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17th May, 2018

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

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

Sub: Transcription of Conference Call with Investors/Analysts held on 14th May, 2018.

Dear Sir,

Further to our letter dated 11th May, 2018 we are forwarding herewith a copy of Transcription of Conference call with Investors/Analysts held on 14th May, 2018.

Kindly take the same on record and acknowledge.

Thanking you

Yours truly,

For Solar Industries India Limited


(Khushboo Pasari)
Company Secretary &
Compliance Officer



Conference Call Transcript

Solar Industries India Q4FY18 Results May 14, 2018 | 11 a.m. IST

Corporate Participants

Mr Manish Nuwal
CEO & MD

Mr Nilesh Panpaliya
CFO

Mr Suresh Menon
Senior GM

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the Solar Industries India Limited Q4 FY2018 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohan Gupta from Edelweiss Securities. Thank you and over to you Sir!

Rohan Gupta: Thank you. Good morning ladies and gentlemen. On behalf of Edelweiss, I welcome all the participants logged in for the conference call of Solar Industries. From the management, we have Mr. Manish Nuwal, CEO and M.D., Mr. Nilesh Panpaliya, CFO, also Mr. Suresh Menon who is Senior General Manager from the Company. Good morning gentlemen. Good morning Sir and thank you very much for giving us the opportunity for hosting this conference call to discuss Q4 FY2018 results. Sir as always I will start request you if you can just give us a brief about the quarterly performance and also if you can just share the industry trend and then we can follow it up with the question and answer session Sir!

Nilesh Panpaliya: Good morning ladies and gentlemen. I welcome you to Solar Industries India Limited earnings call for the Q4 and financial year 2018-2019. Before we begin, I would like to mention that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. I hope that the documents relating to our financial performance you must have gone through that because that were emailed and these documents along with our quarterly result presentation have also been posted on our corporate website.

Now I will start with the highlights. We had a solid quarter where our turnover increased by 30% recording a sale of 575 Crores and a profit after tax of 66 Crores which is an increase of 20%. For 2018 financial performance as a whole, we have reached a turnover of 1916 Crores an increase of 21% against 2017 financial year.

We improved our EBITDA margins by 77-basis points recording a margin of 22.11%. PAT has grown to the highest level of Rs.221 Crores till date as against Rs.187 Crores in FY2017, which is an increase of 18%. As per our Company's dividend policy of 30% a dividend payout of 300% or Rs.6 per share has been decided for FY2018.

Moving to our yearly revenue breakup, our infrastructure sector performed pretty well where we recorded a sales value increase of 23% comparing FY2018 with FY2017. This is mainly on account of increased road construction activities.

Our dependency on Coal India continues to go down but our quantity sales to Coal India continues to increase in line with their coal production. In FY2017, Coal India constituted 23% of our overall sales which has now come down to 17% and as I mentioned we remain the largest supplier to Coal India fulfilling almost 35% of their explosives requirement; however, due to fall in our key raw material that is ammonium nitrate prices which dropped by 5% there has been a drop in realization of our explosive products.

Now let us talk something about our international operations, which delivered a stellar performance during this financial year. Comparing to FY2017 our overseas sales grew by almost 63% recording a sale of 577 Crores compared to 353 Crores in FY2017. Our export sales also increased by 24% and as you are aware that South Africa plant has gone into commercial production in this year, so now we have four overseas manufacturing facility, and now our products are being consumed in almost 51 countries globally. We are working to expand our facilities in 10 countries including Australia and Ghana, and looking ahead to achieve a revenue of 1000 Crores by 2020.

Defence: As for defence at the beginning of this fiscal year, we had targeted a revenue of 80 Crores to end the year we could achieve a revenue of 37 Crores. This was due to delay in processes of qualification of process, products, supply chain and field trials. This took long to start the commercial production of defence products. Now at this stage, we are pleased to share that we have defence orders worth Rs.255 Crores in hand and out of these the pre-qualification stages related to facilities, processes and trial production is over for products worth almost 175 Crores, which gives us the confidence that we will be able to achieve the revenue projections of Rs.200 Crores for this year.

