

Premier Explosives Ltd (PRE)

Defence | February NBIE Group Investor Conference

Not Rated

CMP: Rs352 | Target Price (TP): NA | Upside: NA

February 19, 2025

Growth outlook positive

Key Points

- We recently hosted Mr. T.V. Chowdary - MD at Premier Explosives, at the NBIE Virtual Investor Conference to get an overview of the current business environment and the company's future plans.
- The management has guided that the order book for FY26 is projected to stand at Rs10bn of which 80% is from the margin-accretive defence segment. & Space Segment. Currently the order book stands at Rs7.3bn, of which Defence/Explosives/Services make up 81%/15%/4% of the total order book
- **Guidance and Outlook:** Revenue is expected to be between Rs5-5.5bn while EBITDA Margins around 15-20% in FY26. In 9MFY25 the company has already reported Rs3.4bn. It has the capacity to easily fulfil its FY26 revenue guidance.
- The hardware segment is experiencing a slowdown, which has resulted in reduced production for certain projects, including MRSAM. Meanwhile, the Pralay project is still in the development phase and is anticipated to receive an official order within the next 4-5 months.
- Logistics challenges previously faced by the company have now been partially resolved, largely due to the ceasefire in the Gaza conflict. The easing of geopolitical tensions has helped improve the supply chain and transportation dynamics, allowing for smoother movement of goods and materials.

Company overview: Premier Explosives Ltd (PEL) is engaged in the manufacturing of Industrial Explosives and Detonators for Mining & Infra industries and Defence & Space. It also undertakes operation and maintenance (O&M) services of solid propellant plants at the Sriharikota Centre of ISRO and Solid Fuel Complex at Jagdalpur under the umbrella of DRDO. The company has 7 Manufacturing facilities situated in the States of Telangana, Madhya Pradesh, Maharashtra, Tamil Nadu.

Market leadership: Premier Explosives is first Private Manufacturer and Supplier of Solid Propellants in India and the only domestic manufacturer and supplier to Indian Defence. The company is the first in India to manufacture explosives and detonating fuse with Indigenous technology and the first private company to manufacture solid propellants for missiles.

Opportunity landscape: The Indian government is significantly enhancing its focus on the "Make in India" initiative within the defence sector. Notable efforts include placing over 900 defence items under an import embargo to promote domestic manufacturing through the Atmanirbhar Bharat Programme. The Defence Ministry anticipates significant contract growth, projecting nearly Rs. 4 trn in opportunities for the domestic industry over the next 5-7 years. These initiatives are part of a broader strategy that includes the Defence Procurement Policy of 2016 aimed at increasing self-reliance in defence products, the introduction of an Open General Export License to boost defence exports, and strategic acquisitions such as the NASAMS II from the US to strengthen national defence capabilities. The company's marquee clientele, comprising Singareni Collieries Company Limited (SCCL), Bharat Dynamics Limited (BDL) and Indian Space Research Organisation (ISRO), with repeat orders from many customers provide favourable medium-term demand outlook with increased demand from end-users such as the mining, infrastructure and defence sectors. The Atmanirbhar Bharat Abhiyan of the Government of India (GoI), which is aimed at curtailing import dependence and increasing the sourcing of indigenous defence products, also presents large growth opportunities for the company.

Est Change

-

TP Change

-

Rating Change

-

Company Data and Valuation Summary

Reuters:	PRMR.BO
Bloomberg:	PRE IN Equity
Mkt Cap (Rsbn/US\$m):	19.0 / 218.6
52 Wk H / L (Rs):	909 / 264
ADTV-3M (mn) (Rs/US\$):	124.0 / 1.5
Stock performance (%) 1M/6M/1yr:	(24.0) / (38.3) / 20.0
Nifty 50 performance(%)1M/6M/1yr:	(1.1) / (5.3) / 3.4

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	41.3	41.3	41.3
DII's	9.4	8.4	8.2
FII's	0.6	0.4	0.4
Others	48.6	50.0	50.1
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY21	FY22	FY23	FY24
Net Sales	1,536	1,991	2,020	2,717
Growth YoY%	(6.6)	29.6	1.5	34.5
Gross margin %	52.1	51.2	57.0	59.3
EBITDA	63	209	259	585
EBITDA margin %	4.1	10.5	12.8	21.5
Adj PAT	(18)	53	69	284
Growth YoY%	NA	NA	30.3	310.5
Adj EPS	(2.0)	1.0	1.3	5.3
RoCE	0.0	3.4	4.5	12.0
RoE	(1.0)	2.8	3.6	13.7
RoIC	0.0	3.5	4.6	12.8
P/E	(1,106.7)	383.4	294.2	71.7
EV/EBITDA	329.2	100.3	81.2	35.2
P/BV	34.4	35.2	36.2	41.0

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links:

[3QFY25 Result](#)

Please refer to the disclaimer towards the end of the document.

