar:** Understood and how is the profitability in South African operations Sir?
- Shalinee Mandhana:** We were expecting EBITDA in level B, C in the current financial year but Africa was sluggish with challenges around COVID our forex fluctuations and steep inflation in the raw material prices and logistic concerns also so we feel that next year it should be in line.
- Abhishek Poddar:** Okay, understood. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Bharat Gupta from Edelweiss. Please go ahead.
- Bharat Gupta:** Congratulations for such a great set of numbers. My question pertains to first on the defence side so there we have seen that on a y-o-y basis our contributions remain as a constant figure while earlier we were projecting of delivering near about 300 Crores for the full year so do you think that the target is now on a upper side and there may be a need to revise on it further?
- Manish Nuwal:** In defence side earlier we have given a projection that we should be able to reach to around 300 Crores number and we believe that we should be able to reach around 275 in this financial year.
- Bharat Gupta:** Right Sir and for the MMHG orders so that was the commitment where we have to deliver the orders within two years timeframe right so for the next year do you think that our overall contribution can be greater than 400 odd Crores for FY2023?
- Manish Nuwal:** For this financial year we should be able to reach around 275 Crores and as we progress further we will give the annual guidance once we really reach into the Q3 or Q4 numbers.
- Bharat Gupta:** Right Sir and secondly coming on the guidance front where we have highlighted and revise it upwards towards 40% odd so mainly I just wanted to get a sense about what kind of volumetric growth are we looking for the full year basis?
- Shalinee Mandhana:** For the current year we feel the volume should grow around 15 to 20%.





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- Bharat Gupta:** Right and coming on the export trend where we have seen a 34% kind of a growth so just wanted to get a sense about our stabilization operations pertaining to Ghana into South African market so what is the key driver in this particular quarter?
- Shalinee Mandhana:** Generally we do not share the country wise revenue, we share that on annual basis, but on overall basis the exports and overseas revenue in the quarter has gone up by 34% and on half year basis 40% plus.
- Bharat Gupta:** Right, have we seen any logistical challenges pertaining to container issues or something with respect to our overseas supply?
- Manish Nuwal:** The logistic challenges still exist. It has existed for the last six to seven to nine months we have managed it till now, I think we will face the challenge and manage it going forward.
- Bharat Gupta:** Right Sir and my last question pertains to the capex front so where we were planning for two new plants so how are we pleased and what is the expected timeline for the completion of the same?
- Shalinee Mandhana:** Currently as we said during the half year we have done around 137 Crores of capex and the annual guidance stands at 350 so we are on track and despite of the rise in every commodity we are maintaining the guidance of 315.
- Bharat Gupta:** My question pertains like have we finalized the lands for the two upcoming launches which we are thinking and what is the timeframe where we can commence the production on the same?
- Shalinee Mandhana:** We are still exploring the locations feasibility in the recent mentioned that is in the northwest and south of India the same is not progressed and as and when that gets finalized and materialized that will be communicated.
- Bharat Gupta:** Sure, really helpful. Wish the team a very happy Diwali in advance.
- Moderator:** Thank you. The next question is from the line of Mayank Bhandari from Nirmal Bang Institutional Equities. Please go ahead.
- Mayank Bhandari:** Thanks for the opportunity. My first question is on the guidance that you have revised to almost 40% growth and in first half you have done almost 50% growth which implies that second half would probably be a 30% growth so 30% growth would be a value growth and there may not be any volume growth that is what you are indicating?



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**Shalinee Mandhana:** As I said earlier the volume growth should be around 15 to 20% on year-on-year basis, on half year we see the volume growth was around 31%.

**Mayank Bhandari:** So second half there will be not be much volume growth right?

**Shalinee Mandhana:** No, we see the volume growth because we win some Coal India order we have got some additional 17% volume growth.

**Mayank Bhandari:** Thanks.

**Moderator:** Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

**Abhijit Mitra:** Thanks for taking my question. Just to understand the nature of the margin drop that we see in this quarter a bit more so in terms of your ammonium nitrate pricing what is the kind of information that we have seen in this quarter and also to understand is, is pricing also leading to some amount of volume push back from the clients are you seeing some element demand destruction happening also, the reason I am asking is the sharp increase in working capital also that we are seeing which is clearing up your net debt so some color on this would be of great help?

