



## GOCL Corporation Limited

### Corporate Office

IDL Road, Kukatpally,  
Hyderabad 500072, Telangana, India.  
T : +91 (40) 23810671-9  
F : +91 (40) 23813860, 23700747  
E : info@gocllcorp.com  
W: http://www.gocllcorp.com  
CIN: L24292TG1961PLC000876

12<sup>th</sup> June, 2018

### **BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai- 400 001  
Fax: 022-  
22723121/2027/2041/2061/3719

**Through: BSE Listing Center**

### **National Stock Exchange of India Limited**

Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex  
Bandra (E), Mumbai- 400 051.  
Fax: 022-2659 8237/38, 2659 8347/48

**Through: NEPS**

Dear Sir/Madam,

**Transcription of Conference Call dated 06.06.2018**

**Ref : BSE Scrip code-506480, NSE Scrip symbol- GOCLCORP**

Further to our letter dated 01.06.2018, please find attached transcription of the Conference Call dated 06.06.2018.

Thanking You.

Yours Faithfully,  
**For GOCL Corporation Limited**

  
A Satyanarayana  
**Company Secretary**



# “GOCL Corporation Limited Q4 & Full Year FY18 Earnings Conference Call”

**June 6, 2018**



**MANAGEMENT:** **MR. SUBHAS S. PRAMANIK - MANAGING DIRECTOR,  
GOCL CORPORATION LIMITED**  
**MR. A. M. KAZMI – CHIEF OPERATING OFFICER,  
GOCL CORPORATION LIMITED**  
**MR. RAVI JAIN – CHIEF FINANCIAL OFFICER, GOCL  
CORPORATION LIMITED**  
**MR. A. D. SAO – CHIEF OPERATING OFFICER, IDL  
EXPLOSIVES LIMITED**  
**MR. A. SATYANARAYANA – COMPANY SECRETARY,  
GOCL CORPORATION LIMITED**

**MODERATOR:** **MR. ADITYA BAGUL – AXIS CAPITAL LIMITED**



**Moderator:** Good day, ladies and gentlemen and welcome to the Q4 & Full Year FY18 Earnings Conference Call of GOCL Corporation Limited hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aditya Bagul from Axis Capital Limited. Thank you and over to you, sir.

**Aditya Bagul:** Thank you, Margaret. Good afternoon ladies and gentlemen. On behalf of Axis Capital, a warm welcome to the Conference Call for GOCL Corporation Limited for the quarter ended March 18 and the full year FY18.

We have with us from the management of GOCL Mr. S. Pramanik the Managing Director; Mr. A. M. Kazmi – The Chief Operating Officer; Mr. Ravi Jain – The CFO; Mr. A. D. Sao – Chief Operating Officer, IDL Explosives Limited; Mr. A. Satyanarayana – The Company Secretary.

I shall handover the call to Mr. Pramanik for a brief discussion on Q4 numbers and the performance during FY18 post which we will open the floor for the Q&A session. Over to you, sir.

**S. Pramanik:** Good afternoon to all participants. It is another half year ending so as per our discussions in the AGM we are having this Conference Call.

I will start with Q4. Q4 has been a very successful quarter for the company and its subsidiaries. The consolidated revenues increased by 13% over Q3 to Rs. 158 crores and the profit before exceptional items and tax was up 50% at Rs. 15 crores. However, the profit before tax was only 20% higher than Q3 on account of mainly exceptional items which were lower by Rs. 2.5 crores in Q4. Tax for the quarter increased by 88% to Rs. 5 crores and this has been the largest or the highest tax that we have paid up to now. And Therefore, the PAT for Q4 was Rs. 10.19 crores compared to Rs. 10.05 crores for Q3.

On an annual basis, the turnover for the year was Rs. 565 crores which was lower by 4% net of excise from the previous year revenue. The PBT for the year was marginally higher at around Rs. 48 crores and PAT was 2% above over the previous year at Rs. 33.4 crores.

The dividend was maintained by both the subsidiary company, IDL Explosives Limited at 100% and by GOCL at 80%.

The above situation is explained by the major slide in the prices across all the products during the year. The performance compared to the previous year has been affected by the decrease in



prices of initiation systems by nearly 25% on an average and for bulk and cartridge explosives by nearly 8% on an average. The Company and its major subsidiary IDL Explosives Limited took concerted action to increase efficiencies at all manufacturing units by reviewing the processes and introducing new and modified equipment, thereby saving cost and making ourselves more competitive. Input costs of materials were also well regulated leading to savings and improvement in the PBT.

The performance was made possible inspite of severe dip in pricing due to higher volumes manufactured and marketed by the company. Major increase in volumes were achieved in the case of NONELS that is we call them RAYDETS, it was up by about 56%. Boosters which were up by about 60%, Electronic Initiators which were up by 100% and special products for defense applications which was nearly 80% above last year's. On the explosive side, bulk sales for the first time touched 99,000 tons and volumes for packaged explosives was maintained at about 38,000 tons. Both types of products achieved CAGR of around 20% over the past three years. Export volumes also went up and it increased by nearly 20% for explosives. Certain major shipments which were made in the second half of March were held up on account of shipping issues and was despatched in April, hence they have not been considered as exports during the year. Otherwise this figure would have been much higher.