Operational Update:

- As of 9MFY25, 85% of the revenue was generated by the Defence & Space Segment and the remaining 15% was generated from Industrial Explosives.
- The company has identified a land plot and submitted its proposal to the Andhra Pradesh government. This matter was previously discussed in the last council, and the company has provided a recent update.
- The hardware segment is experiencing a slowdown, which has resulted in reduced production for specific projects, including MRSAM. Meanwhile, the Pralay project is still in development and is anticipated to receive an official order within the next 4-5 months.
- Logistics challenges previously faced by the company have now been partially resolved, mainly due to the ceasefire in the Gaza conflict. The easing of geopolitical tensions has helped improve the supply chain and transportation dynamics, allowing for smoother movement of goods and materials.
- The company exports its products to Israel, Greece, Jordan, Turkey, etc.

Current Order book and guidance:

- The current order book as of December 2024 stands at Rs7.3bn. The breakdown of the order book between Defence/Explosives/Services stands at 81%/15%/4%, respectively.
- For FY26, the company's order book is expected to be approximately Rs. 10 billion, with defence orders accounting for around 80% of the total.
- The revenue guidance for the fiscal year is projected to be in the range of Rs. 5-5.5 bn. Additionally, EBITDA margins are estimated to be between 15-20%.

Others:

- There was a discussion on Missile shelf life, which stands at an average of 10-13 years, but with refurbishment, the life of a missile can be extended by another 10 years.

Favourable demand prospects with end-user industries demonstrating growth – The company meets the needs of industries such as mining, infrastructure, defence, and aerospace. Demand for the company's products will likely rise as the government's defence budget increases. Furthermore, the government's release of a negative list of imports to stimulate domestic procurement and allow the export of specified products presents the potential for the corporation in defence supplies. However, the tender-based bidding process and the lengthy approval process may result in lumpy income from this segment.

Exhibit 1: Defence & Space Business Segment

Manufacturing Products across various segments....				
Propellants	Pyros	Explosives	Counter-measures*	O&M Services
Pyrogen Igniters	Pyro Cartridges	CI – 20	Chaffs	For Solid Propellant plant of ISRO at SHAR for 10 years from Jan'19
Case-bonded Propellants	Pyro Actuators	Hns – Iv	Flares	
Free Standing Propellant Grains	Smoke / Flash Generators	HMX / RDX And Their Components		For Solid Propellant plant of Advance Systems Laboratory (ASL) at Solid Fuel Complex, Jagdalpur
Fuel Propellant Rich Grain	IR Generators	Bombs, Warheads Ammunition		
Gas Generators	Specialized Squibs	Mines		
Strap-on Motors For PSLV.		CI – 20		

*First Private Manufacturer and Supplier of Solid Propellants in India

*Only domestic manufacturer and supplier to Indian Defence

...for Defence & Space PSUs



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Commercial Explosives Segment

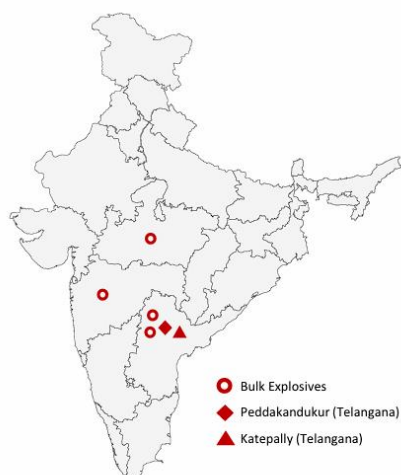
Manufacturing Diverse Range of Explosives....

...for Clients in Mining & Infrastructure Industries



Exhibit 3: Manufacturing Facilities

6 Manufacturing Facilities with High Focus on Safety










Bulk Explosives	Accessories & Defence Explosives
<ul style="list-style-type: none"> Singrauli (Madhya Pradesh) Chandrapur (Maharashtra) Godavarikhani (Telangana) Manuguru (Telangana) 	<ul style="list-style-type: none"> Peddakandukur (Telangana) Detonator, Detonating Fuse, Explosives Boosters, Pyro devices, Solid Propellants, PETN, Ammonium per Chlorate Katepally (Telangana) Solid propellants*, HMX/RDX**, Rocket Missiles, Ammunition, Mines, Warheads, Bombs and other ammunitions. 
	*Solid Propellants <ul style="list-style-type: none"> PSOM-XL (Solid Propellant) for satellite launch vehicles. Solid Propellants for Defence Applications (Tactical & Strategic)
	**HMX/RDX Meeting the in-house requirement and domestic market. Securing the orders for overseas markets.