Also I would inform that in March 2017, the government floated RFPs for procurement of seven types of ammunition items and in this we have participated in the three product categories. Once we receive the orders the contract will be valid for 10 years. Our Company also got the TOT of mass production of crucial solid propellant booster of BrahMos and we are setting up the infrastructure facilities, which are in the advanced stages and will be completed by June 2018.

If we talk about our return on capital employed, it is currently at 26.2 compared to 24.97 and the total capital employed is almost 1420 Crores. You are aware that almost one-third of this has been done towards defence and as defence will start contributing from this year we are confident of reaching ROCE of 30% by 2020.

Giving you some guidance for the future as mentioned our current order book stands at 1092 Crores out of which Coal India is 782 Crores and Singareni is 55 Crores, the balance 255 Crores is the defence order book. We expect our topline to grow more than 25% for the fiscal year 2018-2019. The growth will come from all the segments that is domestic, overseas, and exports and defence.

Talking in value terms, we expect our domestic sales to grow by 16%, we expect our overseas to perform well and achieve a turnover of 775 Crores that

is an increase of 34%. As for defence we have a target revenue of 200 Crores and our sales target for FY2019 is roughly around 2450 Crores and we expect to maintain the current EBITDA and PAT margins, which are likely to go up year-on-year as defence revenue will go up.

On that we conclude our remarks for this. We would be happy to take any questions, comments or suggestions that you may have. Back to you!

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Keval Shah who is an individual investor. Please go ahead.

Keval Shah: Good morning. Thank you for the opportunity Sir. Sir, what is our net FX impact after adjustments for exports, ammonium nitrate purchases and overseas operations in terms of US dollars?

Nilesh Panpaliya: Can you come back?

Keval Shah: What is our net FX income after adjusting for exports, ammonium nitrate import and overseas operations in terms of US dollars?

Nilesh Panpaliya: I will just give you. They are working on that.

Keval Shah: Meanwhile, I will ask the other questions, if you do not mind.

Nilesh Panpaliya: Yes.

Keval Shah: Sir, can you comment on our hedging policy and also what would be the impact of every Re.1 of devaluation on our EBITDA margins?

Nilesh Panpaliya: So, as far as the Company's policy, forex policy, we do not have any open import items, so everything is covered and hedged till date and as far as exports is concerned, they are all open. So every one value decrease will definitely benefit us giving us more Rupee but we will not be losing out anything as our imports and foreign dollar exposure is all covered.

Keval Shah: Sir, also likewise, what is our holistic impact from recent surge in crude oil prices? Can you just comment at how would it impact us?

Nilesh Panpaliya: Definitely with the surge in the prices of crude oil, our logistics cost has gone up because there has been price increase so that has now been taken care of because we have price escalation clause, which is built in with our major clients and one of the components to that are the oil prices.

Keval Shah: Sir, yesterday or day before there was this announcement from Army of around 15000 Crores of ammunition production in project, so I guess, you just mentioned about this in the beginning, so if you can just throw some more light on what would be our engagement in terms of value terms and what all products you would be giving us, what would be your rough timelines for them?

Nilesh Panpaliya: They have given out of the seven types of ammunition items, we have participated three, but they have not mentioned that how much and which category and all. So, as and when we get that clarity, we will definitely inform our shareholders.

Keval Shah: Sir that would be all, and if you can just reply to my first question.

Nilesh Panpaliya: It is roughly around USD \$110 million.

Keval Shah: Thank you very much Sir. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Pratik Lambe from ARM Research. Please go ahead.

Pratik Lambe: Good morning Sir. My question was regarding our gross profit margins. It can be seen that GP margin for the Q4 FY2018 has declined by around 211 BPS to 42.4% and of course it may be around because of the increase in raw material cost, so could you please elaborate, like which of the materials have increased and going forward what can be the increase or do you expect the prices of the key material to remain stable?

Nilesh Panpaliya: As we just mentioned that the components which typically are the key raw material is ammonium nitrate where the prices have definitely gone up and you know what happened is whatever the correction is there, we get that after one quarter. So, likely if you see from the first quarter onwards there will be better realization which will be in line, so the realization will improve and that raw material line is that the raw material keeps on moving 1% or 2% up or down, but on an annualized basis there is an increase.