In the Energetics plant at Hyderabad, several processes were modified, and new equipment and machinery installed. This has helped to improve the quality and production rate of our products in the second half of the year.

On the explosives side, we have also taken several initiatives during the year which have resulted in benefits in the year itself. The Ammonium Nitrate storage capacities at locations were increased from 2,500 metric tons to nearly 7,000 metric tons helping higher throughputs in all the plants. The Rourkela plant achieved a capacity utilization of 102% whilst the average capacity utilization of the bulk plants was around 80%. Two new bulk plants with capacities of about 10,000 tons in West Bengal and 6,000 tons in Chhattisgarh were added during the year which achieved capacity utilizations of 78% and 61% respectively during the year.

At Rourkela, the increase in throughput was also helped by the continuous processing plant coming into operation for packaged explosives. This has been a major in-house project which has not only reduced manufacturing cost but also improved the consistency of the products. The bulk explosives volumes have also been helped on account of new bulk delivery pump trucks being introduced and several older vehicles having been replaced. Most of these vehicles have been reaching the 15-year deadline, so we have been replacing them steadily.

The total capital expenditure incurred during the year was about Rs. 20 crores.

The R&D efforts resulted in production activities, efficiencies, and cost savings in several areas. New products such as the multilayer shock tubes with HMX mainly for exports, capacity expansion for electronic initiators were also stabilized during the year. The technical services



team which supports customers with technical advice and field support for new products and efficient mining concepts worked very closely with the R&D teams to introduce customers to new products developed during the year. The efforts made by the teams in the introduction of the new products will be visible in the business results from the current year.

Now this was what has happened during the year, going forward I would like to make few points.

The first point is our current exports to major countries in South East Asia, Africa, Middle East, Gulf and other Eastern European countries are growing as demand for our products are growing. Our company has been in exports for over several decades and we are enjoying a solid base of reputation, customer loyalty, established distribution network and supply chain etcetera. This has put us at a distinct advantage over new entrants from India. Fortunately, the economics of the regions that we serve are performing strongly in the areas of mining and construction that are relevant to us. Therefore, we are confident that the demand will continue to grow though prices may be under pressure. The demand for our traditional products will continue to grow and we have the full range of products to also cater to any shift in demand to more advanced products in the coming years. Therefore, we expect that exports in the current year to grow by nearly 33%.

The second point I would like to make, with the step up of government's initiatives to solve the impasse which had taken place in the mining sectors especially in the South and Eastern areas of India the demand for Explosives and Energetics product is growing. Currently we have domestic orders of approximately Rs. 562 crores. Other large orders from major mining companies are in the pipeline and we would be adding around Rs. 200 crores to this order which we have in hand. Over the entire demand pattern emerging is robust and we are totally geared up to meet the requirements of our customers with existing and new products in the coming year. To cater to the increasing demand patterns noticed in various areas, licenses have been received in IDL for enhancement of capacities at four locations by 59,600 tons of bulk explosives. We have also applied for additional licenses to further enhance the capacities to enable us to keep up with the emerging and increasing demand.

The third issue is with regard to our Special Products Group which has been able to develop and supply special precision devices for defense and space operations. It has also received technology transfers which will be converted into business in the current year.

The fourth issue is with our metal cladding operations. There we are also experiencing demand from sectors which were hitherto having small requirements. There is an emerging demand in clad plates which require very stringent requirements and especially specs which we plan to cater to in the current year. In this area we plan to grow by nearly 50%.



Coming to the Realty area, as far as Bangalore is concerned, the total leasable space in building 3A and 3B which are complete is about 7.64 lakhs square feet. Building number 2 is also ready. And that will give us another 7.34 lakhs square feet of leasable area. Both these buildings are LEED gold certified buildings and have three basements each for car parking, 2,500 parking spaces have been provided between the two blocks and a separate MLCP building which we have. The company share in these buildings would be approximately 4.5 lakhs square feet and 4.06 square feet in the MLCP.

I am also happy to announce that Ecopolis which is the name of our Bangalore development has been selected for the prestigious Construction Industry Development Council Vishwakarma Awards for 2018, in the category of “Best Construction Projects”. I think this is a feather in our cap, because although we have taken time to develop this Ecopolis project, it has earned us a good name and the quality and the whole facilities that we are offering has been really appreciated by the Industry Development Council.

We have, in the meantime, signed an LOI with an MNC company and they have now applied for SEZ approval. As soon as the SEZ approval comes we will be signing the agreement and the lease terms will start. This lease is for about 73,465 square feet with some car parks etcetera. With this we are expecting to start the ball rolling. As far as other leases are concerned, we are also getting a lot of enquiries now for leasing of the other areas and we feel that we should be in a position to start the leasing operations in full swing by October.