Exhibit 4: Contribution to several Indian projects

Missile	Type	Stage	Client	End user	PEL's contribution
Akash	Tactical, Surface to Air	Production	Bharat Dynamics Limited (BDL)	Indian Air Force and Indian Army	Supplied 2500+ booster grains and 450+ sustainer grains
MRSAM	Tactical, Surface to Air	Production	DRDO / BDL	Indian Army	100% requirements of solid propellants
Agni	Ballistic	Production	Advanced Systems Laboratory	Strategic Forces Command	Pyrogen igniters and Daisy 2
Brahmos	Cruise, Air launched Anti-ship, Land attack	Production	Brahmos Aerospace	Indian Air Force, Indian Navy and Indian Army	Production & Integration of Rocket Motors
LRSAM	Tactical, Surface to Air	Production	DRDO / BDL	Indian Navy	100% requirements of solid propellants
Astra	Tactical, Air to Air	Production	DRDO / BDL	Indian Air Force	100% requirements of solid propellants

Exhibit 5: Research & Development



-  Collaboration with Gulbarga University, IIT Madras and BITS Pilani for research in high energy materials
-  **Certified Lab**
World's 1st producer of NHN based detonators on commercial scale much safer and greener than traditional ASA.
-  Developed Solid Propellants for various missiles including combustion-stable Propellants for LRSAM, MRSAM, ASTRA etc.
-  **NEW PRODUCT**
Laboratories have been certified by DSIR and accredited by NABL



We thrive to remain at the forefront of technology and product development

Exhibit 6: Company's Vision

Building Company with Vision - 2030

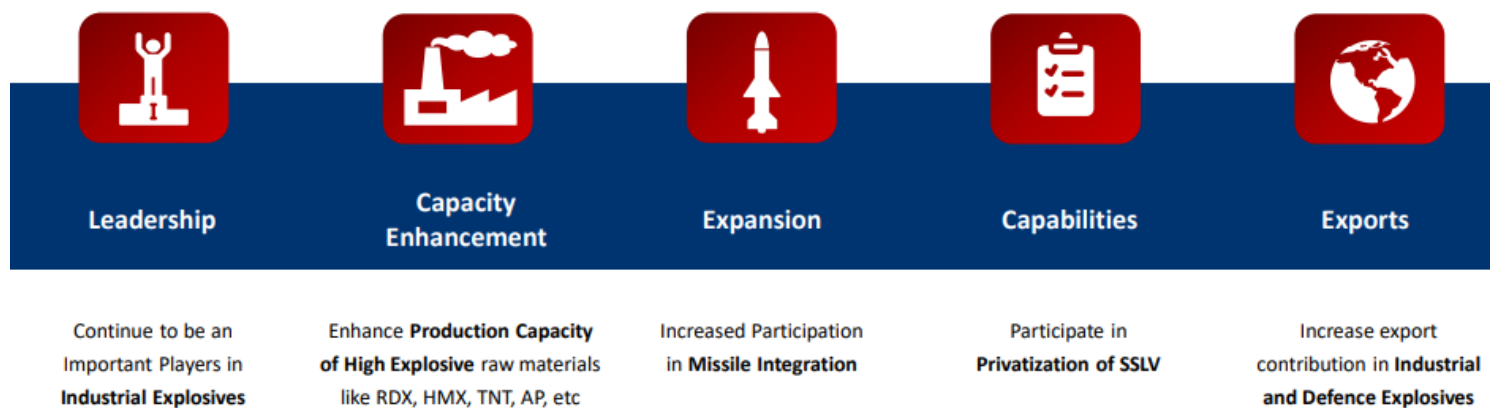


Exhibit 7: Products Offered

Enhancing Product Offering

for Indian Air Force

Chaffs & Flares

Air Target Imitators (for Air Defence & Indian Army)

Air-to-Air and Air-to-Surface Missiles

Refurbishment of Missiles

Canopy severance system

for Indian Army

Surface to Air Missiles

UAVs, Drones, Loitering Missiles

War-heads

Anti-Personnel and Anti-Drone Tank

Medium and large caliber Ammunition



Financial statement

Exhibit 8: Income statement

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Net Sales	1,645	1,536	1,991	2,020	2,717
Growth YoY%	(35.0)	(6.6)	29.6	1.5	34.5
Gross profit	794	800	1,019	1,151	1,610
Gross margin %	48.3	52.1	51.2	57.0	59.3
Staff costs	503	477	464	509	575
% of sales	30.6	31.0	23.3	25.2	21.2
Other expenses	344	261	345	382	450
% of sales	20.9	17.0	17.3	18.9	16.6
EBITDA	(52)	63	209	259	585
Growth YoY%	(122.4)	(220.9)	231.1	23.8	125.7
EBITDA margin %	(3.2)	4.1	10.5	12.8	21.5
Depreciation	53	63	95	98	115
EBIT	(105)	0	114	161	470
Interest	60	70	73	89	105
Other income	15	9	28	22	41
PBT (bei)	(150)	(61)	70	93	406
PBT	(150)	(151)	70	93	406
ETR	33%	28%	25%	25%	30%
PAT	(100)	(110)	52	70	284
Adj PAT	(99)	(18)	53	69	284
Growth YoY%	(187.4)	NA	NA	30.3	310.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Balance sheet