Pratik Lambe: It has doubled and also a word about the aluminium prices Sir?

Nilesh Panpaliya: That is moving up earlier. It had gone down last full year, but now from this last quarter we are seeing a marginal improvement.

Pratik Lambe: But does it effect your main products because I think the aluminium powder which goes into making the explosives would be a very minute part into making the explosives, so am I right Sir?

Nilesh Panpaliya: It is not a minute part, if you see ammonium nitrate is almost 70% of the total raw material consumed.

Pratik Lambe: Sir, not ammonium nitrate, I am talking about the aluminium powder.

Nilesh Panpaliya: Powder?

Pratik Lambe: Yes, that is because of the increase in the aluminium prices that would not have taken a much impact on the GP margins. That is what I was saying?

Nilesh Panpaliya: Because aluminium percentage in a total explosive cost is in significant and hence the impact is very minimal.

Pratik Lambe: Yes. Okay. That is all Sir. Thank you so much.

Moderator: Thank you. The next question is from Danish Mistry from Tata Mutual Fund. Please go ahead.

Danish Mistry: Good afternoon. Congratulations on a good set of numbers and thank you for taking my question. I actually had two questions; the first one is if I want to see and if you could just run us through as to what is happening on the CIL side because for the full year FY2018 if I were to see your presentation

release the bulk quantities were up about 2%, the rate was down 5% but CIL revenues for the year were down about 10%. So did we kind of reduce our quantities for CIL for FY2018 and how is it looking for FY2019?

Nilesh Panpaliya: Typically we have a two-year contract with Coal India and where we are going to make almost 35% of their requirement so this is no way we can reduce it and we definitely want to be to remain as a major suppliers to Coal India. Now what has happened is as I said that with the price escalation clause with Coal India the inbuilt prices are the prices of ammonium nitrate and diesel, labour index and all, but what happens is that once you have an increase or decrease it takes a quarter for CIL to give effect to those price range. Now as we mentioned that the price of ammonium nitrate are improving again, but it will take three months. We will have to wait. So this period is possible, but otherwise for the full year Coal India also like marginal increase of 2% growth in their production and similarly if you talk about that segment we are also having a 2% growth in our bulk division, but bearing that if you talk about cartridge and all which goes into infrastructure and all, we definitely have a good growth.

Danish Mistry: That is true. Sir basically when I say ammonium nitrate prices are improving, so what does that mean?

Nilesh Panpaliya: Always going up. The realization improvement you will see from this first quarter onwards.

Danish Mistry: And just one clarification, we are guiding for exports growth of about 30% going to 750 Crores but even if I were to see your exports in overseas division, this 722 Crores in FY2018, so what could be the breakdown of that then?

Nilesh Panpaliya: So, out of this almost around 577 Crores is from our overseas operations and the remaining is exports.

Danish Mistry: When we say 570 Crores from overseas it means?

Nilesh Panpaliya: When we say it is my combined figure is exports and overseas is how we classify, which is 722 and from this if we remove our overseas, so that means around 145 Crores of exports.

Danish Mistry: So when we said 750 for overseas, it is only overseas, it does not include exports?

Nilesh Panpaliya: It is only overseas. It does not include export components.

Danish Mistry: All right. Also housing and infra grew really well over a large base last year, so are we continuing to see this kind of growth?

Nilesh Panpaliya: Yes.

Danish Mistry: And in defence we spoke about 200 Crores of order booking, so is this from the new 175 Crores order or from the existing 225 Crores order?

Nilesh Panpaliya: Existing 255 Crores.

Danish Mistry: From that only we will get revenue booking of about 200 Crores.

Nilesh Panpaliya: 200 Crores.

Danish Mistry: Thank you very much Sir. Wish you the very best of luck. Thank you.

Moderator: Thank you. The next question is from Amit Saoji from AVP Saoji Associates. Please go ahead.

Amit Saoji: Good afternoon Sir. Thank you for taking my question. My question is can you just elaborate the export 145 Crores exports that you said?

Nilesh Panpaliya: So what you want on that? What are you looking into that?

