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Growth set to pick-up led by strong industry tailwinds...

About the stock: Premier Explosives (PEL) specializes in producing high-energy materials, including bulk and packaged explosives and initiating systems for mining, infrastructure & construction. Company also manufactures missile and rocket propellants, strap-on motors for satellite launches, and various defence products like chaff, infrared flares, explosive bolts, and tear gas grenades.

- Orderbook at Rs 1297 crore as of Q2FY26 with defence contribution 90%

Q2FY26 Result: Overall operational performance was impacted during the quarter due to weak execution. Revenue declined by 20.1% YoY (-46.8% QoQ) at Rs 75.6 crore in Q2FY26 on account of subdued execution. EBITDA margin stood at 8.6% (v/s 17.6% YoY, 14.7% QoQ) on account of negative operating leverage. Subsequently, EBITDA decreased to Rs 6.5 crore (-61% YoY, -69% QoQ). However, PAT stood at Rs 17.8 crore, an increase of 111.2% YoY, on account of substantial increase in other income

Investment Rationale

- Expanding capacities across defence segment with focus on increasing better-margin products** PEL is a leading Indian manufacturer in explosives and defence with six plants across the country. Four units in MP, Maharashtra, and Telangana produce bulk explosives for mining and infrastructure, while two advanced Telangana facilities make defence and space products like detonators, fuses, solid propellants, HMX/RDX, warheads, and rocket ammunition. This gives PEL rare, fully integrated capabilities. PEL is initiating a capital expenditure program to strengthen its defence and energetic materials portfolio. The Katepally facility, which focuses on RDX, HMX, and rocket integration, is set to increase production. A greenfield plant in Odisha is planned in three phases, (~Rs. 800 crores over ten years). Phase I, which includes production of ammunition, warheads, and HTPB raw materials, will require ~Rs 100 crore. To finance these initiatives, PEL aims to raise ~Rs. 300 crores through a Qualified Institutional Placement (QIP) or preferential issue (~Rs. 200 crores, allocated for capex & loan repayment)
- Strong order backlog with healthy order inflows:** Though Q2FY26 revenue is down 20% YoY (on account of weak execution), the revenue is up 23% YoY during H1FY26. Going forward, management has guided Rs. 500- 600 crore revenue for FY26E (which implies ~35+% YoY growth in H2FY26). With strong manufacturing facilities and increasing capabilities we believe that India's defence spending and faster procurement will drive stronger order inflows. As of now, the order book stands at ₹1400+ crore (2.2x TTM revenue), with 90% from defence. YTD FY26 orders (₹1200+ crore) already exceed FY20-23 levels and with a two-year execution cycle, visibility is strong.

Rating and Target Price

- PEL is well positioned to witness strong growth in the coming years, led by robust industry tailwinds with focus on better-margin segments. We estimate revenue CAGR of ~27% over FY25-28E while EBITDA & PAT CAGR of ~40% & ~54% respectively over the same period. We maintain BUY on the stock with a target price at ₹ 815 (valued at 42x P/E on FY28E)

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	199.1	202.0	271.7	417.5	28.0	569.1	694.3	847.0	26.6
EBITDA	20.9	25.9	58.5	58.0	40.4	93.1	125.6	160.0	40.3
EBITDA margin (%)	10.5	12.8	21.5	13.9		16.4	18.1	18.9	
Net Profit	5.2	7.0	28.4	28.7	76.5	69.2	85.9	104.5	53.8
EPS (₹)	4.9	6.5	26.4	5.3		12.9	16.0	19.4	
P/E (x)	123.1	92.1	22.6	111.9		46.5	37.4	30.8	
EV/EBITDA (x)	34.2	27.7	11.5	10.0		8.1	6.3	5.2	
RoCE (%)	5.3	6.6	18.2	17.0		23.1	23.9	23.3	
RoE (%)	2.8	3.6	12.9	11.7		22.4	22.2	21.7	

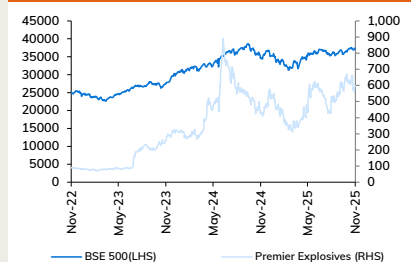
Source: Company, ICICI Direct Research

**Particulars**

Particulars (Rs Crore)	Amount
Market Capitalization	3,215
Total Debt (FY25)	40.6
Cash and Inv (FY25)	101
EV (FY25)	3,154
52 week H/L	680/ 309
Equity capital	10.8
Face value (Rs)	2.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	41.3	41.3	41.3	41.3
FII	0.4	0.7	0.7	1.1
DII	8.2	8.0	7.7	9.1
Others	50.1	49.9	50.3	48.6

