



MDN/CS/COMPLIANCE/2024-25

August 21, 2024

To,

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Dalal Street,
Mumbai- 400001
Scrp Code: 541195

National Stock Exchange of India Limited,
Exchange Plaza, 5thFloor; Plot No. CII, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400051
Trading Symbol: MIDHANI

Sub: Transcript of the Analysts and Investors Meet/Conference Call held on August 16, 2024

Dear Sir/Madam,

1. Further to our letter dated August 16, 2024 intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on Q1 – FY25 Results, held on August 16, 2024, please find below the transcript of the aforesaid Conference Call.
2. The audio recording and transcript will not be available on the website of Company for time being as MIDHANI's website has been taken down for audit by CERT-In empanelled Auditor.
3. Once website of Company becomes functional/ up, the audio recording and transcript will be uploaded on website at following path: Investors → Investor Meet → 2024-25 → Quarter 1

This is for your information and record.

Thanking you,

Yours faithfully,
For Mishra Dhatu Nigam Limited

Paul Antony
Company Secretary & Compliance officer
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Encl: As above



“Mishra Dhatu Nigam Limited
Q1 FY25 Earnings Conference Call”
August 16, 2024



MANAGEMENT: **DR. SANJAY KUMAR JHA – CHAIRMAN & MANAGING
DIRECTOR – MISHRA DHATU NIGAM LIMITED
MR. N. GOWRI SANKARA RAO – DIRECTOR (FINANCE)
– MISHRA DHATU NIGAM LIMITED
MR. T. MUTHUKUMAR – DIRECTOR P&M – MISHRA
DHATU NIGAM LIMITED**

MODERATOR: **MR. AMIT DIXIT – ICICI SECURITIES**



Moderator: Ladies and gentlemen, good day, and welcome to MIDHANI Limited Q1 FY '25 Earnings Conference Call hosted by ICICI Securities 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

And I hand the conference over to Mr. Amit Dixit from ICICI Securities Limited. Thank you, and over to you, sir.

Amit Dixit: Thanks, Neha. Good afternoon, everyone. At the outset, I would like to thank the management for giving us an opportunity to host this call. From the management today, we have Dr. Sanjay Kumar Jha, CMD; Mr. N. Gowri Sankara Rao, Director, Finance; and Mr. T. Muthukumar, Director, P&M. Without much ado, I would invite Dr. Jha for opening remarks, post which we will open the floor for an interactive Q&A. Over to you, sir.

Sanjay Kumar Jha Good afternoon, all the participants, investors, stakeholders and my dear colleagues who are joining today for this conference call. We are here to discuss about the quarter one results of Mishra Dhatu Nigam Limited. And already, I think financial data is available with you, so I will not repeat this.

But just to give the highlights or the reason for certain changes in the figures compared to the first quarter of the previous year. We had some issues with our system, earlier their inventory used to be in the large quantity than work in progress. So that was less in this year from the starting. So that is where we have seen some impact on our revenue earnings for this quarter. And also, we had some issue regarding some of the equipment we have taken for the annual shutdown in the initial period because once you start the year, that has to go for some of the old equipment revamping and modernization. So those things have affected our Value of Production (VoP) also.

So in that still, I'd say that this quarter is basically building the base. But definitely, based on this base, we are going to have the good growth coming in the second quarter. So this is what we have at this junction. And in addition to that, export in this quarter has been, I think, the highest compared to the earlier quarter. It's coming around Rs. 17 - 20 crores around, we have got the export. So export is started almost 10% of our revenue earnings for this quarter. And it is a good sign, and now we are expecting that with the same trend we wanted to continue for this year.

So this much only I can add here, I would rather be more interested to take the questions coming from the investors and the stakeholders on our performance. Over to you.

Moderator: Thank you so much. The first question is from the line of Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

Garvit Goyal: Congrats for those set of number. My question is on demand side. What is the current and projected demand outlook for the industry and what surplus are contributing to the demand?