**Shalinee Mandhana:** As we got ammonium nitrate the prices have increased on year-on-year basis around 38% and on quarter-on-quarter from the previous quarter around 11% and further also we foresee a steep rise in prices till the price stabilizes so we have started passing on the increase in the cost to the customers but with a lag of month and quarter.

**Manish Nuwal:** Apart from this price rise what you have asked whether it will impact the demand cycle of the product or not I would like to add on this point that this second quarter is normally a lean period for our country for demand of explosives, from October onwards definitely we see that price will not impact the demand as such because everybody should like to finish their projects and do the mining before the next monsoon starts so the window available is only seven to nine months and we do not feel that it will impact the demand as such and like we have seen there are lot of supply chain bottlenecks coming up in the country because of the international factors so that will also reduce the availability of raw materials in the country like we have shared that we have taken all the necessary steps to come out of these kind of challenges and we are pretty much confident that we will be able to continue passing on the prices to the customers and meet their demand as per our obligations.



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- Shalinee Mandhana:** That has increased but if we see in proportion to sales that is okay and working capital position we are at the same level that is we have maintained 108 days but if we see the inventory base that has come down from March from 119 to 105 and debtor days has also gone down from 66 to 60 and also the creditor days have gone down by 20 days that is about 78 days in March and currently 58 days so the working capital days remain same but overall the working capital position is quite good and by March we have seen that it should be further reduced to 100 days.
- Abhijit Mitra:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Amit Zade from Antique Stock Broking. Please go ahead.
- Amit Zade:** Good morning Manishji and team. Thanks for the opportunity. Just one question on the domestic explosive industry side correct me if I am wrong since last four to five years we have seen this industry almost in the range of 5000 Crores to 6000 Crores and now what do you see this industry moving towards and within this industry in specific segments like demand from coal, limestone, iron ore, if you can break with three, four key segments of the industry and what big part of this industry you are more bullish on and see higher growth traction in the near future?
- Manish Nuwal:** Based on our experience and the inputs which we received from various quarters we believe that the industry should grow at 7% to 8% on sustainable basis for years to come and as far as mining growth is concerned it can be around 6% to 7% which is a sustainable number and for housing and infrastructure we believe based on the various projects and strategic push from the Government of India demand should continue at around 10% to 11%.
- Amit Zade:** The broad breakup of this industry in terms of coal, limestone, iron ore and loading process?
- Manish Nuwal:** The breakup is already given in our annual report you can refer that and if you have any more questions you can send us we will reply to that.
- Amit Zade:** Okay Sir got it. Another question on our Coal India revenue so again since last three to four years we have been in the range of 400 odd Crores plus or minus 5% to 10% and now we are pretty much confident of stocking almost if you add the bulk of detonators roughly 700 Crores to 800 Crores of annual run rate so we have seen suddenly doubling of run rate from Coal India after almost being stagnant for the last five years so are you confident on such



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kind of volume growth will sustain or you believe this kind of now that we have this next level that it could again mainly stagnant at this level for couple of few years and then we will go ahead?

**Manish Nuwal:**

Like I have answered now, in that mining growth we foresee that that will be in the range of 6 to 7% and mining growth in India may be because of the coal mining and as government has already announced that they will open up the coal block to the private players so what we give guidelines or our perception that 6% to 7% growth includes demand from Coal India, Singareni Collieries Company Limited and various private coal miners. So as far as your position of our dependence or our revenue share from Coal India is concerned as we have been sharing that our revenue from Coal India has a percentage of total sales is going down but our presence in Coal India is not going down. If you look at our basket now it is around 16 to 17% of the total revenue and it is similar to these numbers plus or minus 2% or it was 20% few years back so gradually as our businesses from international market, businesses from housing and infra sectors will grow definitely share from Coal India will keep reducing little or gradually.

**Amit Zade:**

Thanks a lot. I wish you a very happy Diwali to you and entire team of Solar.

**Moderator:**

Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:**

Thank you so much for the opportunity. Sir if you can just help us understand that this time around in the Coal India bidding process how was the competitiveness given the overall sourcing issues of the raw material are you seeing reduced competitive intensity any thoughts around that for the Coal India bidding it would be helpful?

