



**Jayanta Bhattacharya**

*Hony. Chief Editor*

## Lead Feature Article

# Rise, Rise and Rise for the Solar Industries: What Legacy SAMC and MOGI Companies can Learn from it - Part 1

**SAMC: Stand Alone Mining**

**MOGI: Mineral Oil Gas Integrated**

## How it all Started

To many, like me, the company “Solar Explosives Limited” rings a bell of a low cost mass mining explosive manufacturer. I am happy that I have been proved wrong. The company was incorporated in the year 1995 by Mr. Satyanarayan Nuwal, Nandlal Nuwal and Kailashchandra Nuwal. The journey of “Solar” Group actually started in the year 1984 when a proprietary firm Solar Explosives was formed by Mr. Satyanarayan Nuwal for trading in explosives. In this year one of the then largest Indian Explosive manufacturing company awarded its first consignment agency to Solar Explosives. In the year 1985 Economic Explosives another proprietary firm was formed at Sholapur for trading of Explosives and Accessories made by the companies. During the year 1991, they became one of the largest dealers of detonators and Explosives manufactured by other reputed companies. By the year 1996, Solar established an effective trade network as well as Institutional market. In the year 1997 the promoters started manufacturing Detonators under Economic Explosives Limited. Also in 1997 the promoters started manufacturing non explosive component required for manufacturing detonators under Solar Components Private Limited. In the year 2000 the promoters under Solar Capitals Limited started manufacturing of Bulk Explosives. In September 2005, Solar Explosives Limited acquired all the shares from the promoters of Economic Explosives Limited, Solar Capitals Limited and Solar Component Limited by swapping their holding with the shares of Solar Explosives Limited to make the three companies its wholly owned subsidiary.

## A Chronology of Events (Courtesy: <https://www.goodreturns.in/company/solar-industries-india/history.html> )

1. 1996: Solar Explosives Limited started production with License capacity of 6000MT.

2. 1997: Incorporation and Commencement of Solar Component Private Limited. 1998: Economic Explosives Limited started production with License capacity of 30 million Detonators.
3. 2000: Started Bulk Plant of Solar Capitals Limited in Waidhan with capacity 6000MT.
4. 2001: Imported first Cartridge Pack Machine from USA for cartridge Explosives. Started Bulk Plant of Solar Capitals Limited in Chandrapur with capacity of 7750MT.
5. 2004: Imported the first of its kind high efficiency Cartridge Pack Machine Introduction of PETN in Solar Explosives Limited. Introduction of Cast Boosters in Solar Explosives Limited. Executed the first export order of Solar Explosives Limited.
6. 2005: Started Production at Solar Capitals Limited Korba with license of 6000MT. Product of Solar Explosive Limited well accepted in the Export market and executed order worth 10 times of the last year's order.
7. 2009: Company name has been changed from Solar Explosives Ltd to Solar Industries India Ltd.
8. 2010: Solar Industries India has recommended 35% Final Dividend.
9. 2011: Solar Industries has approved the Final Dividend of 40% 2012 -Solar Industries has recommended the Final Dividend of 50%.
10. 2012: Solar Industries set up manufacturing units at Zambia, Nigeria and Turkey. In the year gross income grew 42.45% from Rs.72,426.26 lacs to Rs.1,03,169.44 lacs, EBDITA surged 31.56% from Rs.14,797.95 lacs to Rs.19,468.09 lacs, net profit strengthened 33.87% from Rs.75.59 crores to Rs.101.20 crores.
11. 2013: The Company has recommended the Final Dividend of 60% i.e. Rs. 6 per share on equity share of Rs. 10 each.
12. 2014: The Company has recommended a Final Dividend of Rs. 7 per equity share. 2015: Solar products and services have successfully captured the needs and expectations of its valuable customers in India and abroad.
13. 2016: The Company has bagged an order from Singareni Collieries Company Limited (SCCL) for the supply of 163911.20 million ton of Explosives worth Rs. 443.44 crore for the financial year 2016-17 and 2017-18. The company set up facilities to manufacture Warhead Filling, Pyros Ignitors, Propellants for Pinaka Mark-II.
14. 2017: Solar Industries India bagged a Rs 1,143-crore contract from Coal India for supply of bulk explosives.
15. 2018: Solar Industries India Ltd partners Eurenco for major artillery tender. EURENCO is the European leader in energetic materials. EURENCO is ready to collaborate with Solar Industries for the supply of Propellants, Bombs, Ammunition filling and Modular Charges technologies under the Make in India policy for the private sector. Solar Industries is willing to build dedicated infrastructure facilities with the technical assistance of EURENCO on its explosive and propellant facilities in Nagpur, India. The new facility would include Propellant Plants, one of the key components of Modular Charges, Bombs and Ammunition filling capabilities.
16. 2019-20: Company set up a step-down subsidiary Company in Ivory Coast (through Solar Overseas Singapore Pte Ltd) named Solar Mining Services Cote d'Ivoire which was incorporated on November 04, 2019.
17. 2020-21: Solar Avionics Limited, wholly owned subsidiary of the Company was incorporated on November 16, 2020. In Burkina Faso (through Solar Industries Africa Limited) named Solar Mining Services Burkina Faso SARL was incorporated on April 6, 2021. In Albania (through Solar Overseas Singapore Pte Limited) named Solar Mining Services Albania was incorporated on April 22, 2021.
18. 2022: As of September 30, 2022, SII's order book was Rs 4,008 crore, up from Rs 2,982 crore as of March 31, 2022. SII's operating margin was 18.9% in fiscal 2022, and is projected to be 18-20% over the medium term. SII's liquidity is expected to remain strong, with cash accrual of over Rs 500 crore per year against annual capital expenditure (capex) of Rs 350-400 crore.
19. 2023: Revenue of the group grew by 75% to Rs 6,930 crore in fiscal 2023. This was driven by realisation growth (domestic realisations stood at Rs 70,360/tonne in the fiscal 2023 compared to Rs 50,417/tonne in the fiscal 2022) owing to increasing raw material prices, primarily ammonium nitrate and healthy volume growth of 13%. Increasing sales from Coal India Ltd (CIL; 'CRISIL AAA/Stable/CRISIL A1+') and a growing portfolio of products catering to defence and infrastructure segments, combined with the rising international presence led to growth in fiscal 2023. Order book stand at Rs 2,944 crore as on March 31, 2023, from Rs 2,982 crore as on March 31, 2022. In terms of