Amit Saoji: Bifurcation in any new country or continent is added?

Nilesh Panpaliya: Like we said that our products are being consumed in 51 countries, which means that we are catering to those 51 countries from all the five key major manufacturing countries. So spread of that and bifurcation is not possible at this stage.

Amit Saoji: Any new country or new continents is added?

Nilesh Panpaliya: Last year we have mentioned that our products are consumed in almost 42 countries which has increased to now 51 countries.

Amit Saoji: On the Street, we just heard that any major order is coming from US?

Nilesh Panpaliya: Increase in this year we have entered into new territories especially Australia and United States. So these are the two prominent centres, which we have opened, in this financial year.

Amit Saoji: If you can mentioned down the line for the next one-year or two?

Nilesh Panpaliya: We do not work on the number of countries to be, we have to make presence as far as consumption is concerned, but like we said that our manufacturing base at the moment is in five countries and we are working on it to expand to 10 countries, so that roadmap we have given in our last year annual report as well. So we are sticking to that and we are confident that we will reach to 10 manufacturing centers across the globe.

Amit Saoji: If you can tell us the status regarding your hand granite order?

Nilesh Panpaliya: It is yet to restore. It is still in the development stage.

Amit Saoji: Hopefully we will get it within this year?

Nilesh Panpaliya: Yes we are quite hopeful, but since development takes time, so till we reach to the final qualification, it is not prudent to expect any numbers in this financial year.

Amit Saoji: Thanks a lot and best wishes for your future.

Moderator: Thank you. The next question is from Anubhav Rawat from Ventura Securities. Please go ahead.

Anubhav Rawat: Sir, I can see in your presentation that the total capex for this year is around 300 Crores so, where will you be deploying this, can you please let us know?

Nilesh Panpaliya: This 300 Crores will be deployed in this financial year and that will be for our industrial explosives and defence explosives.

Anubhav Rawat: Can you just let us know what is happening in Coal India? I mean, there are lot of strikes going on and mines being shut in Odisha? So will the revenue from CIL come down this year?

Nilesh Panpaliya: CIL's last year 2017-2018 the growth has been about 2% and I think they will continue to grow in Coal India and I expect this year the growth should be at least 6% because I think they are short of coal and they were forced to import extra coal last year. So, I do not think the Coal India will go down in the coal production this year.

Anubhav Rawat: Thank you.

Manish Nuwal: One of the other important factor as far as coal production is concerned that even if coal production will increase by say around 5% to 6% but overburden ratio will increase further and in the last year overburden production was very over, so this year definitely they would like to make it up in the next two years time to sustain their coal mining so we are expecting a good demand in the coming years.

Anubhav Rawat: Thank you.

Moderator: Thank you. The next question is from Zain Iqbal, who is an individual investor. Please go ahead.

Zain Iqbal: Thank you for the opportunity Sir. What is our guidance on EBITDA margin improvement year-on-year from the current 22.1%?

Nilesh Panpaliya: Like we have said that as defence business will grow up and as our overseas ventures like especially South Africa where we have invested in the last year it is yet to restore to the keep level, so we are expecting that from this year onwards, our investments in defence and South Africa will start contribution to our EBITDA margins and based on that we are expecting that the margin should go up, but giving any guidance on specific number on EBITDA margin is difficult at this stage, but like we said that we are working on enhancing the return on capital employed from before last year's of around 26% to around 30% so we are comfortably moving in that range towards that level.

Zain Iqbal: Right. Sir can you give me a breakup of the capex of 300 Crores for FY2019 across your verticals and how much have you allocated?

Nilesh Panpaliya: I can give you the broad bifurcation. Out of 300 Crores, we are expecting that almost 75 Crores we will spend for defence and rest all will be for the industrial explosives section.

Zain Iqbal: Sir, what will be the capex for FY2020?

Nilesh Panpaliya: That we have not yet finalised, but like we have mentioned that we are working on the RFPs and we will participate in those RFP and in this financial year we are expecting that we should reach to the final stage and if we receive the orders from those RFPs which are long-term in nature and once we got those things, definitely we have to put more capex in enhancing our existing

facilities so that more clarity can be given around September or October month.