The interesting part of this project is, in the previous meetings I have been telling you that the Bangalore North area has not been receiving enough attention. Now that the Government of Karnataka has initiated and have announced the Metro link to Kempegowda International Airport, this activity will bring our project in limelight. This Metro link will run parallel to International Airport Road and is expected to be completed by 2020. The development will give a major boost to Bangalore North as a growth corridor and the project as I said, will receive a lot of attention because it is a major project on that road.

Currently as I have explained earlier, the ORR and Whitefield areas are the epicenters of large office development but with this recent development of the Hebbal-Yelahanka block, we are seeing a lot of migration taking place and the social infrastructure which was on a low key in this area has started developing. In fact, many of you would have seen the news item which has come with regard to L&T land being taken up by Phoenix for their mall development, etc., now that is also a major development which will help the social infrastructure in this area.

The other issue is with this development of the Kempegowda International Airport metro, we are getting a major infra development which is not possible in the Whitefield and the ORR areas as they are already chock-a-block with developments and traffic. So we are seeing that a



*GOCL Corporation Limited  
June 6, 2018*

lot of space occupiers have started planning their expansion and consolidation towards the Bangalore North sector.

The other thing which I had explained earlier was our concept of campus in campus facility which we were looking at for a few MNCs where they wanted to have built to suit campuses.

We had agreed to look at this feature and I am happy to say that there has been a lot of enthusiasm on this and we have received several enquires as to whether we can host their campus and how much space we can give them. Because some of the institutions approaching us have very large requirements and built to suit is what they are looking for. These responses have been very encouraging and we hope to be able to click some of these within the current year.

Coming to the Hyderabad side, the Hyderabad development has moved a bit. As all of you know this is 100 acre integrated mixed use township for basically IT, ITES office spaces and retail segment with township concept which includes educational institutions, hotels, hospitals, residential apartments. I had also mentioned earlier that we had submitted the master plan, work is going on, the process is on. In the meantime, we have received the approvals from the Airport Authorities which we had applied simultaneously. There has been a slight movement on the plans that we had submitted.

The last part I would like to inform everybody is about the investments which we made in 2012, through our 100% subsidiary in UK, that is HGHL Limited. We had also announced that our investments from there into Houghton International in US has been made and that Houghton was going in for a merger with QUAKER Chemical Corporation in the US. I am happy to say that this has progressed extremely well and as we have announced in the audited results, the value of our holding now stands at about Rs. 439.72 crores. So that is the situation there. This investment when we made, we had looked at a slower growth path but through this route we have been able to achieve much better results.

So that is what I have to say from my side, for the financial details, I am handing this over to Mr. Ravi Jain, our CFO.

**Ravi Jain:**

Good Afternoon everyone. Our MD has highlighted some of the financial figures. I will give you the brief summary of financial results as well as segment results. This is the first financial year after we migrated to IND-AS, hence the previous year figure has been regrouped and rearranged in our financial results. We have also implemented the GST and in full compliance with. Year to date March 2018 we have achieved a consolidated income of Rs. 551 crores compared to Rs. 577 crores in the previous year, net of taxes.

The lower income is due to the lower revenue in our major subsidiary IDL Explosives by Rs. 7 crores due to sluggish mining activity, delay in finalization of new bulk orders and the price clarity, GST impact and the monsoon. As regards mining segment, we have restricted our



activity and waiting for clear policy directions. Last year mining turnover was Rs. 7 crores compared to the current year of Rs. 1.4 crores.

Our UK subsidiary HGHL Limited interest revenue and corresponding expenses has reduced by Rs. 10 crores as we paid back approx. \$38 million loan liability. The current outstanding loan liability of HGHL is only \$88 million. We are regular in paying the loan installment. We have achieved a year to date consolidated PBT of Rs. 47.76 crores compared to Rs. 47.42 crores previous year and PAT of Rs. 33.43 crores compared to Rs. 32.66 crores.

Though the topline is lower than the previous year, but we have maintained the PBT and PAT which is slightly better than the previous year. Energetics division of GOCL in 2018, our revenue is Rs. 92 crores compared to Rs. 100 crores last year net of taxes. Revenue has reduced by 8% mainly due to lower sales realization though the volume wise we had produced more specifically Electronic detonators, Raydets and Explosives.

PBT before tax and interest for segment is Rs. 9.48 crores compared to Rs. 7.97 crores previous year, almost 19% up which is significantly higher. This we could achieve mainly due to higher volume in export. We are exporting mainly to Turkey, South East Asia, Latin American countries and African countries. Mining division, as I already said we are not taking any new projects since the mining policies are still not clear. We are taking cautious approach on the business.

Wholly-owned subsidiary IDL Explosives Limited, we have achieved a revenue of Rs. 416 crores compared to Rs. 422 crores net of taxes in the previous year. As I already said the revenue is lower due to sluggish mining activity, delay in finalization of new bulk order, price clarity, GST impact and monsoon. Quantity wise we have produced more and sold 135,000 metric tons compared to 133,000 metric tons previous year. PBT in IDL is Rs. 21.53 crores compared to Rs. 20.6 crores previous year. Realty Division, as MD has already clarified building 3A and 3B as well as MLCP in Bangalore is ready for occupation.

