



MDN/CS/COMPLIANCE/2023-24

November 17, 2023

To,

The Manager,
Compliance Department,
BSE Limited, P.J. Towers, 1st Floor,
Dalal Street,
Mumbai- 400001

Scrip Code: 541195

The Manager,
Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor; 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 November 15, 2023

Dear Sir/Madam,

1. Further to our letter dated November 15, 2023 intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on Q2 – FY24 Results, held on November 15, 2023, please find below the transcript of the aforesaid Conference Call.
2. The transcript of the call is also made available on the Company's website.

This is for your information and record.

Thanking you,

Yours faithfully,
For Mishra Dhatu Nigam Limited

Paul Antony
Company Secretary & Compliance officer
company.secretary@midhani-india.in

Encl: As above

मिश्र धातु निगम लिमिटेड **MISHRA DHATU NIGAM LIMITED**

(भारत सरकार का उद्यम) (A Govt. of India Enterprise)

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“Mishra Dhatu Nigam Limited
Q2 FY24 Conference Call”
November 15, 2023



MANAGEMENT: **DR. SANJAY KUMAR JHA – CHAIRMAN & MANAGING
DIRECTOR – MISHRA DHATU NIGAM LIMITED
MR. N. GOWRI SANKARA RAO – DIRECTOR (FINANCE)
– MISHRA DHATU NIGAM LIMITED
MR. P. BABU – ADDITIONAL GENERAL MANAGER
MARKETING – MISHRA DHATU NIGAM LIMITED
MR. PAUL ANTONY – COMPANY SECRETARY –MISHRA
DHATU NIGAM LIMITED**

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



Moderator: Good morning ladies and gentlemen. Welcome to Midhani Q2 FY24 Earnings Conference Call hosted by ICICI Securities. 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 touchtone phone. Please note that this conference is being recorded.

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

Amit Dixit: Thanks Lizann. Good morning everyone and thanks for joining the call today. At the outset, I would like to thank the management for giving us an opportunity to host this call.

From the management team today, we have Dr. Sanjay Kumar Jha, CMD and Mr. N. Gowri Sankara Rao, Director Finance. Without much ado, I would invite Dr. Jha for opening remarks covering the performance and outlook. Post which, we will open the floor for an interactive Q&A. Over to you Dr. Jha.

Sanjay Kumar Jha: Very good morning to all the investors, stakeholders joining for this Investor Conference Call. I am very pleased to join with all of you and with me we have our Director Finance, Mr. Gowri Sankara Rao and we have our Additional General Manager Marketing, Mr. Babu is there and Companies Secretary, Mr. Paul is available with me. So I would like to start from the results which you have seen for the second quarter for this current financial year.

The second quarter we have achieved a turnover of INR227.48 crores and we have registered a growth of 25%, around 26% against the previous quarter of the previous financial year. And also the VOP has increased by 16% compared to the second quarter of FY23. There is a substantial increase in the total VOP and turnover in the half yearly basis also, H1 of this FY24.

We have a growth of almost around 40% on the turnover and also 21% on the VOP compared to the FY23. However, there is a drop in the PBT PAT for the FY24 come to the FY23 on the all quarter basis also and the half yearly basis also. We have the reason behind that mainly because all expenditures are well in the control except the raw material has taken the major toll in this half yearly account.

On two counts, first because of the consumption also has been on higher side because many of the alloys which we have produced during this period is all super alloys which is a nickel based alloys. Nickel being the very costly raw material, it has been there is an impact. But moreover that the increase in price also is there from the, if you see the FY23 to FY24, there is a substantial increase in the raw material cost which has given the major impact.

And that part is almost coming to almost around more than INR50 crores is coming because of the increase in the cost of the raw material. So, this is mainly because of the super alloys productions have gone up in this quarter and we have seen that the possibility of reducing and consumption and all because the requirements is mainly for the aerospace grade and aerospace grades. The virgin pure raw material only required to be put for making the different heats.

So, we will see that as we have the product mix, it may get stabilized in the future. Our order book position also is coming all consistently it is around INR1500 crores. And if you see in the H1 already we have booked the order almost INR720 crores order we have booked in the first half and H1.

And we will be seeing that similar type of growth coming in the second half also. The indications on the order book front. Export has been also significantly up but of course the base was very less on the last financial year.