Sanjay Kumar Jha

Demand-wise, I see it is a very good opportunities because as you know, the Defence sector is picking up. And last year also, Defence Production crossed more than INR1,25,000 crores, and also, we had the highest level of export in the Defence of INR 21,000 crores. So I am expecting that similar growth is expected in this year also. So parallelly, that will reflect on the demand from the industry like MIDHANI also as far the raw material is concerned. So this is one side of the Defence.

Other side, there are many programs are coming where we have done earlier our work, like, Advanced Ultra-Supercritical Thermal Power Plant. So last time, you might have seen in the budget that government has given a go ahead for Advanced Ultra-Supercritical Thermal Power Plant, AUSC, acronym, A-U-S-C. So that also is going to come in the country. And in addition to that, there are plans to go for a small size of modular reactor, SMR in the nuclear power plant. And Defence space also, I think today, only that SSLV has launched its third launch quite successful. This will also pave the way for more and more launches in the country for the commercial satellites. So this is the outlook coming from the different industries where MIDHANI is involved.

In addition to that, export market also there is a possibility because many supply chain coming from European side and all is getting affected. So I see overall our order book is almost INR1,700 crores to INR1,740 crores. And we are expecting orders this year also, we are going to book a similar way, almost INR1,100 crores, orders are in the pipeline. So order-wise /inflow-wise its not bad, its good.

Moderator:

The next question is from the line of Amit Dixit from ICICI Securities Limited.

Amit Dixit:

Yes, sir, I'm interested in that small reactor that you mentioned, with respect to your reply to the previous question. So I just wanted to understand what kind of participation we will have in this particular project? And when do you think that this will start actually?

Sanjay Kumar Jha:

One area that in this program of SMR, parallel to this type of program, which is going for the commercial operation. In the other areas also, we have worked in developing some of the materials. Because what happens, the material what we will develop for the previous programs, similar to that, that will be utilized for this type of reactors. So what I'm trying to emphasize here, that already technology materials are well established as far as MIDHANI is concerned. So as and when we go to start picking up, we'll get this requirement coming in the future.

But time when they're going to launch and all, I think a lot of developmental work is going on right now. And some of the materials, already we are supplying in that program. Not precisely for the commercial reactors, for developmental one. So this is an ongoing process.

And the volume of the work which is coming from or the orders coming will be decided based on the future projections coming from the Department of Atomic Energy, what they are going to announce, I think it is yet to come, that how many players are going to participate in that and what will be the mode of financing for that type of reactors.

Amit Dixit: Okay. The second question is essentially if I look at the value of production, last quarter also, you indicated that you will be now rationalizing the inventory, you don't want to inventory to pile up. This quarter also, we saw value of production going down. Now while you mentioned in the prepared remarks that it was also because of the planned main equipment maintenance. But are we still looking at rationalizing the inventory or we are done with that?

Sanjay Kumar Jha: It is basically, we see that inventory has to be controlled –and normally we count in the end of the financial year. But now quarterly basis also, we are monitoring. And that is why, you can see that last year to this year, almost we have the drop of our inventory buildup is only INR 47 crores in this quarter. Compared to the last year, it was almost INR 107 crores was there. So this we have tried to reduce our effort is at reducing it, and it will continue. It should be a regular effort. It can't be done only for a specific quarter, it should be on regular basis and yearly we'll be going to make it on the lower side only.

Amit Dixit: Okay. Sir, two quick questions on the capacity part. So where are we with respect to the development of bulletproof jacket Garuda? And what is the status of our expansion project in Titanium?

Sanjay Kumar Jha: Garuda, first I will talk about Garuda. Garuda only we did last year, we made first quarter QC the last financial year. Garuda was occupying a good space almost we have the INR 30-plus crores from Garuda only.

But then we have to do certain modification in the supply, which we have started doing now. So this year, we will be more depended from the Garuda to complete things will be processed and completed in this year only. So in that 100 we have already supplied with the modification. And rest of the numbers are in the pipeline. So Garuda might have already gone into the application now use.