**Suresh Menon:**

The bidding process is as per the normal process that Coal India has for the last few years. There was no change in the bidding process. The number of participants or suppliers or vendors who participate in the tender remained the same. Definitely there could have been issues with supply chain problems and logistic problems for certain vendors who may have actually moved out of Coal India's participation and not taking the order that could have happened as a result of which we have got a 17% increase in volume.

**Abhishek Ghosh:**

Your market shares for Coal India would have remained stable?

**Suresh Menon:**

More or less maybe a slight increase or more or less stable a little increase.



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**Abhishek Ghosh:** The margin expectation also would be same like earlier years what your margins you were making similar margins you would be making going forward also on a per ton basis?

**Manish Nuwal:** There may be some increases because there has been a better price rise in this tender.

**Abhishek Ghosh:** Okay Sir, great. Sir except Coal India in the housing segment and other segments that you are seeing in the domestic market are you seeing the lower scale players having the issues of working capital and sourcing is that something that you are seeing in the market place?

**Manish Nuwal:** Like I have already shared that the current challenges is mainly because of commodity price increase and disruption in the supply chain that is impacting the industry as a whole. What we are looking at this moment is to meet our contractual obligation and to feed our customers who always buy from us or who are dependent to a large extent on supply from Solar so we are not looking at what other people are doing but definitely we have taken necessary steps and we are in a comfortable position to meet our customers' requirement. There is a steep price rise and we are passing on the price increases to the customers but like Shalinee has explained that there is some lag and we are trying to bridge the gap as early as possible.

**Abhishek Ghosh:** Okay, great and for the Indian operations what would be the utilization levels for you in maybe FY2021 and what we are doing now or given the 20% volume growth that we are expecting in 2022 what should be your utilization level?

**Manish Nuwal:** Like we have already shared earlier that Solar maintaining facilities across the globe and product portfolio also quite wide it is not possible to calculate one number to give capacity utilization factor so it is difficult for us.

**Abhishek Ghosh:** Sir when I was coming from the need for increasing capacity in India because the volume growth seems to be picking up both for Coal India and with housing pickup and infrastructure projects the things that you have mentioned out do you believe there is a need for capacity expansion and what should be the lead time because your pan India capacity project plan is still not kind of laid out so any thoughts around that more from that perspective?

**Manish Nuwal:** I understood your question now. Like we have said that in this financial year we are likely to spend around 300 odd Crores and out of that almost 135, 140 Crores has already been invested in the project so it is mainly on account of increasing the capacity and increasing the product portfolio. Apart from this we are also spending on starting the new plants in



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Australia, Tanzania, and additional plants in Ghana, so because of these we have planned our investment and going forward we are also investing into expanding the product portfolio and these things have been captured by making an annual projection of 300 Crores. Apart from this we have also shared that there are opportunities and there is a need to expand our footprints from one location to multiple locations for some of the products that is why we are planning to set a plant in the north western part of India and southern part of India so as and when those decision is being taken we will definitely share with you.

**Abhishek Ghosh:** Sir lead time for putting up such plants from the conceptualization to the commercial would be something like two years is that a fair assumption?

**Manish Nuwal:** Like we have already conceptualized and increased our plants so since we have already moved ahead on those things so we believe that it should take around two years or two-and-a-half years to start the commercial production.

**Abhishek Ghosh:** Two questions from my side. In terms of while Tanzania, Ghana, Australia are the newer regions that you are adding have you also kind of looked at over the next two to three years how many more countries do you want to add any thoughts around that will be helpful?

**Manish Nuwal:** Like we have already shared that it is our strategic plans to expand the global footprints and we are exploring various opportunities in African world and even South East Asia and Australia so as we move forward we will definitely share all those details.

**Abhishek Ghosh:** Sir just one last question in terms of the housing and the infra segment which is more kind of a dealer based model for you as well, are you seeing lot of demand pool because we are hearing a lot of housing demand moving up and infrastructure projects now expected to pick up so is there a scope for better margins in that segment given there will be a strong demand traction any thoughts around that segment?