So, we have substantial change because of that. But we expect that this trend will be maintained on the export front also for this financial year. So, with this the initial introduction now I will leave it. I will be more comfortable in taking the questions because you will have the many queries. So, we can have the questions coming from our investors. Thank you.

Moderator: Thank you. The first question is in the line of Venkatesh Subramanian from LogicTree Consultants Private Limited. Please go ahead.

Venkatesh Subramanian: Yes, good morning Dr. Jha. Good morning. I wish you a very happy Deepavali and a very good new year ahead.

Sanjay Kumar Jha: Happy Deepavali to you also and all our investors and New Year ahead for all our investors.

Venkatesh Subramanian: Thank you. Sure. Thank you so much, sir. So, basically two questions. You are saying, of course Midhani is a very unique company and we are looking at being a provider of various solutions in the defense and other spaces over the, both in domestic as well as exports. My question is what is the total size of the opportunity that Midhani can participate over the next 3 to 5 years?

What is the broad big picture number that considering if Midhani had all the resources in place, how much, what is the big picture? Number two, what is it that we can target as an entity over the next 3 to 5 years? My question is example, for example, the total size of the pie is INR12,000 crores or INR15,000 crores. Can we be, can we have a top line of say INR3,000 crores over the next 3 to 5? Do you foresee that happening and are we prepared for it?

Sanjay Kumar Jha: Yes, this is very, very good question I'll say. And we also, we have been working very hard to find out that what will be the opportunity in the future. And also the many, our internal assessment we have done, we have done the market analysis, we have seen our potential. And considering as you said the market potential is of INR12,000 crores. So, this also is a very good figure. And definitely we will be, you will be seeing the growth in our sales also, revenue also coming in the future.

In fact, in this quarter only, this half yearly only we have seen that 40% there is a change in growth in our revenue on the half yearly basis. And if the trend continues, I think we'll be definitely coming to not less than 25% growth overall as this year-to-year basis. And coming to that future that what will be the FY '25, FY '26 and all, we are expecting similar type of growth but you know that for any growth and all you have to see your capacity also.

So, whatever capacity we have now, we have made and we have invested our capex and something is already also going on. I feel that similar type of growth will be possible for the company to maintain. And in this entire activity, I think there is a tremendous pressure will be there on our -- how we are able to make our finance. Because mainly the coming that our working capital is the one issue which we have to see that how we can cope up. But the moment you have to increase your like capacity and all, there will be a different requirement of working capital increase. So, you must have seen our finance cost also has gone up.

So, these are the challenges are there but definitely and also as you said about INR12,000 crores of the market potential. This INR12,000 crores having the lot of competition will be there. It will not be very simple cake walk for any companies. So, we have to also see that how we can optimize our cost of production and then we can also see that how we can capture the many orders. So, if we divide this INR12,000 crores expected market, there will be I think hardly 20% to 25%. 20% only will be there for maybe for the very exclusive type of not even 20%. I will say, I can say around 20% will be there or 10% they can say will be there which will be a good potential margin will be there.

But the other aspect will be mainly which is having lot of competition. So, there will be tremendous pressure on the margin also because of this but definitely I see the revenue will be going up as we go year-by-year. So, that will be already we have worked out our corporate plan and all is there. So, we will be sharing the information as and when we will meet our investors.

Venkatesh Subramanian: Okay, sir. Just a follow-up question on that is I understand that obviously considering the current resources and current capabilities that you have, you said over the next three years we can probably pursue these opportunities. But to target additional growth, you said you will be seeking more working capital or capacity increase as we go along. I am sure you will find a solution. Midhani is a blue chip company. I do not think it should be an issue, sir.

But my question is out of this size of the opportunity that you are talking about, is it just India domestic business or exports put together? Do you have two different buckets under which you classify your business growth?

Sanjay Kumar Jha: Yes, export also is in our bucket list. Export, always the target which we have set for this year is around INR200 crores out of maybe almost coming to around 15% of our expected turnover. So, 10% to 15% definitely will target to get the export. But export has a bigger potential also. But today the challenge is that first we have to see how we can meet the domestic requirement. Then based on that additional capacity only we have to go for the export.