But once we complete the entire supply, then only we'll be able to do it, but based on that experience, now MIDHANI has also been able to participate in other requirement, which are the lower worth than the what was the requirement specification or other things like normal requirement for the armed forces. So we are participating in that now.

Amit Dixit: And Titanium?

Sanjay Kumar Jha: Titanium plant also, we had one new furnace, I think you are talking about the new VAR, which is already under commissioning. It was only problem with that initial stage that the Titanium melting was not getting sterilized. So now the work is going on. So almost we have come to the stage of completion now.

Amit Dixit: But our ultimate aim and I think the place is enough to support some 5,000 tons of capacity, if I'm not mistaken?

Sanjay Kumar Jha: 5,000 capacity of?

Amit Dixit: Titanium.



- Sanjay Kumar Jha:** No, no. Not 5,000. I think it was earlier 500. Right now it is 500. But this will increase to almost two times. Once we are adding this facility.
- Amit Dixit:** Okay. And after this, so it will be like this after adding the facility, titanium will be 1,000 tons?
- Sanjay Kumar Jha:** Correct.
- Amit Dixit:** And there is a space to add another 500?
- Sanjay Kumar Jha:** Exactly. True.
- Amit Dixit:** Okay. So in all, it will be 1,500? Okay. Got it. Two questions pertaining to the results. So what would be the revenue breakup between Superalloy, Titanium and specialty steel? I am asking this question because after an increase in EBITDA margin in last quarter, we again saw EBITDA margin coming down in this quarter. So just wanted to understand the product mix part of it.
- Sanjay Kumar Jha:** In past, you see that Titanium is around 8% in the quarter. And Superalloy, 19%, it was 14% in the previous quarter of FY '23. Now this year 24-25, now it is 19%. So Superalloys are increased, there is a further increase in Superalloys. Titanium also has increased from 5% to 8%. Maraging steel marginally almost in the same 25% earlier 26%. Specialty steel has gone up from 29% to 39%.
- Amit Dixit:** Okay. And that's the reason for our margins essentially going down?
- Sanjay Kumar Jha:** Not margin, not essentially because this margins, there are 2 counts. One is that our sales could have been on the higher side than it is okay. Because already, fixed cost is there. So the fixed cost is already there. If you increase your -- more revenue or turnover, your profitably margin will be more.
- Amit Dixit:** Okay. Got it. Got it, sir. Another question is on essentially the order book composition. So if you could break this order book into application, that is how much we have from Space, how much we have from Defence and the other part railways and all that would be helpful.
- Sanjay Kumar Jha:** I'll give you the percentage, right? But basically, what we are almost 80%, as I said. 80% is coming from the Defence only. 75% to 80% Defence. The Space is very less, Space is hardly 6%, 7% to 10% only. 10% is coming from there.
- Amit Dixit:** Okay.
- Sanjay Kumar Jha:** And export is coming to around another 5% is there in the order book. Armour is almost 10%. Now, of course, armour is in the Defence only. But grade wise, also, we have specialty steel around more than INR 700 crores out of INR 1,740 crores. Titanium, almost INR 345 crores orders there. Superalloy, we have INR 314 crores. Maraging is INR 150 crores. So like that total distribution is there. Specialty steel is still the highest.
- Amit Dixit:** Okay. Okay.