We are in discussion with various MNC for long lease and expected to have revenue from Q3 of Financial Year 18-19. Building number 2 is also ready. Civil work completed. Fire NOC received. Electrical HVAC, STP, DG and external painting work completed. We are now doing BMC lift, security system, pillar and landscape work etc.

Regarding Hyderabad, we have submitted our master plan, expected to have the approval and then we will make the detailed planning.

Regarding Houghton, merger of HOUGHTON and QUAKER is in process. Regulatory approval received from China and Australia, and approval from US and Europe is in process expected to close in next few months. In the meanwhile, you may have noticed our CFS results that valuation of our investment in Houghton through our UK subsidiary HGHL has gone up by Rs. 280 crores to Rs. 440 crores.



The long-term liability of the company is nil whereas we have further reduced our short term liability. We have added Rs. 14 crores to shareholders fund for standalone and for CFS we have added Rs. 24 crores.

Recently our credit rating has been improved by 2 notches. Our long-term rating has been improved from BBB stable to A minus whereas our short term rating has been improved from A3 plus to A2 plus. Working capital interest rate has also been reduced from 11.5% to 10%.

We have spent Rs. 20 crores CAPEX for GOCL and subsidiaries and 90% of the CAPEX has been funded through our own internal fund. This is all from my side. Thank you.

**S. Pramanik:** Now I think we can take the questions, the Q&A session can be started.

**Moderator:** Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Rajeev Rupani, an individual investor. Please go ahead.

**Rajeev Rupani:** My first question was on the 100 acre integrated township at Hyderabad. At last con call, you had intimated us that the detailed plan was submitted in the month of November and all the approvals will start by March and we will get the same by March end and work should start before monsoon, so why the delay and when does the work start?

**S. Pramanik:** Yes I did mention it because that is the kind of feedback we had from the developers because they were pursuing the case for the approvals. But I find that the process is much longer than they had envisaged and therefore, this delay is unfortunate. We are also a bit worried because we were planning to announce work starting from this quarter or latest by October.

**Rajeev Rupani:** No, but the last update was it takes 4 or 5 months to get the approval?

**S. Pramanik:** Yes agreed. That is the feedback we had from our developers but then unfortunately it has not really worked out. In the meantime, as I told you we have got the Airport Authority's approval for the heights. So more or less things are moving but not at the speed that we would like to have reported.

**Rajeev Rupani:** Okay, so now work when does it start in Q2, Q3 approximately could you give a guidance?

**S. Pramanik:** I would not like to hazard a guess this time because I do not have an update given by the developer. I think they are also slightly put off by the delay, which is happening, and they are assessing the situation before giving a new date. We are trying our best to see that it moves fast. Authorities have asked for several more details and drawings which have been mostly submitted.



- Rajeev Rupani:** Okay, update phase 1 how many acres will it be? And how much of it will be residential and commercial? Would you guide us?
- S. Pramanik:** We are looking at 1st phase as of now what we have been advised is about 23 to 25 acres.
- Rajeev Rupani:** And how much will it be residential and commercial, breakup?
- S. Pramanik:** Everywhere I have told you the ratio will be 60:40; 60 commercial and 40 residential.
- Rajeev Rupani:** Currently what is lease rate in the area? Could you guide for commercial?
- S. Pramanik:** Commercial is somewhere between Rs. 40 / 45 is what I understand is going on. But we have not tested the waters, because until we have something to show there is no concrete figure which really pops up. At the moment, as you know that the road has been fully developed, traffic is moving very smoothly, and lot of attention has been given by the traffic police to get all markers and other traffic signages. The only thing we have not got as yet are traffic signals.
- The problem is that in this side of the city, as you are aware, is mainly residential. A lot of commercial activity has now started but in the shape of various stores are opening along the roads. So that is happening, but the hardcore commercial activity has not started. But I am happy to tell you that about a kilometer as a crow flies, on the opposite of the Metro Cash 'n' Carry we have got a big mall coming up and there are several other malls which have already opened up along the main road.
- The commercial activity is increasing. We feel that is a positive sign and also the purchase rates of various locations here, of the flats and all that has started moving up. So it is a healthy sign and we hope that when we launch we should get good rates.
- Rajeev Rupani:** My last question. On Phase-1 you told me it will be 25 acres. Approximately how much area will be built total?
- S. Pramanik:** I told you by area not by any value or any such thing.
- Rajeev Rupani:** How much square feet will be built in that 25 acres?
- S. Pramanik:** That figure I do not have for the simple reason that the commercial and residential is involved, Number two, the heights are still being worked out in line with the Airport Authority approvals which have come. So at the moment I do not have a figure to share. Maybe by the time we have the AGM, we should have the figures ready for sharing.
- Rajeev Rupani:** My next question was on the Ecopolis at Bangalore. You have intimated us that you have signed LOI for about 73,000 square feet, so out of that our share is 30%?