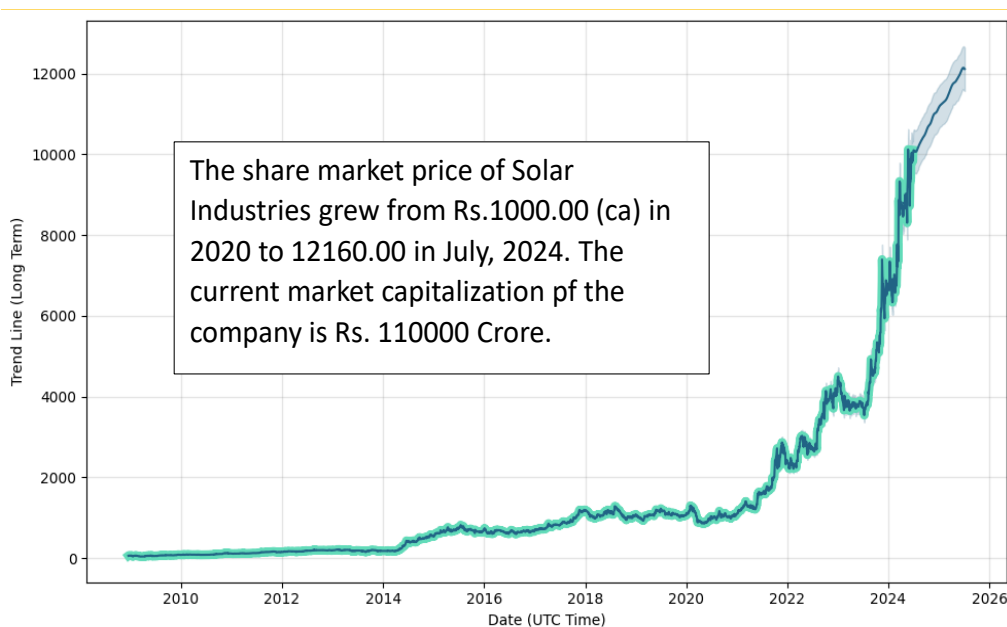
operating profitability, the group is able to pass on rising input costs to customers. The operating margin was 20.0% in fiscal 2023 and is projected at similar range of 18-21% over the medium term.

20. 2024: In the fiscal year 2024, Solar Industries' defense segment achieved a milestone with annual revenue exceeding Rs 500 crore for the first time, and the defense order book standing at Rs 2,600 crore. The company projects a threefold increase in defense revenue for FY25. Total Operating Revenues stands at Rs. 3,717.52 by March 2024.

## The Stock Performance

The Figure.1 shows the historical movement of the share price of the Solar Industries, largely aided by the following:

1. Consolidation of the business with high value customer accrual.
2. Diversification of the business: from mass mine explosives to blasting accessories to ammunition.
3. Alignment with multiple foreign partners.
4. Sourcing cheap investments from various countries.
5. Understanding the pain points of the Indian economy: Indian defense imports were rising leading to currency issues.
6. Early mover advantage in to the defense sector (Table 1). Ministry of Defense has set a target of achieving a turnover of \$26 Bn in aerospace and defense manufacturing by 2025, which includes \$5 Bn exports. Till Apr 2023, a total of 606 Industrial Licenses have been issued to 369 companies operating in Defense Sector.



**Figure 1.** Defense Acquisition Procedure (DAP 2020) of India.

DAP 2020 aims to empower Indian domestic industry through Make in India initiative and it has Laid down a strict order of preference for procurements. And has adequately included provisions to encourage FDI to establish manufacturing hubs both for import substitution and exports while protecting interests of Indian domestic industry. Salient features of DAP 2020:

- I. Reservation in Categories for Indian Vendors.
- II. Enhancement of Indigenous Content.
- III. Rationalisation of Trial and Testing Procedures.
- IV. Make & Innovation.

V. Design & Development.

VI. Industry Friendly Commercial Terms.

VII. Offsets.

## Strategic Partnership Model

---

The Indian Defence Acquisition Council (DAC) approved the broad contours of the Strategic Partnership Model (SPM) in its meeting held on May 20, 2017, under the chairmanship of the defence minister. The policy is intended to engage the Indian private sector in the manufacture of hi-tech defence equipment in India. It is an establishment of long-term strategic partnerships with qualified Indian industry majors through a transparent and competitive process. The Indian industry to partner with global OEMs (original equipment manufacturer) for big-ticket military contracts seeking technology transfers and manufacturing know-how to set up domestic manufacturing infrastructure and supply chain. In the initial phase, strategic partners will be selected in the following segments: (3a) Fighter Aircraft. (3b) Helicopters. (3c) Submarines. 3d) Armoured fighting vehicles (AFV)/Main Battle Tanks (MBT).

**To be Continued in Part-2**