Zain Iqbal: Sir, last question, what is the total capex that you have completed in financial year 2018? And what is the work-in-progress in defence as of today?

Nilesh Panpaliya: No, I could not get your point. Please repeat it.

Zain Iqbal: Sir, how much of the capex is completed by FY2018 when you started in FY2017, you allocated budget for the FY2018 plans?

Nilesh Panpaliya: Our current capital employed towards defence is around 400 Crores overall and this is the current status and this year like we said that we will spend another 75 Crores and based on RFPs which will get more clarity around September or October based on that we will further revise our capex for this year or next year.

Zain Iqbal: Thank you Sir.

Moderator: Thank you. Next question is from Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Thanks for taking my question. Just I wanted to have colour on the order book as far as the defence is concerned, so this 255 Crores order books, it has increased almost from 150 to 160 Crores last quarter, so where have we gained the incremental order and by what time would we get a sense on the ammunition orders for which we have participated, three out of the seven tenders, which happened recently and what can be potential value of them, if you can throw some light?

Nilesh Panpaliya: First point is that we were expecting RFPs, which has reached to this stage. We were expecting them to reach to this stage almost eight to nine months back, but there were some delays. So as of we participated, we have received the technique, now technical scrutiny has started and now it depends on the policy front that how fast they want to take, but things are looking positive and we are hopeful that by October we will get more clarity as far as RFP concerned and once the price bids are open, after our products are qualified, then it will give better for us to share the valuation or the value part what we are likely to get. Secondly, like you have when likely mentioned in the last quarter, the order book was around 160 Crores and now it has increased to 255 Crores. So the orders are coming from various segments especially from Pyro, Igniters, some portion is propellant side also and high energy material, so we have the basket is quite spread now as compared to two years three years back where we were working on only propellant side, now we are working on propellants, rocket integration and pyro and fuses and higher major materials.

Abhijit Mitra: Right and one question on the overseas operations, how much would have South Africa distributed as well as topline is concerned in FY2018 and do you see that spanning out over next two years?

Nilesh Panpaliya: The South Africa operations, we are expecting that in this 2018-2019 years, we should cross almost 20 million dollar.

Abhijit Mitra: 20 million dollars, okay great. That is all from my side. Thanks.

Moderator: Thank you. Next question is from Jitendra Gupta from Moneycontrol. Please go ahead.

Jitendra Gupta: Sir just wanted to know you said that now we have four plant in our overseas market, so what is the total capacity vis-à-vis if we compare the domestic capacity and overseas capacity, how would that look like?

Nilesh Panpaliya: Actually comparing capacities and capacity utilization in India and overseas market it will not be a comparing apple-to-apple, because both markets are different, the nature of the capital investments are different and the pattern of services which we have to give to our customer is also different, so it is not that relevant to compare capacities in India versus overseas.

Jitendra Gupta: Okay. But what is the utilization or some like that?

Nilesh Panpaliya: That we can share like we have mentioned in our last year's annual report that in India we are planning to expand capacities from 3 lakh tonne to 450000 similarly in our overseas market, like Zambia, Nigeria, Turkey and South Africa, we are already present in these four centers. Turkey, our capacities are running at almost 100% level and we are looking to expand the facility this year and next year. Similarly in South Africa, looking at the response, which we are getting from our customers in the initial phase, we are pretty confident that by September, October, we will again go for the expansion of the current facility. So that will take some time, but as far the overall situation is concerned, we are in Turkey, Zambia, we are running at good capacity utilization level and we are likely to invest further in all these four centers to ramp up the production for the coming year.

Jitendra Gupta: That is all from my side. Thank you.

Nilesh Panpaliya: Thank you.

Moderator: Thank you. Next question is from the Narendra Solanki from Anand Rathi. Please go ahead.

Narendra Solanki: Good morning. Thanks for taking my questions. Sir on this RFP for defense ammunition, could you name the three products for which we are participating out of seven?

Nilesh Panpaliya: Yes that we can name, because it is now open document, as it is available in the public domain as well. We have participated for bimodular charge systems, 122mm rocket and 30mm ammunition, HEI and HCT 30mm. So these are three items where we participated on our own and there are other items where we are working for the other industry beginnings.