So, one balance has to be maintained by a company like Midhani, where if the spare capacity is available, then only we should enter in the export market. Otherwise, the domestic requirement also is increasing. And there is a lot of...

Venkatesh Subramanian: I think Midhani is strategically important for the country. So, I think our requirements come first. Is that right, sir?

Sanjay Kumar Jha: Yes.

Venkatesh Subramanian: Okay. So, this new announcement with Hindustan Aeronautics and Boeing where they are thinking of setting up some facilities in India, etcetera. Would we play a role somewhere, sir, in that?

Sanjay Kumar Jha: I think not Boeing. I think Hindustan Aeronautics and GE. GE for...

Venkatesh Subramanian: The latest one that has come up where Hindustan Aeronautics and Boeing, they are going to set up some sort of an MRO facility for Boeing planes in India?

Sanjay Kumar Jha: Yes, MRO is one area which I think MRO initially, the major challenge in the MRO is first to start establishment. And then before that I see the opportunities there in the other areas where you see that aero engine manufacturing with the GE collaboration and all is going to take off faster than that.

But MRO also we can join. But first of all, in any foreign OEMs supply chain, unless you enter in the main manufacturing side, then only also you can put in the MRO also. So, our target today is that how we can enter in their supply chain of these OEMs, international aerospace companies. So, this is our target Midhani is pursuing in current scenario. And we have got initially we have got, we have made some initiation.

I think that will pay in the future and we will be getting this type of opportunity also to enter in the MRO also and as and when the requirement arises. But before that, we will be having the major, I think our target should be to enter in the aero engine manufacturing when they are entering our country. And we should see that they should also source the material from the Indian source, India only.

Venkatesh Subramanian: Got it, sir. Super. Sir, I have one more question on nickel self-sufficiency. But I will join the queue and I will come back again, sir. Thank you.

Moderator: Thank you. The next question is from the line of Romil Jain from Electrum PMS. Please go ahead.

Romil Jain: Thanks for the opportunity, sir. And I wish everyone in the company a happy and a prosperous new year. Sir, I have a couple of questions. So, one question is on the raw material side. I understand, I think in the last one year or so, we have had a lot of challenges on the raw material side. But if you could just explain a bit more in detail as to which are the raw materials which are contributing to the stress right now. And if at all, we have any sense of when this raw material issue can reverse? And probably, what would be the sustainable margins going ahead if things start normalizing soon? So, if you could give some gist on this?

Sanjay Kumar Jha: First of all, regarding raw material side, I would like to mention here that major, if you see the tonnage wise, nickel is going to play a major role. And you see the nickel price is controlled by the LME price, that is London Metal Exchange price. LME will be the deciding factor. So, LME fluctuations are there quite big in case of nickel. And we are also affected because of this. And we cannot stock also in the large quantity when the price is low.

And when it is low, we also cannot say. Many times that effect will be there. I was just trying to turn the page and see that in this year itself, if you see our raw material, the last year in the same half yearly, our consumption, that time the rate of nickel was around INR1,700 per kg. And in this half yearly, it has gone to INR2,100 per kg almost. So, there is an increase in the price in that way. And that is, I think, has played a vital role almost. You can say around 20% increase is there. So, that type of fluctuations are there. And since the nickel consumption is a larger number quantity now, so this impact has come.

So, as of now, nickel price has cooled down. And I am expecting this will continue for some time. But you never know. The current geopolitical situation is very tough to predict. And it is precisely controlling the entire raw material price because of this. Many places, because of the panic situation, because of the uncertainties, people try to start -- make the stock. And when they find after some time that the stock is excess, then they release in the market. So, the price will be cyclic in nature. And that is going to continue for some time. And other raw material, I would say the titanium sponge, which is used for titanium alloys. That price also has gone up almost 40% or 50% price has gone up.

Romil Jain: So, what is the price right now of titanium sponge?

Sanjay Kumar Jha: Sponge, that is the input material for making the titanium alloys.

Romil Jain: So, what is the price right now for that, sir, currently?

Sanjay Kumar Jha: I was just again that price, last time it was INR700 per kg. And now it has gone to almost INR1,200. So, INR1,200 almost, not INR1,200, I would say almost INR1,300 you can say. So, there is a substantial increase in the price. And orders which normally we book, we have to book on the fixed price. We are not putting any variable costing with the raw materials anymore.