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Share capital	108	108	108	108	108
Reserves	1,857	1,740	1,787	1,840	2,094
Net worth	1,964	1,848	1,895	1,947	2,202
Long term debt	39	102	51	23	125
Short term debt	512	448	677	779	417
Total debt	551	550	728	801	542
Net debt	392	488	680	731	249
Other non-current liabilities	1	2	1	1	1
Total Equity & Liabilities	3,238	3,032	3,297	3,567	4,419
Gross block	1,564	2,307	2,328	2,501	2,723
Accumulated depreciation	405	467	524	608	721
Net Block	1,158	1,840	1,804	1,894	2,003
CWIP	617	18	37	18	31
Intangible and others	-	-	-	-	-
Other non-current assets	271	165	184	63	39
Investments	-	-	-	-	-
Trade receivables	478	458	716	537	727
Inventories	420	367	377	797	879
Cash & Cash Equivalents	159	62	48	70	292
Other current assets	135	122	132	188	449
Total current assets	1,192	1,009	1,272	1,592	2,347
Trade payables	189	169	212	158	156
Other current liabilities	219	259	248	484	1,269
Total current liabilities	920	876	1,136	1,420	1,841
Total Assets	3,238	3,032	3,297	3,567	4,419

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Cash flow

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
PBT	(150)	(151)	70	93	406
Depreciation	53	63	95	98	115
Interest	57	70	73	89	105
Other adjustments	52	30	11	4	29
Change in Working capital	(56)	92	(263)	(93)	142
Tax paid	(20)	(5)	(7)	20	(8)
Operating cash flow	(64)	99	(22)	211	790
Capex	(294)	(130)	(144)	(143)	(234)
Free cash flow	(358)	(30)	(166)	68	556
Other investing activities	150	90	36	(14)	(19)
Investing cash flow	(145)	(40)	(108)	(157)	(253)
Issuance of share capital	-	-	-	-	-
Movement of Debt	302	3	199	50	(215)
Dividend paid (incl DDT)	(35)	-	-	(16)	(18)
Other financing activities	(64)	(74)	(74)	(90)	(105)
Financing cash flow	203	(70)	126	(56)	(338)
Net change in cash flow	(5)	(11)	(4)	(1)	198
Opening C&CE	24	20	9	5	4
Closing C&CE	20	9	5	4	202

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Key ratios

Y/E March	FY20	FY21	FY22	FY23	FY24
Per share (Rs)					
Adj EPS	-1.8	-2.0	1.0	1.3	5.3
Book value	36.8	34.4	35.2	36.2	41.0
DPS	1.9	1.6	1.7	1.9	1.9
Valuation (x)					
P/Sales	12.4	13.2	10.2	10.1	7.5
EV/EBITDA	-396.3	329.2	100.3	81.2	35.2
P/E	-204.7	-1106.7	383.4	294.2	71.7
P/BV	36.8	34.4	35.2	36.2	41.0
Return ratios (%)					
RoCE	-3.0	0.0	3.4	4.5	12.0
RoCE (pre-tax)	-4.5	0.0	4.6	6.0	17.1
RoE	-4.9	-1.0	2.8	3.6	13.7
RoIC	-3.9	0.0	3.5	4.6	12.8
Profitability ratios (%)					
Gross margin	48.3	52.1	51.2	57.0	59.3
EBITDA margin	-3.2	4.1	10.5	12.8	21.5
PAT margin	-6.0	-1.2	2.7	3.4	10.4
Liquidity ratios (%)					
Current ratio	1.3	1.2	1.1	1.1	1.3
Quick ratio	0.8	0.7	0.8	0.6	0.8
Solvency ratio (%)					
Net Debt to Equity ratio	0.2	0.3	0.4	0.4	0.1
Turnover ratios					
Fixed asset turnover ratio (x)	1.4	0.7	0.9	0.8	1.0
Debtor days	125	111	108	113	85
Inventory days	84	94	68	106	113
Creditor days	50	43	35	33	21
Net Working capital days	160	162	141	186	176

Source: Company, Nirmal Bang Institutional Equities Research

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