- S. Pramanik:** Yes, that is right.
- Rajeev Rupani:** What is the rental rate we will get for the same?
- S. Pramanik:** We are in discussion on that but till he gets the SEZ approval he does not want to really bind himself with an agreement. But anyway, that is a formality, actually getting the SEZ approval. That should come through.
- Rajeev Rupani:** Because last time you had indicated about 40 to 45 per square feet?
- S. Pramanik:** Yes, it will be in that region because as I was telling you the area development has started. So as the development progresses the rates will start moving up and in any case, this being the 1st year it will be in the nature of a introductory package.
- Rajeev Rupani:** My last question on this Bangalore Development. Originally this project was to be completed by 2017 and GOCL was to get about Rs. 60 crores or Rs. 70 crores yearly rental income from 30 acre IT SEZ and 10 acres non IT we were to get about Rs. 200 crores to Rs. 250 crores from sale of hotel and retail portion. So that was the original plan. So now what you talked about the Metro line being started?
- S. Pramanik:** What is happening is, if you really see the kind of deal which has been announced for the L&T land, which is about 8 kilometers to 9 kilometers from our location, is at about Rs. 53 crores an acre. That is the kind of figure which has been reported in the press. We have been patient enough to wait for sometime, but this is how the figures are moving. As the social infrastructure in the area is developing the rates have started moving up and the demand has also has started picking up.
- So these are all positive factors. Although we may be taking some time in doing this, it is to the benefit of our investors. The second point you must remember is that we have not put in any money in this development. This is our land, but we have not put in any money. So basically, it does not matter to us whether we wait another few months or a year and get a better rate.
- You will appreciate that while the patient wait is okay, the company is operating, it is quarter on quarter giving its results, results are improving, the market conditions are slowly improving for mining and infrastructure areas, so these are all positive. The development work, at the moment, is basically an addition to the regular operations that we are doing in the company.
- Rajeev Rupani:** Got it. What I want to understand is since you said that Metro line will be completed by 2020, so now the whole project approximately by when does it get completed about 2021? There is a delay, I agree, I accept the delay but, so over next 3 years the whole project will be completed or what? Please guide us.



**S. Pramanik:** I mentioned two things to you in this discussion. First is that there are already two buildings which are ready for lease. Now the third building is coming up. We have already submitted the plans for the third building. The third building other than the MLCP which I am not treating as a leasable building for office space. This is one part of it. The other part I told you is there are people looking at campus in campus opportunities.

So the remaining areas where we were to put up another 4 or 5 buildings that section could also go quite fast if for this campus in campus concept, we are able to get a good offer. The campus in campus concept once finalised will be a time bound program with the person finalizing the campus in campus concept. They will have their own timelines which will automatically fix the dates. As of now we are certainly looking at completing within the next 3 years. It could be even earlier but I cannot hazard a guess till there is some crystallizing of the ideas that I have been sharing with you.

**Rajeev Rupani:** That was helpful. Last update on this, that 10 acre non-IT land, what is the plan for the same?

**S. Pramanik:** Well, that we will take up last. Because I just gave you a hint that the rates are moving up. In fact the rates which I just told you for L&T land is basically for a mall. So as the infrastructure moves up the demand patterns change. More residential and population starts moving in, then automatically the demand for the 10 acres will be much higher than what we perceive as of now. I do not see any kind of setback or disadvantage for the overall project.

**Rajeev Rupani:** My next question is on the Houghton QUAKER merger. Last con call you had intimated to us that the deal closure will be in Feb-March and in Q1 we will get that \$17 million so?

**S. Pramanik:** We did say it is March that is Q1 closure that is correct. Since the company is operating in several countries, as our CFO has already pointed out that we have received approvals from countries except for US and Europe. So that is going on now. These are all very strictly procedural issues and Quaker are trying their best. Now the latest information we have from our subsidiary is that they are expecting it to be over by September-October.

Other part which I want to tell you is, once the shares are allotted to us, we have the right to dispose of the quoted shares or hold the shares in any way we feel which will help our investors' Return on Investment. There is no issue about disinvesting. We can disinvest anytime we want, again provided we have plans to use the cash. We can take it in tranches depending on our requirement or how we need to use that money which is coming.

**Moderator:** Thank you. The next question is from the line of Puneet Kabra, an individual investor. Please go ahead.

**Puneet Kabra:** Just a couple of quick questions. So you said Phase 1 for Hyderabad is 25 acres and we have received approval only from the Airport Authorities so far, is that correct?