These things are going to impact because our main product is going for the nickel-based alloys and titanium-based alloys for all aerospace and high-end applications in the area of defense and space. So, there we are getting this type of impact. If you ask me to predict again the price, how it is going to be in the future, right now nickel, as I said, has cooled down. But then titanium sponge, again it has picked up, it is on the higher side. So, this is the scenario today. But as and when the impact will be there, since our consumption also is not scrap, we cannot use the scrap, recycled one. So, especially we have to take on the pure metal side only. So, that type of impact is coming.

Romil Jain: So, sir, just one clarification on this point that you mentioned. So, the contracts are in terms of pricing, we do not have pass-through, right? So, they are fixed price contracts. But at the same time, when we get the contract, are we hedging it or can we hedge these prices to some extent? Or that is not possible?

Sanjay Kumar Jha: See, hedging is not allowed. First of all, we are not going to hedge it. But even if somebody is, I am not talking about Midhani, if some company is trying to hedge the raw material price, how you are sure about that the price will not come down? So, today suppose I am hedging the price and tomorrow if it is coming down, then you will be in loss. So, that situation is prevailing.

And for the item which I have mentioned, the source will be, in fact, you cannot [pre-empt], aluminum is available plenty in the market. The source, the supply itself is a constraint. At any given point today, we have a single source, single supply source. And there the requirement has gone up extensively. So, it is a supply-demand situation. So, demand is on the higher side, supply is less.

In fact, titanium sponge is controlled by the Russian company. Now Russia is not even sparing a single gram or so of titanium sponge. Ukraine has already, how it is getting devastated. So, there is no production in the Ukraine. Many things are suffering because of that.

Romil Jain: So, are we looking at some alternative sources in titanium? I mean, what is the way out here, sir?

Sanjay Kumar Jha: Yes, there are some programs, sir. There is some think tank is working on that. It is some for strategic requirements. So, we will be trying to see that how we can indigenize in our own country. But all those things will take time. And also, there also it will have to pay a price. It will not come at a very low price. Because in the initial stage, you have to also have the old technology, then the equipments are old.

So, the increase in the production requires some sort of investment. And that investment is not economical in nature. Because the economic scale is not there. Even if you try to make the sponge in the country, your requirements will be, let's say, 1,000 tons, 2,000 tons. But the plant will be economical with 20,000 tons. So, you have to look for the alternative market elsewhere. Otherwise, increase the consumption in our own country. So, these things are all sites is going to take some time. But we have initiated some program on that.

Romil Jain: Okay. And, sir, on the inventory side, any concrete steps that we are taking to kind of control this situation? Because I understand about the scrap issue. But what are we trying on the inventory side? Because, sir, in terms of growth that you mentioned, revenue growth and order inflow, I think there is no problem on that side. There is no issue on the opportunity side that you mentioned. But I think inventory is one area where we need to really work hard on. So, any concrete steps and any guidance you can give that in the next two years, we are going to come at some sustainable levels or something like that, sir?

Sanjay Kumar Jha: Maintaining the current level of inventory itself is a big challenge. Because one way that your cost of raw metal also is going up. So, definitely even the tonnage will be reduced, less tonnage. But the cost will be on the similar line. This is the one challenge which we are facing now. And many materials which we produce, we are not having a secondary market or secondary source where we can sell it. So, this is the challenge we are facing.

But nevertheless, if you see in this quarter, we have tried to balance, control our inventory. But the scrap has gone up by some amount. So, again the scrap cost valuation also, valuation will be on the higher side. Because your content raw material which is there in that, that cost also has gone up. So, this is the balance is planned. But today, I am not seeing the immediate future. Because as you have told, I have told the uncertainty.



Some raw material also I have to store. Otherwise, I will be having production will get suffered. So, raw material side also some inventory has to be maintained. Otherwise, we cannot maintain our flow of the production. It is happening because of this.

Romil Jain: Okay, thank you sir. I will come back in the queue for more questions. Thanks.

Moderator: Thank you. The next question is from Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Yes. Good morning sir. Sir, we talked about this inventory, raw material, cost price, inflation. I just want to know, why can't we have a contract where we can pass through the raw, in such an environment where there are so many geopolitical issues. Why can't we have this thing built up in the contract with our customer?

