

## QUARTER UPDATE

# PREMIER EXPLOSIVES LTD



BUY | CMP 257 | TARGET 335 | POTENTIAL UPSIDE 30%

28 JANUARY 2019

### Stock Data

M.Cap (₹ in cr)	276
Equity (₹ in cr)	10.75
52 wk H/L ₹	160/397
Face Value ₹	10
Div. Yield	1.18%
NSE Code	PREMEXPLN
BSE Code	526247

### LEAD RATIONALE

Premier over the years has carved a niche for itself in the Defense Segment and going forward this segment could be key beneficiary of products that are expected to enter into continuous production phase. Furthermore, company **expect large order execution in the Defense segment like Chaff and Flares from Indian Air Force as well as looking for the ATI orders and other orders from export market over next 2-3 months and relatively stable Ammonium Nitrate (AN) prices could boost earnings in next two years** . However, **lower order booking in the Defense Segment and adverse movement in AN prices could impact margins going forward.**

### Valuation Data

P/E	24.01
EV/EBITDA	11.30
P/BV	1.32
BV	194.75

### Order Book Build-up Offers Revenue Visibility

Defense explosives clocked a turnover of ₹27.06 crores in Q3 which is 45% higher on Y-O-Y basis mainly due to higher AKASH dispatches as well as RTRS motor supplies to TBRL. Regarding O&M, after completion of SHAR previous order in July 18, company have commenced the new order for January 2019. The new order is again for 10-years period. As of **1st January, 2019, order book stands at a total of ₹ 402 crores** comprising commercial explosives ₹ 159 crores and defense explosives is ₹ 53 crores and O&M projects of ₹ 190 crores. Looking ahead, **company expect orders for Chaffs ATI from Air Force, strap-on motor from ISRO and bulk explosives from NEYVELI.**

### Index Detail

Sensex	35656.70
Nifty	10661.55
Index	B / S&P BSE Small Cap

Further, company has bagged an order from **Satish Dhawan Space Centre, SHAR, Sriharikota**. The size of the order is ₹ 181 crore, is to be executed **between December 2018 to December 2028**. In addition, company also received an order from an **Israel company for Design, Development, Fabrication and Assembly of Rocket Motors** worth **USD 41,000** and is to be executed in **six months**. This is a trial order having potential for regular commercial supplies in due course of time.

## QUARTER UPDATE

# PREMIER EXPLOSIVES LTD



### Licenses Received Significant milestone for the company

Company have received license from Arms License Issuance Authority, **DIPP** for manufacture of propellants, ammonium perchlorate and HTPB at Routhusurmala village, Chittoor district, Andhra Pradesh. This license will help the company to manufacture and supply solid propellants to meet the requirements of ISRO-SHAR satellite launches. The license was granted to meet ISRO's future need of propellant motors, which will go up due to its new plan to increase its frequency to satellite launches. Earlier, company already had received arms license for manufacture of medium calibre ammunition (20mm to 57mm), large calibre ammunition (APFSDS and BMCS), sub-assemblies for ammunition, single base/double base/triple base / multi base propellants and RDX & HMX and compounds thereof at its **Greenfield Katepally plant. With the receipt of the licenses, new avenues would open up for the Company and benefit it in the long run.**

### Key Financials (₹ in crores)

Particulars	Q3 FY 19	Q3 FY 18	Variation %	Dec. 18	Dec. 17	Variation %
Revenue	69.36	67.49	2.77	182.34	177.23	2.88
EBITDA	10.99	4.42	148.64	20.41	15.64	30.50
PBT	8.54	2.42	252.89	13.46	9.35	43.96
PAT	5.69	1.60	255.63	8.91	6.27	42.11
EPS	5.29	1.49	255.63	8.29	5.83	42.11

On numbers front, company reported robust performance in Q3 FY19 with Revenue for Q3FY19 came in at ₹ 69.36 crore as against ₹ 67.49 crore in Q3 FY18, registering growth of 2.77 % while EBITDA grew by 148% & PAT grew extremely well at 255% on Y-O-Y basis, thereby EPS improved to ₹ 5.29 as against ₹ 1.49 per share in Q3FY18. EBITDA margins for the quarter grew to 15.84% from 6.55% and PAT margins at 8.20% as against 2.37% in previous year.