- S. Pramanik:** That is right. Now the plan is for 23 to 25 acres which is what our developer is planning.
- Puneet Kabra:** So just on that, now that at least the designs are finalized, and you have approval at least from the airport authorities?
- S. Pramanik:** **The** Airport Authorities has only given us a height clearance.
- Puneet Kabra:** Okay, so what are some of the most important approvals and at least at a ball park level what kind of timeline the developer expects because the developer would have a view on being into the business he would have a view on what kind of lead times are involved for the different approvals. So what is the things that we are getting from the developer in terms of here are the top three most time consuming approvals and this is a generally ball park timeline for it?
- S. Pramanik:** This being a large development of about 100 acres the scrutiny levels are different. I have been told that a lot of detailing and submissions of sectional areas, etc., and how it is to be proceeded is being asked. This is unfortunately taking a lot more time than we thought. So I am sorry but I do not have a timeline given to me by the developers which I can share with you at the moment.
- Puneet Kabra:** This announcement of master plan design completed I think if we go back I do not know how many quarters, the press release has been absolutely consistent and there has been not a word of progress except for the recent commentary where we mentioned about height approval by airport authorities?
- S. Pramanik:** Yes, but I would like to again draw your attention to what I replied to Mr. Rupani that there is no cost coming in from our side into this project, same as in Bangalore. With the development taking place in this area, the value of our property will be going up. So really nobody loses in this delay.
- Puneet Kabra:** No, that is I mean if we do not do any development after another 15 years the property is going to be even more valuable. But having said that we are getting on to the part of a Phase-I development with whatever size then there has to be some progress for investors because the investors are going by the management commentary. But we are at least looking to monetize let us say not only the whole land, but at least the Phase-I of the land which is whatever....?
- S. Pramanik:** I do understand your position Mr. Kabra, but we are also as much pushing the developers as you would like us to do. But the problem is that the official system moves in a particular way and I really cannot step into the shoes of the developer to tell you exactly where it stands because whatever we are being advised on a regular basis I am sharing with you. At the moment, I am sorry, I do not have a deadline or a timeline to share.
- Puneet Kabra:** No, on the Bangalore we have highlighted about one lease where the SEZ approvals are being awaited and then some other opportunities which are in pipeline. So would this be part of the



GOCL share would everything get accrued to us first or would it be like an equal mix again between us and the developer, or is this going to go to the developer? I mean who is going to get the price released first, is it us or is it the developer?

**S. Pramanik:** No, the agreement is that for every area that is leased the sharing of the revenues will be 30:70. So irrespective of whether we go ahead with one lessee or two lessees, the revenues from there will be shared 30:70. So there is no situation where we will get it after some time and all that, because we are also part of the lessor / lessee agreement where our share and their share is clearly marked in the agreement itself.

**Puneet Kabra:** And lastly sir, on our core business, while we have been looking at some efficiencies and improvements etcetera, what is the guidance that we have for that business, what kind of growth that we can say that be in EBITDA or in terms of profitability because revenue number is changed based on raw material, pass through, etc., but at least on a profitability front, what is the kind of growth that we are aiming at so our competitors are kind of guiding for 18%, some are guiding for 24% kind of growth for the next couple of years. At least at a ball park, what is our aspiration, what do we think is our aspiration to grow?

**S. Pramanik:** Yes, we have already given you section wise growth figures as we were discussing. We have already advised that we are expecting the export side to grow at about 33%. We are looking at our domestic business to grow at about 20%. Our Special Products Group, is expecting to grow at another 25% to 30% and in Metal Cladding we are expecting a 50% increase in activity. So if you take an average here it should be somewhere around 25% or so on the whole.

I would like to now ask Mr. A. D. Sao, our COO who is also looking after the marketing efforts of this company to please give his views.

**A. D. Sao:** During last five years, the industry is growing at a rate of 7% whereas we have given a growth of 13% on the top line. And for next year we have a growth target of 22% over last year. This is what we have planned but we are hopeful to achieve slightly higher because of some new developments which have taken place. Our market position is presently number 2 and our PBT growth during last five years in the explosives business IDL is coming to around 22% . In fact, our growth of PBT is better than the turnover growth.

This is how the things have moved out. Our orders on hand as MD has already pointed out is Rs. 554 crores and we are expecting another Rs. 200 crores. We have a ratio of 50:50 business on Coal India and non-Coal India. Though Coal India has around 65% to 70% of the total market requirement but we are equally placed as far as our dependence on the customers is concerned. This is the domestic market scenario.

**Punit Kabra:** Sir, any guidance on PBT growth going forward?

**S. Pramanik:** I think he has already given you an indication.



**A. D. Sao:** We are in a very competitive industry and with most of the major customers in the PSUs and the process is very competitive. So we have our internal processes we do not like to divulge up to which only we go for a bidding beyond that we do not accept the order. But as you have already seen the growth in the trade, our PBT as well as the top line will continue to do better. This is how we can give you the indicators.

**Moderator:** Thank you. The next question is from the line of Govindlal Gilada, an individual investor. Please go ahead.

**Govindlal Gilada:** Only one question. So Ashoka Builders just I think near our project, what we are going to develop I think it is very sizable 30 acres, 40 acres, 50 acres I am not sure, but it is a very big project. And I am observing since the last three, four years we are able to get permissions and full-fledged they are developing projects and most of the projects I think is completed.

So I just want to know is the process is different for them to take permissions approvals signed and for us it is different or it is one and the same? Then how they are able to manage, why we have this three, four years we are not able to get approvals?