- Sanjay Kumar Jha:** Specialty steel, there is a variety of grades, which we apply for the different programs.
- Moderator:** The next question is from the line of Abhishek Poddar from HDFC Mutual Fund.
- Abhishek Poddar:** Sir, if we look at the margins, which used to be 30% in 22-23, it had come down to 18% in FY 24. And more like 14% in FY 25. So what kind of a sustainable number should we assume, which you can achieve?
- Sanjay Kumar Jha:** For the 24-25?
- Abhishek Poddar:** Yes, 24-25. And what can sustain your business going forward in 25-26 and 26-27 also, sir? Any range, if you can give us based upon the order book?
- Sanjay Kumar Jha:** See, mainly what has happened last year also, we have seen that it was basically controlled by the raw material. So in the current scenario, basically raw material plays a very vital role. And we are finding that part is getting a lot of disturbance so far up to this quarter, it is consistent, but we don't know what will be in the future. So we have to wait, and then we'll try to maximize our profitability.
- But raw material is one thing I cannot store everything and keep and then we can decide. Normally, if you buy the raw material, you know the cost. Based on that, you decide that what will be your profit margin, order book is there. So that is the one thing, keeping those is variable as in the future. Other things will be in the similar way whatever we have done the last year. Probably, we're trying to improve it this year. And last year, we have done a lot of work in controlling our work in progress or inventory. So that thing, I think this year, that impact will not be there.
- Abhishek Poddar:** Understood. Sir, last year, like it was 18% for the full year. That becomes a base, and you try to improve on that number?
- Sanjay Kumar Jha:** Correct.
- Abhishek Poddar:** Right. But obviously, the '23 numbers and '22 numbers that you achieved of 29%, 30%, that is something difficult to achieve again?
- Sanjay Kumar Jha:** That figure was basically that you have piled up lot of inventory. So definitely, our production is higher and that is getting reflected in the balance sheet. These things, we are not going to do now. So those things if you are keeping it necessarily it will reflect that your earnings side. But basically, this has to be controlled.
- Abhishek Poddar:** Understood. And sir, this order book we have of INR 1,760 crores at the end of June, what is the execution period for this?
- Sanjay Kumar Jha:** Some of the orders are going to complete in 3 months also, 4 months also. And some cases for the next 2 years also. But the majority of things we are going to finish in 1.5 years. So it's the maximum time, 1.5 year.



- Abhishek Poddar:** And sir, this Titanium, you mentioned that in the order book, it is INR 345 crores. When the current expansion that we are having from 500 tons to about 1,000 tons, what kind of revenue can we do once the entire mill is operational? And what is your sense whether you could do the entire 1,000 tons or it will be at a lower utilization levels?
- Sanjay Kumar Jha:** In fact, Titanium, whatever I have shown you is only that indicated. Many expected orders are there in Titanium. So right now, we are not booking also certain orders because of the lack of our capacity and input material. So the order is not the limitation, it is only that how much we are able to execute. And this 345 ton is the finished product I'm giving. There are various conditions that some of the products, it will be recovery, it will be 30%. Some place, it will be 50%. So we have decided that input will depend on that what type of order we are having. So these figures are basically indicative, not the final one. So our processing of the sponge or the induct will depend that what type of product we are going to sell.
- Abhishek Poddar:** Okay. Sir, just to clarify this a little bit, this INR 345 crores, this is how many tons underlying the titanium? And also...
- Sanjay Kumar Jha:** I told 345 tons only.
- Abhishek Poddar:** Okay. Sir, 345 tons will be quantity. Okay. And sir, theoretically, out of 1,000 tons, how much maximum can you do? Can you do the entire 1,000 tons, or it will be a lower number?
- Sanjay Kumar Jha:** Around it will be -- it can take around -- So the 345 will convert to almost around INR 700 crores -- 700 tons, sorry. And for 700 tons order, like we have capacity of only 500. So additional capacity is being added. And also we are expecting a similar amount of orders in respective, in Titanium again.
- Abhishek Poddar:** Okay. So this is for the domestic customer. And also, if you can give an understanding on the margins, will titanium have a better margin than the other products?
- Sanjay Kumar Jha:** Yes, yes. A little bit margin. Titanium margin is going to have the better margin here.
- Abhishek Poddar:** Understood. And sir, this order is from aerospace customers?
- Sanjay Kumar Jha:** Multiple is Defence and Aerospace put together. And some amount of the space also. But majority of things are depends on Aerospace.
- Moderator:** The next follow-up question is from the line of Amit Dixit from ICICI Securities Limited.
- Amit Dixit:** Sir, just wanted to understand that how much revenue this quarter was booked from Rohtak armour factory and Wide plate mill? And what is our expectation for the year?
- Sanjay Kumar Jha:** Rohtak, we have booked, INR 158 crores. Generation of Revenue is very less here. It was only whatever the compared to the last year and this year, as I told you initially only, Hyderabad, the performance was the same whatever we have with the last quarter also, last financial year, in fact, slightly better only. So the revenue, which has come from the Rohtak is less as compared to the previous year because of that order was not received excluding one order for which we

