

October 13, 2025

Well positioned for long-term scaling...

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.

- Defence contributes ~86% of revenue. OB at Rs 989 crore as of Q1FY26

Investment Rationale

- Strong product portfolio with well-built manufacturing capabilities:** PEL is one of the lead manufactures in the Indian explosives and defence sectors, renowned for its innovative and Indigenous capabilities. PEL has six manufacturing plants in India, dividing bulk explosives for mining and infrastructure from specialized defence and space facilities. Four units in Madhya Pradesh, Maharashtra, and Telangana focus on bulk explosives, while advanced two facilities in Telangana, serve defence and space needs which produce detonators, fuses, solid propellants, HMX/RDX, warheads, and rocket ammunition. This makes the company one of the few private companies with integrated capabilities in tactical, strategic, and space-grade explosives
- Strong industry tailwinds favour long-term growth; Order backlog remains strong with healthy pipeline:** The government's emphasis on increasing capital expenditure for domestic defence and expediting procurement suggests that PEL will experience significant order inflows next year. As of June 2025, PEL's order book was Rs 989 crores (2.1x TTM revenue), with 87% from defence, 7% from industrial explosives, and 6% from services. Order inflows have been strong, with FY24-YTDFY26 orders exceeding those from FY20-23 (more than ~Rs 700 crore of orders received in YTDFY26). PEL is also targeting Rs 700 crores in RFPs, including emergency orders, which could enhance future revenue. The order execution cycle is ~2 years, providing strong revenue visibility. Management guides revenue of Rs 600 crores for FY26E (implies ~44% YoY)
- Expanding capacities across defence segment with focus on increasing better-margin products:** 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)

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)	135.3	101.2	24.9	122.9		51.1	41.1	33.8	
EV/EBITDA (x)	37.2	30.2	12.6	11.1		8.7	6.8	5.6	
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



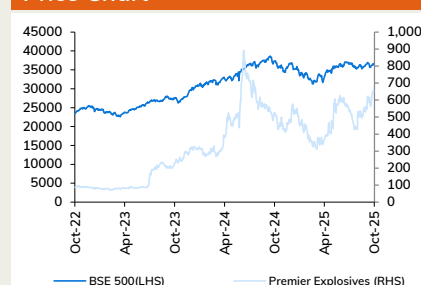
Particulars

Particulars (Rs Crore)	Amount
Market Capitalization	3,532
Total Debt (FY25)	40.6
Cash and Inv (FY25)	101
EV (FY25)	3,471
52 week H/L	680/ 309
Equity capital	10.8
Face value (Rs)	2.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	41.3	41.3	41.3	41.3
FII	0.4	0.4	0.7	0.7
DII	8.4	8.2	8.0	7.7
Others	49.9	50.1	49.9	50.3

Price Chart



Key risks

Key Risk:

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

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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