**S. Pramanik:** I think we should break this into two parts. One is the development you are referring to is actually by Cyber City Developers. That is a residential block and the other block by Ashoka Builders is what I was referring to is a mall coming up, a new building opposite Metro Cash and Carry. Now the Ashoka Builders project was also started about five, six years ago, but they were also delayed in clearances. It is just about three, four months that they have been able to start the project, so there is a difference between commercial and residential clearances, number one.

Number two is that yes our one is a little bit more complex for the simple reason that this falls under the category of Knowledge Park. So lot of issues that are there between residential then zoning issues, etc.

Now that this area has been given to us for multipurpose use things have started moving, and that is how we have applied under the scheme. It is moving but yes it is slightly different. I have to say that it is not the same way as putting up a full residential project or a full commercial project. I mean there are many more issues which are not applicable to residential. And a lot more approvals are required which are additional. Anyway things are moving now and I think we should be able to give some good news or some better news by AGM time.

**Govindlal Gilada:** I know sir but we have lost patience to be frank hearing same commentary?

**S. Pramanik:** We are also pushing the developer.

**Govindlal Gilada:** No, one thing I want to understand, you yourself are agreeing that residential it is easy to get permission?



- S. Pramanik:** It is easier, I do not say easy.
- Govindlal Gilada:** So at least some 20 acres, 30 acres we have got so much land know some 20 acres, 30 acres so why should there be a problem for residential?
- S. Pramanik:** It is not a question of taking up residential. Every phase that we take up has got to be 60:40 ratio. It is not that you do all the 40 first, and then you take up 60. That is not what is being allowed. That is how we understood it earlier but now we stand corrected.
- Govindlal Gilada:** So total project also we should have gone for residential know, that would have been not advisable?
- S. Pramanik:** No, that is not possible because of the approvals that we have from the government for development of this land.
- Govindlal Gilada:** I see, I hope sir the things should be expedited?
- S. Pramanik:** Yes, I also hope so. We are on the job.
- Govindlal Gilada:** I am telling the quarter-on-quarter same press release, same commentary we are hearing. Really we have lost patience to be frank?
- S. Pramanik:** No, it is slightly changed now I mean in the sense that we are seeing some activity being reported.
- Govindlal Gilada:** Over and above problem is that still you are not able to give any clarity when it will be started, nothing from your side?
- S. Pramanik:** Yes, I agree but unfortunately, I am sharing whatever news I have and all the details I have transparently.
- Govindlal Gilada:** I understand but the thing is that you people better know your developer all that last time very clearly told that your ground breaking will be done in March?
- S. Pramanik:** Yes, but please refer to my comment which I made that no investor is losing out on this, in fact they are gaining indirectly as the rates are moving up and we should be able to do a better development, better clientele.
- Govindlal Gilada:** But at least some hope you can give sir. One year, two years?
- S. Pramanik:** Much better rates than what we would have done maybe if we had started the work four years ago.



- Govindlal Gilada:** No, at least can you tell us three years, four years we are following the things. At least six months, one year it will happen, two years it will happen at least?
- S. Pramanik:** I wish I could tell you but as of date I do not have a brief like that from the developers. But we will share with you as soon as we get some details.
- Govindlal Gilada:** No, you are coming to investor you should have a feel from developers, we will be asking all these questions you should be aware know, sir?
- S. Pramanik:** Okay I accept your comment but I can only share with you what I get officially from them.
- Moderator:** Thank you. The next question is from the line of Rajeev Rupani, an individual investor. Please go ahead.
- Rajeev Rupani:** Just an update on the Houghton deal. So you said the value is Rs. 439 crores and apart from that amount we have to get \$17 million, am I correct?
- S. Pramanik:** No, where is this \$17 million coming from? We were to get around \$17 million cash after adjustments. There are lot of procedures concerning accrued expenses etc. Some more details are available with the CFO, he will share it with you.
- Ravi Jain:** Mr. Rupani, this Rs. 439 crores is not the amount what we are going to receive. This is the valuation of our investment as on 31<sup>st</sup> March 2018. We will get 2% plus some odd percent as the shareholding of Quaker and \$17 million which MD has advised that will be after adjustment of some expenses. This Rs. 439 crores which you are reading in our financials is the valuation of our holding in Houghton through our UK subsidiary. Houghton is not a quoted company as on date. Once it merged with QUAKER we will have the shareholding which will be quoted and then some adjustment out of \$ 17 M. That will come in the picture once the merger is over.
- Rajeev Rupani:** Got it, so I understood. But when that approximately \$17 million comes in apart from the stake value can we expect some special dividend that I wanted to understand?
- S. Pramanik:** It is too early to comment on that.
- Ravi Jain:** And the \$17 million it is not the final amount, it will be after the adjustment of financials[.
- S. Pramanik:** So there will be lots of adjustments with the expense which is in foreign currency. When we receive the information from HGHL we will certainly share it with you.
- Rajeev Rupani:** I next needed an update on the 500 acre lease land at Hyderabad. So can you give us an update on the above?