did some again, I said some modification in that. So that we have done. But this year, this quarter was very less. But now we are planning for this complete year will be around INR 100 crores.

Amit Dixit: And Wide plate mill?

Sanjay Kumar Jha: Wide plate mill order booking. Will be revenues will be the INR 200 crores. But the order booking in this quarter is not there much. There will be some titanium number, around INR 80 crores will be there.

Amit Dixit: Okay. So that means around INR300 crores revenue we are expecting from Rohtak and Wide plate mill?

Sanjay Kumar Jha: Yes. Yes.

Amit Dixit: Okay. Sir, another question is essentially on what are the major platform that we are expecting to participate in the future? You mentioned that Titanium in response to a previous question that there is, I mean great demand. So just wanted to understand where are we participating in this? And also if you could just highlight in the aerospace also to -- in media reports that the GE 414 engine, the factory is getting expedited. So what kind of participation can we look from there?

Sanjay Kumar Jha: First of all, Titanium, we are also going to provide, in fact, in the LCA for Tejas. For Tejas, there are many requirements coming normally for the 97 aircraft and all they are going to get the material from us. In addition to that, we also have a requirement from the HAL again, for their some of their strategic programs. So that also already order we have received. That is going to continue in the future.

In addition to that, there are some other static programs, which is for Indian Navy. So for that also, we are expecting some out of some Titanium. So Titanium distribution is going from the aero, sea and many of it is coming from the missile sector also because recently, from BrahMos also, we have got one order of around INR 38 crores, order we have received.

So like that, these things are slowing down. But your question regarding this GE Aerospace. GE Aerospace, we are now trying to get qualified first, our raw materials. For which 2, 3 grades already we have supplied and they have used and given that certification also, not a certification, they have cleared our material. So now we are trying to get certified as an organization for that GE Aerospace. So both GE Aerospace and Pratt & Whitney work is going on. But that is only for the stage of certification by your organization. But the orders will flow or once your material gets qualified and you are in that range.

For that Nadcap certification is very important. So Nadcap certification, we are on the verge of getting completed. Some of the equipments we are expecting for that, so already that equipments have been commissioned. Our people have been trained for Nadcap. Now we are expecting a final audit and pre-audit work is expected soon, then we'll have the final audit by the approving agencies, which is the U.K.-based agency is there, so that we were going to.

Amit Dixit: Turning to exports, which seems to have build up significantly due to our efforts over a period of time. So out of the total revenue that we might get this year, how much is it expected to be from exports? That is first question. And when the exports that we did in this quarter, can you give a basic idea which all platforms they were for or which all countries we supply to? Any more color that you can give on that?

Sanjay Kumar Jha: We are talking about the full year, whatever we have done, not only for this quarter.

Amit Dixit: Sir, what is the target for full year for the quarter? And you mentioned that export...

Sanjay Kumar Jha: So we are targeting INR 150 crores. That is 10% of our turnover we are targeting. And coming to that places where we are firm, we have supplied to GE aerospace one grade, then Israel also we have supplied for the scope models, Israel we given. Then also we have given to Turkey.

Amit Dixit: Okay. There was a discussion around having a Fastener plant. So is that plant -- I mean, what is the progress regarding that and when we would be able to set it up?