### Outlook and Valuation

Receiving orders for export of detonating fuse and other accessories coupled with orders for explosives from coal companies which have been higher than previously executed amounts, would enhance the revenue & profits. **Robust accruals along with focus on backward integration and strong order book improve the revenue visibility making PEL an inexpensive BUY. We value PREMIER considering estimated P/E at 28x for FY20E for the price target at ₹335.**

## Disclosures :

### Business Activity :

Rudra Shares & Stock Brokers Limited is engaged in the business of providing broking services & distribution of various financial products. RUDRA is also registered as a Research Analyst under SEBI(Research Analyst) Regulations, 2014. SEBI Reg. No. INH100002524.

### Disciplinary History :

There has been no instance of any Disciplinary action, penalty etc. levied/passed by any regulation/administrative agencies against RUDRA and its Directors. Pursuant to SEBI inspection of books and records of Rudra, as a Stock Broker, SEBI has not issued any Administrative warning to Rudra.

### Terms & Conditions of issuance of Research Report:

The Research report is issued to the registered clients. The Research Report is based on the facts, figures and information that are considered true, correct and reliable. The information is obtained from publicly available media or other sources believed to be reliable. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation to buy or sell or subscribe for securities or other financial instruments for clients.

### Disclosures with regard to ownership and material conflicts of interest :

Rudra or its research analysts, or his/her relative or associate has any direct or Indirect financial interest in the subject company.	NO
Rudra or its research analysts, or his/her relative or associate has any other material conflict of interest at time of publication of the research report.	NO
Rudra or its research analysts, or his/her relative or associates have actual ownership of one per cent or more securities of the subject company.	NO

### Disclosures with regard to receipt of compensation :

Rudra or its associates have received any compensation from the subject company in the past twelve months.	NO
Rudra or its associates have managed or co-managed public offering of securities for the subject in the past twelve months.	NO
Rudra or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report .	NO

## QUARTER UPDATE

# PREMIER EXPLOSIVES LTD



### Other Disclosures:

The research analyst has served as an officer,director,employee of the subject company.	NO
Rudra or its research analyst has been engaged in market making activity for the subject company.	NO
Rudra or its or associates have received any compensation from the subject company in the past twelve months.	NO

### Disclaimers:

This Research Report (hereinafter called report) has been prepared and presented by RUDRA SHARES & STOCK BROKERS LIMITED, which does not constitute any offer or advice to sell or does solicitation to buy any securities. The information presented in this report, are for the intended recipients only. Further, the intended recipients are advised to exercise restraint in placing any dependence on this report, as the sender, Rudra Shares & Stock Brokers Limited, neither guarantees the accuracy of any information contained herein nor assumes any responsibility in relation to losses arising from the errors of fact, opinion or the dependence placed on the same.

Despite the information in this document has been previewed on the basis of publicly available information, internal data , personal views of the research analyst(s)and other reliable sources, believed to be true, we do not represent it as accurate, complete or exhaustive. It should not be relied on as such, as this document is for general guidance only. Besides this, the research analyst(s) are bound by stringent internal regulations and legal and statutory requirements of the Securities and Exchange Board of India( SEBI) and the analysts' compensation was, is, or will be not directly or indirectly related with the other companies and/or entities of Rudra Shares & Stock Brokers Ltd and have no bearing whatsoever on any recommendation, that they have given in the research report. Rudra Shares & Stock Brokers Ltd or any of its affiliates/group companies shall not be in any way responsible for any such loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Rudra Shares & Stock Brokers Ltd has not independently verified all the information, which has been obtained by the company for analysis purpose, from publicly available media or other sources believed to be reliable. Accordingly, we neither testify nor make any representation or warranty, express or implied, of the accuracy, contents or data contained within this document. Rudra Share & Stock Brokers Ltd and its affiliates are engaged in investment advisory, stock broking, retail & HNI and other financial services. Details of affiliates are available on our website i.e. [www.rudrashares.com](http://www.rudrashares.com).

We hereby declare, that the information herein may change any time due to the volatile market conditions, therefore, it is advised to use own discretion and judgment while entering into any transactions, whatsoever.

Individuals employed as research analyst by Rudra Shares & Stock Brokers Ltd or their associates are not allowed to deal or trade in securities, within thirty days before and five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, we and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or profits.