Jitendra Gupta: Okay and Sir in this BMCS project, there is another Nalanda factory, which is already running, so could you outline this overall capacity – overall per unit pieces which have required by the Army plus could also detail what is the output of the Nalanda factory, because it is I guess between 1 lakh and 2 lakhs pieces per annum and again in this BMCS by seeing the realization of the Nalanda factory what would be our EBITDA if the price is same?

Nilesh Panpaliya: Though as far as the numbers, this Nalanda is producing, I

do not have right now, but we have participated for this strategic programme where Army wants to buy 1 lakh pieces every year for the next 10 years, so we are working only for considering this RFP and in going forward, if demand goes up definitely we can leverage on that section and as far as the EBITDA is concerned and pricing is concerned, it is yet to finalize, so once it is finalized definitely, we can give more light on these issues.

Jitendra Gupta: Okay Sir it is like from new reports also we have got like this 20000 per unit is fair enough price?

Nilesh Panpaliya: It will not be favor on my part to discuss on the price at this stage.

Jitendra Gupta: Okay. Fine. Thank you.

Moderator: Thank you. The next question is from Sabyasachi Mukherjee from IndiaNivesh Securities. Please go ahead.

Sabyasachi Mukherjee: Thanks for taking my question Sir. If you look at the full year and the consolidated standalone, we see a jump in the EBITDA margin in the consolidated numbers whereas there is a decline in EBITDA margin in the standalone, so it means that the subsidiaries have performed really well be it the domestic or the international subsidiary, so what would be the possible expansion of this if you can just highlight?

Nilesh Panpaliya: Yes, your observation is quite right that the EBITDA margins has gone little down in domestic market and we have been explaining on this front from last quarter itself, that in Coal India, the two years context started around September because of the lag in the ammonium nitrate price rise and the pass on of that factor in our finished good prices, is taking some time, so that will stabilize call, we can say that that is stabilized in the month of March, so going forward the EBITDA margins in domestic will also go up.

Sabyasachi Mukherjee: Okay and on the quarterly numbers if I look the same in the similar manner that in the consolidated and standalone are you see a significant jump in the raw material prices as far as consolidated number is concerned, but then the standalone entity if I just do a simple maths of raw material cost as the percentage of sales, my standalone percentage of sales that number is going down, so it indicates that the consolidated minus standalone number is quite high. So is there a different between the ammonium nitrate prices that we procure in the international geographies and in the domestic market?

Nilesh Panpaliya: Both in India and overseas markets, it does not work in a same manner like in Coal India it will be on quarterly basis in our housing and infrastructure it depends on demand supply and the prices moves on spot basis. As far as the overseas markets are concerned, there are some long-term contracts, there are some spot, say monthly contract, so prices keep moving up accordingly we also have to increase our prices, so if you look at last two years, three years, four years of our EBITDA margin analysis, so this can be lag of a quarter or few months between the prices rise and the finished good prices, but otherwise on annualized basis, we did not see that prices and the raw material

prices are by and large moving in tandem.

Sabyasachi Mukherjee: Okay Sir and can you just give us a cash flow for operations number for FY2018?

Nilesh Panpaliya: What you need?

Sabyasachi Mukherjee: Cash flow from operations for full year FY2018?

Nilesh Panpaliya: Full year FY2018.

Sabyasachi Mukherjee: Consolidated?

Nilesh Panpaliya: Consolidated?

Sabyasachi Mukherjee: Yes.

Nilesh Panpaliya: 272 Crores.

Sabyasachi Mukherjee: 272 Crores. Thank you Sir.

Moderator: Thank you. Next question is from Dhaval Dama from Equirus Securities. Please go ahead.

Dhaval Dama: Sir just wanted to ask you a couple of questions, what would be the revenue contribution in the international business from South Africa during the current year because out of 577 Crores how much would be South Africa?

Nilesh Panpaliya: 20 Crores.