Sanjay Kumar Jha: I think you are asking that we should have a long-term contract with the supplier?

Viraj Mithani: No. Increasing the, since you are mentioning the raw material cost, raw material prices are so much fluctuating with geopolitical...

Sanjay Kumar Jha: Sir, everything in order, customer, with the customer.

Viraj Mithani: With the customer, yes?

Sanjay Kumar Jha: The customer, see, when the customer is sourcing material from us, they are also getting the project based on certain -- see, if you see that whatever project we are taking, they are also getting at a fixed price. So, they cannot afford to have that type of fluctuation in their project. So, let's say if I am supplying the material to HAL or any aircraft manufacturing company, they have a fixed contract, the cost is fixed. So, they cannot absorb that fluctuation if you are asking that type of cost.

So, basically this is not possible. In certain cases, earlier, when we have the long-term order coming from, let's say, from a space earlier where the order is for three years, four years, so there we had some provision for that raw material, sort of that inflation and all, it was inbuilt in that. But it is not being done in all the projects because their supply time is very less. Now we are getting the orders where we have to supply within six months, within three months, within four months. So, for that, nobody is, no customer is willing to give that type of provision.

Viraj Mithani: And sir, what will be our breakup of our revenue and order book, if you can give the breakup in terms of space, defense and non-defense?

Sanjay Kumar Jha: You are asking the current order book?

Viraj Mithani: Current order book breakup and even the revenue breakup, this time?

Sanjay Kumar Jha: Okay, whatever we have achieved now. I will share that information. What we have done, if I see the sales-wise, we have in this period 25% from the space, 30%, almost I would say 50% coming, 50%-55% from the defense. Then energy sector we have around 4%, others 10% and export 4%.

- Viraj Mithani:** And sir, order book breakup would be same or different?
- Sanjay Kumar Jha:** Order book is also in the similar line, I would say. Almost you can take in the similar line, order book also. If we see, what is the order book? So, order book also in the similar level, when we have the space around, in fact it has come down now, it is coming to almost less than 20%, it is coming almost 15%, 15% to 16%. And defense is coming in the big way, almost I would say 70% is coming from that defense side. And balance, exports and railways and all.
- Viraj Mithani:** And sir, what guidance would you give for this year and the next year? Means what will be the growth and the profit margins?
- Sanjay Kumar Jha:** Profit margins, I cannot say right now, but I will be growth, as I told already, we are planning to achieve around 25% growth on year-to-year basis.
- Viraj Mithani:** Would it be fair to predict that the next half would be better than the, this current half would be much better because of the, the nickel prices going down?
- Sanjay Kumar Jha:** It is always the case in Midhani that the second half will be better because slightly pulling off the raw material price also. But how much we are going to gain because this, we have problem that in the first half we have, our consumption level has been substantial. We are trying to minimize in the second half, so we will see, it will improve further prices. But how much value around will be, once we see the quarter 3 results, we will be having more confidence.
- Viraj Mithani:** Okay, that's it from my side. Thank you, sir and all the best.
- Moderator:** Thank you. The next question is in the line of Romil Jain from Electrum PMS. Please go ahead.
- Romil Jain:** Yes, sir. Thanks for the follow-up. Sir, one question is on the orders that we have received in this quarter. If you can just, if possible, which are the key orders that we have received in this quarter?
- Sanjay Kumar Jha:** We have got from almost a space around 20% almost from the space. And we have got majority of coming from the defense, 70% I will say coming from defense. Naval is around INR289 crores. Aero INR80 crores. Then we have got from the missile around INR54 crores. So that way, it is coming to that level of 70% and then 30%, it's coming from the exports and others.
- Romil Jain:** And let's say based on the pipeline that we have, I mean, how is the pipeline looking? Has it increased in the last one year or so? And where can we end the year in terms of order book?
- Sanjay Kumar Jha:** Last year, total order book was INR920 crores. This year, we have almost crossed INR720 crores right now. And I am expecting another INR700 crores definitely coming from the next half.
- Romil Jain:** So another INR700 crores orders roughly coming in the second half?
- Sanjay Kumar Jha:** Yes.
- Romil Jain:** Okay. Got it. And sir, one question on the pricing environment that you mentioned. So obviously, there is a raw material issue and it is not in our hands also. So when we are bidding for the orders, right? Is it not possible that we increase the prices for this uncertainty? Or we are

not allowed to increase the prices? How that works, sir? Because everybody knows that there is a problem of titanium or there is a problem of supply chain. Then probably why should be the one who are taking it, right? So can't you increase the prices to that extent?