Sanjay Kumar Jha: Fastener plant, majority of the expense, already it has come and it has been tested. And we have already expected some 2, 3 equipments from the Indian source. But meanwhile, without those equipments also, we have taken some trial for work and we are trying to see that how we can meet the requirement of imported fasteners coming for HAL. So that, we have got some -- trial is going on. So we'll apprise you, whenever we get some major win. But our target is to do for that platform and as well as for the LCA and for AMCA. So all these things are in planned only, but full phase plan will be coming from the October, November, when they start.

Amit Dixit: Okay. Okay. Sir, regarding armour plate, now we have several naval platforms that are coming up Mazagon is delivering the -- even the next-generation corvettes program is expected to come up, P75, P25, RFO. Are we also developing some armour plate for these vessels? And also for LCH, I mean, as I hear, it has already been issued, so will we be involved in the development of that? If so, what would be the approximate market size or market potential for this?

Sanjay Kumar Jha: Armour plate is used for the naval application, you are telling?

Amit Dixit: Yes.

Sanjay Kumar Jha: Naval applications, they are not using the armour steel. They will be using the steel for -- naval steels are totally different. And in case of all ships coming for Mazagon Dock, the steel is coming excessively from the OEMs. They are only supplying the steel. And they have not given the permission, as per my understanding is there, to develop within the country. Only if they are going for the new deal, which is going to be announced or they are opening talk, in that only it may come that some of the indigenization, they can give it to the Indian companies. So we have yet to see that requirement.

Armour steel basically being used for over your armed vehicles, then morcha, tanks. But those things, already our steel are being used, and one by one, we are -- certain grades we are developing and under certification also because you need certification for any new facility. So

those things are in the process. But as far as armour steel is concerned for our own requirement, for MIDHANI's own requirement, we are producing in Hyderabad and then giving to Rohtak. And recently, we have also got some orders from domestic companies for the supplying armour steel. This also we are executing trials now.

There are many developments which we have taken recently also, we have developed the armour steel of very low thickness that is 4.5 mm. Normally, in the market, 6 mm thickness plate are being used. So this 4.5 is meeting the -- all the requirements in resistance against the bullets as it has been for the 6 mm. So we are hopeful that will be another unique product from MIDHANI. So we are expecting some initial orders also. Some of the domestic requirements. This is how we are approaching towards armour. There are many other developments which is going on. So we'll be giving you that our entire information as and when...

Amit Dixit: Are we also involved in Zorawar development and FICV that will come up in the future?

Sanjay Kumar Jha: FICV is basically that there, the entire armouring itself is totally different, not coming from the conventional armour. But we are trying to have a tie-up with BEML also is a part of that. So we had one round of discussion in that. So if the requirement of steel are there from that project, we will be developing our...

Amit Dixit: Okay. Sir, the last one from my side, what kind of revenue growth we can expect in this year? Given that there are so many developments that are happening, they will take time, of course. But for this year, what kind of revenue growth should we pencil in?

Sanjay Kumar Jha: Last year, we have seen around 23%. So we'll be in a similar range this year also.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Amit Dixit for closing comments.

Amit Dixit: Yes. Thanks, everyone, for attending the call this afternoon. I would also like to thank the management for sparing their time, for interacting with us.

I will now invite Dr. Jha for his closing remarks, if any. Over to you, sir.

Sanjay Kumar Jha: I will ask Director Finance to give a closing remarks.

N. Gowri Sankara Rao: Thank you all for attending the investors meet. As you have seen, MIDHANI in the first quarter, maybe the performance is a little bit compared to the previous year first quarter. It will fall in because of the various revampings we are doing. We expect from the second quarter onwards, it will be improved further. And also, we are bringing this titanium also. This new facility is coming up.

And the fasteners also, we will be implementing in the September-October. With that, the business will go up. The only thing is to reduce the inventory, we are not producing fully. Since we are already controlling, we will see and do some activity by increasing the revenue. And we are also getting the order. We hope there will be a good growth, good prosperity will be there for MIDHANI.



*Mishra Dhatu Nigam Limited
August 16, 2024*

This is all from the management side. I thank each and every one who has attended this conference call, investor call. Thank you very much.

Moderator:

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