**Manish Nuwal:** We do not share the margins on each customer sector wise, but on an average like we have been saying that historically which we always share that our margins will be in the range of 20% to 22% but due to recent price rise and lag between the price rise and finished good price rise we are maintaining that we should be able to make an EBITDA margin of around 20%.

**Abhishek Ghosh:** Okay Sir, thank you so much and wish you all the best.



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

**Shobhit Tiwari:** Sir my question is pertaining to the capital allocation more so with respect to overseas so while making the decisions what sort of return I think you have in mind while assessing your new geographical footprint?

**Shalinee Mandhana:** Generally as they have been saying the ROCE should be around 25% plus so we keep that in mind by planning any expansion and also we see the market mainly we have seen in the overseas it takes time to get on the market to stabilize so justification period is very low so on long-term basis we try to see that should cross ROCE of 25%.

**Shobhit Tiwari:** Generally what sort of time does it require to reach the target?

**Manish Nuwal:** It takes around four to five years to reach to the target.

**Shobhit Tiwari:** Secondly how do we look at different segment we have invested a significant capital and I understand there has been like delays in getting order execution now going ahead you have highlighted that do we have significant order book plus Pinaka order would further be coming in, so what sort of capital allocations and what is that and what sort of target and matrix do we have in mind there?

**Manish Nuwal:** Like we have been sharing that in the last almost seven to eight years we have developed a wide range of products to fulfill our target of making country self sufficient in ammunition and we are also looking forward to export these products out of the country. Based on this strategic planning we have been investing into the products for different applications. Like we have said that this year our order book stands at 576 Crores and in this financial year we should be able to reach around 75 Crores to 80 Crores as far as topline is concerned. From next year definitely we will share our annual guidelines in the next quarter.

**Shobhit Tiwari:** Sir any return matrix in mind?

**Manish Nuwal:** Our return matrix is not based on one product or one product portfolio it is based on a company as a whole so we believe that we are fairly near to our desired level of around 25 to 26% of return on capital employed and as far as return on equity is concerned we always try to make more than 20% on it so by and large our planning strategies based on those things.



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- Shobhit Tiwari:** Thanks Sir and best wishes for Diwali.
- Moderator:** Thank you. The next question is from the line of Mayank Bhandari from Nirmal Bang Institutional Equities. Please go ahead.
- Mayank Bhandari:** Thanks for the opportunity again. Sir my question is related to the export markets, we are having margin profile in Zambia it is about 30%, Turkey and Nigeria is less than 20% and I think in Nigeria and Turkey scale is also good so what is the kind of product differences and the product profile there or how one should read about this?
- Shalinee Mandhana:** The product profile remains same it may defer a slight on the requirement on the type of mining in the particular country but we feel the basket as a whole so for us we keep that as consolidated level.
- Mayank Bhandari:** Secondly if you can provide what is the export in first half that you do from the standalone entity any number, are you used to provide the numbers?
- Shalinee Mandhana:** We generally provide the consolidated and for the consolidated the first half year it is 41% of the basket and in amount terms it stands at 669.36 Crores for exports and overseas.
- Mayank Bhandari:** Okay fine and lastly I missed the number that you mentioned for the initiation systems in the beginning can you provide?
- Shalinee Mandhana:** For initiating systems you are talking for half year or quarter?
- Mayank Bhandari:** Half year.
- Shalinee Mandhana:** For the half year domestic initiating it is 180 Crores in the first half year.
- Mayank Bhandari:** And Q2?
- Shalinee Mandhana:** Only Q2 if we say it is around 84 Crores.
- Mayank Bhandari:** On the Q2 it is 84 Crores?
- Shalinee Mandhana:** Correct because of the monsoon it is seasonally weaker quarter.
- Mayank Bhandari:** Okay. Thank you Madam.





*Solar Industries India Limited*  
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- Moderator:** Thank you. As there are no further questions from the participants I would now like to hand the conference over to Mr. Chirag Muchhala from Centrum Broking Limited for closing comments. Over to you Sir!
- Chirag Muchhala:** We thank the management for taking time out and sharing the revenue and the insights on this call and we also thank all the participants for their presence. Sir do you have any closing remarks?
- Shalinee Mandhana:** We thank all the participants who participated in the conference of Solar Industries and on behalf of Solar I wish all a very happy and prosperous Diwali in advance. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Centrum Broking Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.