**S. Pramanik:** There has been no movement in the Supreme Court on that and our discussions with the party is also at a status quo level. So there is nothing additional to report, that is why I did not take it up in my regular briefing.

**Rajeev Rupani:** Okay I just want to understand, are we a little bit more closer to some settlement than last con call?

**S. Pramanik:** I said status quo.

**Rajeev Rupani:** Okay. And one more question I had. Sir, you have informed us that the Houghton value is about Rs. 439 crores and at the AGM you had intimated us that the Bhiwandi 80 acres is valued at Rs. 600 crores. So this amount is approximately Rs. 1,000 crores, so cannot this amount be used for some setting up a new business or developing our own land bank? Could you please comment like using the amount for some defense business in the defense sector being opened up?

**S. Pramanik:** Yes, we are working on some possibilities. Our board is looking at certain events but there is nothing to report as of now because there are several options open to us and it all depends on how the HGHL reports start coming in and when the timelines are available.

As of now there is really no feedback which I can give you about what we can do when it comes in, because this is still a hypothetical situation. The Board is seized with this matter and we will certainly be able to tell you as soon as something material happens or there is something concrete on the horizon.

**Rajeev Rupani:** Okay and the Bhiwandi 80 acres are we going to monetize it, is GOCL going to develop it, can you update us?

**S. Pramanik:** There is no decision as yet on that, because as of now frankly we are now trying to push these two projects which we have taken up and until something really major happens in these two projects I do not think the Board would like to announce a third project.

**Rajeev Rupani:** Okay but at a con call about two years back you had indicated that maybe this 80 acres will be developed by GOCL itself, so I mean are we waiting?

**S. Pramanik:** As I said we are already with the developer trying to get these two properties monetized so let it happen then the Board will also take a view at that time whether a third project should be opened up or whether we should do something in a different way over there. Let us see.

**Rajeev Rupani:** Okay so basically nothing for the Bhiwandi 80 acres nothing is going to happen for one to two years?

**S. Pramanik:** Nothing as of now. Everything is fine with that location and we are keeping it ready.



**Rajeev Rupani:**

Sir, my last question. My last question is what is the long-term plan of my company going forward three to five, seven years I mean the company is going to get from the 40 acre Bangalore development and 100 acre Hyderabad development, the company is going to get so much free cash flow. What is the plan of the company? How are you going to deploy it?

**S. Pramanik:**

I think I made a mention to you that this is all dependent on certain timelines of cash flows which we expect from various sources that you yourself have identified. So the point is that until that happens all that we are doing is just thinking on those lines, well strategic thinking. But as I said if you tell me five years, seven years hence, if you had asked me this question earlier I would have made the time horizon a year, but now that certain events are not being met, as discussed in the past, I do not want to give you any further hope on something which is five, seven years hence.

So let us take it a bit at a time. At the moment we have given you the projections that we have for this current year and let us work with that. In the meantime, we are looking at certain cash flows to come then we will certainly come out regarding its utilization.

**Rajeev Rupani:**

Will you be in a better position to guide us maybe a year from now on this?

**S. Pramanik:**

Well, if this happens then we should be able to guide you much earlier, but as it stands today, I think we should keep it as discussed instead of getting into any hypothetical thinking.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

**S. Pramanik:**

Thank you very much. These were issues which have been also before us as management and also the Board is seized of these matters. But I must tell you that if you have observed in this whole presentation or discussion that we made along with my colleagues here, you would notice that there is a positive direction in which the basic business of explosives, energetics is moving and there has been a major improvement in the way that we have been operating. You must be noticing that for the last three, four years that there is a regular growth.

We have been able to maintain our position as number two in the industry with one of the best marketing and productions teams. We are only looking for new growth areas, new product introductions, new customer inclusions and more foray in to the export markets. So that should give us lot of what you should say business and opportunities to deal with in the current year.

We spent already Rs. 20 crores this year on CAPEX and we hope to put in more as the internal cash flow start improving. Our basic idea is to take the business of this company to much higher levels. We have achieved about Rs. 500 crores and we are planning to really look at something like about Rs. 600 crores when we report next year.



*GOCL Corporation Limited  
June 6, 2018*

So this is how we are moving and we do hope that with the kind of initiative that we have taken and the kind of resources that we have with us in this industry we should be able to grow much faster and in a more holistic way. As of now what we are doing is actually upgrading many of our equipment and machineries that we have in the company. Several processes have been changed and made more efficient. We have been able to give you these results in the last year which are basically due to the kind of efficiencies that we have got and the cost reductions we have achieved.

So if you look at the kind of progress that we are having I think it is extremely positive from the core business. Yes, we are lagging in the realty area and we hope that we should be in a position to announce positive and specific timelines for the various projects. We are trying our best and we hope that we will be able to announce by the time we come to the next half year discussions.

So with that I would like to close and I would like to thank all the participants for the interest shown in the company and its businesses with this I hand it over to Aditya to close the proceedings.

**Moderator:**

Thank you. On behalf of Axis Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.