Sanjay Kumar Jha:

First of all, you have to be -- see, the orders which we are getting now, many orders we have to go on the competitive bidding. So if we add up so much price for the raw material itself, probably we will not get the order itself. That is the first thing. Now next that we are -- whatever the margin you have to keep, you have to keep from that particular time. You cannot go for predicting that raw material price will be 30% higher, 40% higher.

Nobody can be doing otherwise, it is difficult to be in the market. So normally, we see the current price we quoted. Then if the price is going up, then only we have to see that our margin is coming down to the extent.

Romil Jain:

Okay. And sir, in case of competitive bidding, so almost all the projects or orders that we are getting are competitive bidding, right? So how many players are there in this bidding and how many Indian players are there? How many non-Indian players are there? If you can give some idea about that.

Sanjay Kumar Jha:

It depends on the order to order. Many places we have only two players. Some places we have four players to five players. Some places we are finding even the 10 players, 11 players also. And many cases we see today that people even we have to beat against the international competition also. So these are the challenges that are there.

And today for the projects which people are getting, they like to get platform also, their pricing also are very, very competitive when they book their platform. So they will also try to negotiate very hard even though if it is on single tender basis because they go for all your costing data and all, then only you can give. So you know that many orders which they are getting on the Ministry of Defense is giving now. They do a lot of analysis and only they fix the price.

And they will be compared with the international bidding and all. So it is built in the platform itself for which we are bidding. So these are the challenges which everybody has to face, not only Midhani, any company in this field they have to face. Even as far as quarter of stake is concerned also. Right now you see we are supplying to all the private people like. We are supplying to a consortium made by L&T, HAL. So there also we have to be highly competitive. So we have to compete. We have won this order against the competitive bidding. So they are trying to see that how they can minimize the cost of the input material.

Romil Jain:

Okay. And sir lastly, how much is the capex we are expecting this year and maybe next year, FY '25? And out of that working, the total borrowings that we have roughly I think INR400 crores, how much would be the working capital borrowings?

Sanjay Kumar Jha:

Our borrowings is only, we have INR100 crores, we have the capex. INR100 crores capex this year. INR100 crores working capital only. This year means it is already drawn and we have already made the projects. That values we have already completed. The balance already which we are trying to do this year is around INR80 crores is our capex.



Romil Jain: Okay. Okay. And on the working capital loan, sir, how much would that be?

Sanjay Kumar Jha: Capex, we have not planned additional borrowings.

Gowri Sankara Rao: It is INR350 crores.

Sanjay Kumar Jha: INR350 crores.

Romil Jain: INR350 crores is the working capital loan?

Sanjay Kumar Jha: Yes, yes.

Moderator: Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have a few questions. The first one is potentially on the revenue breakup, if you can give between superalloys, titanium-based alloys, and specialty steel for this quarter?

Sanjay Kumar Jha: Okay. That we will provide you. We are not having the readymade data available coming from the superalloys and all, but I will provide you that information.

Amit Dixit: And gold head, sir, as we see that order inflow that we are expecting of?

Sanjay Kumar Jha: We will give you the right figure. I'm not -- I'm having the approximate, I don't want to give you that figure. But definitely, I'll leave you -- share that information.

Amit Dixit: No problem. I will ask company secretary for it. The second one is on essentially that going ahead, do you expect this INR700 crores incremental that we are expecting in H2, will be component of -- do we see the higher component of specialty steel and superalloys in that compared to titanium? Or how is that going to be, very similar to what we have seen until now?

Sanjay Kumar Jha: What we have booked? Book order, we have, expected or booked?

Amit Dixit: Expected. Expected as well as booked if you can see?

Sanjay Kumar Jha: What was your question, can you repeat?

Amit Dixit: So the question is that we are expecting INR700 crores?