Price Chart**Key risks**

- Availability of key raw materials
- Dependent on govt. contracts
- High dependence on limited customers

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Q2 and H1FY26 Result Summary

- Revenue declined by 20.1% YoY (-46.8% QoQ) at Rs 75.6 crore in Q2FY26 on account of subdued execution.
- EBITDA margin stood at 8.6% (v/s 17.6% YoY, 14.7% QoQ) on account of negative operating leverage.
- Subsequently, EBITDA decreased to Rs 6.5 crore (-61% YoY, -69% QoQ). However, PAT stood at Rs 17.8 crore, an increase of 111.2% YoY, on account of substantial increase in other income.
- For H1FY26, revenue is up 22.7% YoY at Rs. 217.7 crore with EBITDA margin standing at 12.6% (vs 18.1% in H1FY25) and PAT at Rs 33.2 crore (+110.5% YoY)

Q2FY26 Earnings call highlights

- Consolidated order backlog stands at ₹ 1297 crore as of Sep-25 end which includes major orders from defence segment (90%), followed by explosives (6%) and services (4%)
- Defence contributes ~84% of the quarterly revenue, while the rest is contributed by commercial explosives
- Company has guided its revenue at ~₹ 500-600 crore for FY26E with EBITDA margin at 15-20%
- The current order book would see execution over the next two years as maximum orders are of 12 months duration
- During the quarter, the management has signed a Memorandum of Understanding (MoU) with Government of Andhra Pradesh wherein the company has proposed to make an investment of about Rs. 500 crores for setting up an establishment for manufacture of Defence and Aerospace products. The land acquisition is in process and overall capex will be done in 3 phases (over a period of 6-7 years)
- Regarding the capex in Odisha, the land has been identified but yet to be allotted by govt. The total capex of Rs 800 crore will be incurred in 3 phases (over a period of 8 years)
- Total capex planned for FY26E is Rs 50 crore, majority of which will be incurred towards the ongoing capacity expansion at Telangana for RDX & HMX
- The company is focused on new products including warheads & mines
- Regarding the 40 mm grenade ammunitions, RFP is expected in the coming period followed by placement of contracts

Exhibit 1: Q2 and H1FY26 result snapshot (₹ crore)

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments	H1FY26	H1FY25	YoY (%)
Revenue from operations	75.6	94.6	-20.1	142.1	-46.8	Revenue declined on account of subdued execution	217.7	177.5	22.7
Other income	23.1	1.1		5.9			29.0	2.2	
Total Revenue	98.6	95.7		148.0			246.7	179.7	
Raw materials costs	36.6	50.5		94.4			131.0	84.7	
Employees Expenses	17.7	15.4		17.6			35.3	30.5	
Other Expenses	14.7	11.8		9.2			23.8	29.9	
Total Expenditure	69.1	78.0		121.3		EBITDA margin contracted on account of negative operating leverage	190.4	145.3	
EBITDA	6.5	16.6	-61.0	20.9	-68.9		27.4	32.1	-14.8
EBITDA margins (%)	8.6	17.6	-899 bps	14.7	-610 bps		12.6	18.1	-553 bps
Interest	0.7	2.5		1.0			1.8	5.7	
Depreciation	2.9	2.9		2.9			5.8	5.7	
Tax	6.9	3.9		3.5			10.4	7.2	
PAT	17.8	8.4	111.2	15.4	15.9		33.2	15.8	110.5

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	271.7	417.5	569.1	694.3	847.0
% Growth	34.5	53.6	36.3	22.0	22.0
Other income	4.1	2.1	23.6	24.7	26.0
Total Revenue	271.7	417.5	569.1	694.3	847.0
% Growth	34.5	53.6	36.3	22.0	22.0
Total Raw Material Costs	110.7	238.9	330.1	395.7	482.8
Employee Expenses	57.5	61.9	74.3	89.2	107.0
other expenses	44.9	58.2	71.6	83.8	97.2
Total Operating Expenditure	213.2	359.5	476.0	568.7	687.0
Operating Profit (EBITDA)	58.5	58.0	93.1	125.6	160.0
% Growth	125.7	(0.9)	60.6	34.9	27.4
Interest	10.5	10.8	7.5	16.1	20.6
PBDT	52.1	49.3	109.1	134.2	165.4
Depreciation	11.5	11.5	13.1	14.9	20.3
PBT before Exceptional Items	40.6	37.8	96.1	119.3	145.1
Total Tax	12.2	9.1	26.9	33.4	40.6
PAT	28.4	28.7	69.2	85.9	104.5
% Growth	308.1	1.1	140.7	24.2	21.6
EPS	26.4	5.3	12.9	16.0	19.4