Dhaval Dama: Sir in second thing like when you mention that previous year also we have been outlining that every year we would look to setup some manufacturing facility in the overseas location or try to explore new overseas location, now when you are putting in a capex of around 300 Crores, you are saying that only 75 Crores would be for defence and if I am not wrong, you said that roughly all the other amount would be going to the domestic market, so would that be a fair thing that this year we are not setting up any new manufacturing facility on the international side, we are not facing in to any new country?

Nilesh Panpaliya: What we meant was that out of 300, we will do for industrial explosives 225 and for defence it was 75. So when we said that for it is for industrial explosive, it comprises of both overseas as well as domestic, from that the total capex is around 225.

Dhaval Dama: Okay and Sir lastly like say in the presentation you have mentioned that around roughly 780 Crores of orders is left from Coal India to be executed, now like you mentioned that the tenders started from September so would it be a fair assumption that this 780 Crores should be booked by September of this thing FY2020?

Nilesh Panpaliya: It is a two-year contract and the total ammunition order book from Coal India, when the tender status was around 1050 Crores approximately, now for the remaining period from them is around 782.

Dhaval Dama: That is it from my side.

Moderator: Thank you. The next question is from the line of Santosh Roy from

India Nivesh Securities. Please go ahead.

Santosh Roy: Sir if you look into the difference between the consolidated and the standalone other expenses, excluding for the GST numbers, then there is a sharp fall in the FY2018 numbers and this has come in after when we are setup the South African plant, is there any what should be read into the sharp drop in the other expense numbers for FY2018?

Nilesh Panpaliya: Can you tell me the numbers, which you have of other expense?

Santosh Roy: Okay, if I reduce the difference between the two consolidated and standalone numbers for FY2017 I have a number of 132 Crores and for FY2018 I have a number of 72 Crores?

Nilesh Panpaliya: No, but standalone and consolidated, it is not the way to look at the domestic and overseas operation because we have one subsidiary by the name of Economic Explosive Limited, which is an Indian entity. So you cannot just minus consolidated from standalone and arrive at overseas number.

Manish Nuwal: Apart from this there is another factor that whenever we do exports to our own subsidiary, so we have to include the expenditure of those goods in our other expenditures, which is freight, ocean related or handling of the products, but that while we do the same analysis, we have to reduce and from our consolidated number, so that is why it is not prudent to compare domestic and overseas from that angle.

Santosh Roy: Sir, couple of more questions. For the defense contracts, the ammunition contracts, for these tenders where we are participated and who are the key competitors that we are seeing, one and how have we build the technologies in-house, please?

Nilesh Panpaliya: I will be in a position to give more details as far the competition, technology pricing after was the technical scoping is over and price bids are open.

Santosh Roy: Sir and one last question if I make, if I recall correctly we had announced that we are setting up a rocket integration plant and almost all the trials at all and we are waiting for the final approvals, right, so in the opening remarks, Sir was saying that this is be more of missile integration plant, catering to the BrahMos requirement also?

Nilesh Panpaliya: BrahMos is underground, which are coming up for the RFP.

Santosh Roy: Sir would it be a rocket integration plant only or it would be upgraded to missile integration plant also?

Nilesh Panpaliya: No, this facility has been developed to integrate rocket and missile as well.

Santosh Roy: Missile as well. Okay. That is it Sir. Thank you Sir.

Moderator: Thank you. Next question is from Payal Goenka from Ratnabali Investments. Please go ahead.

Payal Goenka: There was an article in the morning like the Army has finalized

a mega project of 15000 Crores under which a range of ammunition will be produced, so how will that impact your order flow Sir?

Nilesh Panpaliya: Like we have explained that these RFPs, which government recently started, so there are seven, 7 out of three have participated in three items, and exposure or the outcome of these RFPs, we can explain or once we know the final technical status and once prices bids are opened we will be in a position to share the potential out of these, but like we have been maintaining that we have a positive view on defence segment and like FY2020 we should cross 500 Crores mark revenue from defence segment, so we still maintain our view on that. So those views are based on these developments or these opportunities. With this remark, I think it should satisfy your question.

Payal Goenka: Yes Sir. Thank you Sir.

Moderator: Thank you. Next question is from Amit Shah from Motilal Oswal Securities. Please go ahead.