Source: Company, ICICI Direct Research

Exhibit 3: Cash Flow Statement

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	28	29	69	86	104
Depreciation	12	11	13	15	20
Interest	11	11	8	16	21
Cash Flow before WC change	50	51	90	117	145
Changes in inventory	(8)	(66)	(34)	(37)	(42)
Changes in debtors	(19)	35	(118)	(34)	(19)
Changes in loans & Advances	-	-	-	-	-
Changes in other CA	(26)	18	(10)	(8)	(10)
Net Increase in Current Asset	(53)	(13)	(161)	(80)	(71)
Changes in creditors	(0)	101	(62)	2	36
Changes in provisions	0	0	(1)	0	1
Net Inc in Current Liabilities	74	81	(57)	25	64
Net CF from Operating activit	71	119	(128)	63	139
Changes in deferred tax asse	-	-	-	-	-
(Purchase)/Sale of Fixed Asse	(24)	(10)	(25)	(80)	(150)
Net CF from Investing activiti	(14)	(12)	(25)	(80)	(150)
Dividend and Dividend Tax	(2)	(3)	(6)	(8)	(10)
Net CF from Financing Activit	(35)	(35)	86	12	20
Net Cash flow	22	72	(67)	(5)	9
Opening Cash/Cash Equivalen	7	29	101	34	29
Closing Cash/ Cash Equivalen	29	101	34	29	38

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	10.8	10.8	10.8	10.8	10.8
Reserve and Surplus	209	235	298	376	470
Total Shareholders funds	220	246	309	386	481
Total Debt	61	41	141	181	231
Total Liabilities	307	312	475	593	738
Gross Block	238	259	288	328	448
Acc: Depreciation	67	78	91	106	126
Net Block	193	192	197	222	322
Capital WIP	3	3	10	50	80
Total Fixed Assets	203	202	214	283	413
Non Current Assets	4	6	6	6	6
Inventory	88	153	187	224	267
Debtors	73	38	156	190	209
Other Current Assets	45	27	36	44	54
Cash	29	101	34	29	38
Total Current Assets	235	319	413	488	567
Current Liabilities	16	117	55	57	93
Provisions	10	11	11	11	11
Total Current Liabilities	135	216	159	185	249
Net Current Assets	100	103	254	303	318
Total Assets	307	312	475	593	738

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
EPS	26.4	5.3	12.9	16.0	19.4
Cash per Share	27.2	18.8	6.4	5.4	7.0
BV	204.8	45.7	57.4	71.9	89.5
Dividend per share	1.7	0.5	1.2	1.5	1.8
Dividend payout ratio	6%	9%	9%	9%	9%
EBITDA Margin	21.5	13.9	16.4	18.1	18.9
PAT Margin	10.5	6.9	12.2	12.4	12.3
RoE	12.9	11.7	22.4	22.2	21.7
RoCE	18.2	17.0	23.1	23.9	23.3
RoIC	18.6	25.1	19.3	20.6	20.7
EV / EBITDA	11.5	10.0	8.1	6.3	5.2
P/E	22.6	111.9	46.5	37.4	30.8
EV / Net Sales	2.5	1.4	1.3	1.1	1.0
Sales / Equity	1.2	1.7	1.8	1.8	1.8
Market Cap / Sales	2.4	1.5	1.1	0.9	0.8
Price to Book Value	2.9	13.1	10.4	8.3	6.7
Asset turnover	1.0	1.5	1.3	1.2	1.2
Debtors Turnover Ratio	4.3	7.5	5.9	4.0	4.2
Creditors Turnover Ratio	17.3	6.3	6.7	12.4	11.3
Debt / Equity	0.3	0.2	0.5	0.5	0.5
Current Ratio	6.8	1.6	6.8	7.9	5.6
Quick Ratio	3.9	0.5	3.5	4.0	2.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicquality@icicidirect.com Contact Number: 18601231122

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