Amit Shah: Sir just wanted to understand on the overseas market, would it be possible for you to give a volume sales number for the overseas market?

Nilesh Panpaliya: Yes, I do have right now at this moment, but we can share at a later stage.

Amit Shah: Okay and Sir just wanted to understand how much would be the contribution or the growth contribution on account of the Rupee Naira exchange rate variation?

Nilesh Panpaliya: Naira will be pretty stable for last four years, so we will do not see any thing, neither it has depreciated otherwise we would have reported that.

Amit Shah: Okay. So it is more from the volume growth or the realization improvement that we have seen in the overseas?

Nilesh Panpaliya: This is from volume growth and realization improvement.

Amit Shah: Okay and Sir for the FY2018 when I look at the standalone numbers despite having a 15% to 16% growth Y-o-Y basis, our earnings have been naturally flat because of the pressure on the margin front, so how do you see the domestic performance on the earnings front for FY2019?

Nilesh Panpaliya: Definitely, as we mentioned that there is a good demand, increased demand from infrastructure, road construction sector, we are also expressing housing to do well and this fiscal year compared to last year and as mentioned that the mining activity from Coal India should also grow like this last year we see our growth of 2% and this year it should be as explained earlier around 6% we are expecting, so all these things should definitely lead to improve the revenue in this market.

Amit Shah: So can we expect a similar growth 15%-16% earnings growth in FY2019 because of the improvement in the realization from Coal India limited?

Nilesh Panpaliya: We have already given a guidance of more than 25% growth in our sales volumes, so the bottomline will also increase accordingly.

Amit Shah: Sure. That is it from my side Sir. Thanks a lot.

Nilesh Panpaliya: Thank you. That was the last question in the queue. I would now like to hand the conference back to Mr. Rohan Gupta for closing comments.

Rohan Gupta: Thanks. Sir, thank you very much we had a very interesting session with all queries I think answered to the investors. Sir just to closing remark that you have mentioned that roughly 225 Crores we will be investing in domestic as well as exports division right, can you just give a further breakup, how much was planning to use in domestic and overseas?

Nilesh Panpaliya: Around 75 Crores is for defence and overseas each and 150 crs domestic ; like wise 300

Rohan Gupta: For defence.

Nilesh Panpaliya: Yes.

Rohan Gupta: Okay and Sir any new locations you have identified to expand global export market?

Nilesh Panpaliya: Ghana, these are the two locations, so these are the places where we will be starting and there are many locations, which are into consideration, so as and when we finalize we will definitely inform.

Rohan Gupta: Sir with the defense attracting and another close to Rs.77-Rs.75 Crores this year, you have a total investment will go up to close to 475 Crores, do you think that there will be further investment requirement over next two to three years in defence or we are more or less that done with a 500 Crores to the sort of investment in defence that can cater our next three to five years growth?

Nilesh Panpaliya: Definitely the present whatever target we have given for 2020 was achievable within those previous capex limits. These will definitely give us further revenue growth and with a coming of this RFPs, definitely once we are allocated we will have to make further investment into defence.

Rohan Gupta: Okay. So our initial investment was close to when you mentioned that 300 Crores?

Nilesh Panpaliya: No, that was completion target for 2020, this additional was we are doing will give us further inflow of revenues from defence.

Rohan Gupta: With the 300 Crores investment we were targeting 500 Crores revenues from defence right?

Nilesh Panpaliya: Yes, around 600 Crores revenue from defence.

Rohan Gupta: Right this ratio is maintained with the further investment or with the higher investment now the revenue should be higher?

Nilesh Panpaliya: It is two times the investment.

Rohan Gupta: It is two time only, even on the further investment also it is to be, so roughly with the 500 Crores we are talking about now we have Rs.1000 Crores revenue potential.

Nilesh Panpaliya: Right.

Rohan Gupta: That is all from my side Sir. Thank you very much for giving us the opportunity for hosting this conference call. On behalf of Edelweiss, I also thank all the participants logged in for the conference call of Solar Industries. Thank you everyone Sir. Thanks a lot.

Nilesh Panpaliya: Thank you everyone for being there in this conference call and being with us. Thank you.

Moderator: Thank you very much. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.

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