Sanjay Kumar Jha: Booked, already, we have made the -- yes, just you listen, special steel INR252 crores. Superalloy is INR171 crores, maraging steel INR151 crores, titanium alloy is INR128 crores and others coming to almost INR13 crores. And if you see the expected one and all, also for -- so expected also, we are having almost in the similar mix, it will be there. We'll inform you that what -- it is going in the sequence wise. So very difficult to talk about that which order we are going to get first and all. But we are...

Moderator: Mr. Dixit, are you done with your questions?

Amit Dixit: No, no, I have a couple of more, I have actually, the management were discussing their business, I was waiting them for them to complete. Yes, so the second question I have is on -- sir, since we are increasing our titanium capacity quite substantially. And as I understand that we have got capability to participate in the aerospace program for the future, along with HAL maybe.

So I just wanted to understand, I don't want a one year, two year perspective, but from a five year view, whenever titanium capacity would be up and running, what kind of revenue growth or profit growth do we expect? What all platforms do we expect to participate? And if you can highlight some of the major upcoming platforms such as the Tejas Mark 2 engine, or Mark 1A engine as well or whether we are going to participate in certain of the missile programs. So certain platforms the big ticket items would certainly help at this stage from a long-term perspective, sir?

Sanjay Kumar Jha: If you ask me on the platform, wise consumption, is it not. So for Tejas. Tejas, one thing is there. Tejas, the engine is coming from GE. So whatever we are supplying the materials are very basic in nature, that there we have mainly titanium alloys and some of the steel -- special steels and a little bit of superalloys, very less.

But what we see in the major convention, the superalloys for the Indian program is coming from development of Kaveri engine, Kaveri dry engine, which you might have seen now for the unmanned vehicle, which India is developing so for that purpose. So also, we have -- there are some programs for making the ATG and also development of the alloys for AMCA, that is for advanced multi-combat air vehicle.

So for these areas, is only the special alloys are required, and may more focus way now the things are coming for indigenization of the some of the alloys for our foreign platforms. So those things are expected to now originate, but that once it gets crystallized then I'll inform you.

But there also, there is a lot of combination of, again, steel, superalloys and titanium alloys. So basically, in the aero engine only, if you are entering then, we have the major consumption of titanium nickel alloys. So we are expecting in those areas and some of the areas where we are exporting also.

Amit Dixit: Okay. Sir, I have other questions, I'll come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Khush Nahar from Electrum Portfolio Managers. Please go ahead.

Khush Nahar: So first question was, sir, broadly, can you mention the percentage of our revenue, which is a titanium-based and nickel-based?

Sanjay Kumar Jha: As I told to the previous question itself, that this communication I'll send you in our format, that's what we have achieved in the H1 of FY'24 we'll send you that information odd classification that how much percentage we have done this. Right now, it is not there as a complete information. I want to give you the right figure. I'll tell you. Okay?

- Khush Nahar:** Okay, sir. Yes. And sir, my second question was, what kind of shift are we seeing? So for example, our order book in the previous years was around in the range of INR800 crores, INR900 crores and today, we are expecting around INR1,600 crores in this year. So what kind of macro changes are you seeing in the industry?
- Sanjay Kumar Jha:** I have told that this year, we are expecting order book of the buildup of around INR1,500 crores. That's what I have told. I have not told about the INR1,600, of course, around INR1,400 crores to INR1,500 crores. This is one question. Second that you are asking that classification, which sectors? Which already have told that defense will be the major one, almost will be -- you'll find that 80% will be on the defense side only this year, and which we'll be maintaining that, majority will come from the defense volume.
- And balance coming from that export and space. But definitely, space is dipping down at least very less, certainly very less in the space. Because already we have made all supplies to the space almost we have completed. Now very less requirements are left now. So they have a good level of inventory now with them. So they are -- unless they consume that then only will go for the next requirements.
- Moderator:** Thank you. The next question is from the line of from Amit Dixit from ICICI Securities.
- Amit Dixit:** I have three questions, and these are more of a bookkeeping question. The first one is, if you can just let us know the revenue -- incremental revenue that was booked from Rohtak armour factory and Wide Plate Mill in this quarter?
- Sanjay Kumar Jha:** Order book for the Wide Plate Mill?
- Amit Dixit:** No, no. The revenue that was booked in this quarter?
- Sanjay Kumar Jha:** Sales we have made from this quarter from Wide Plate Mill. Wide Plate Mill sales we have a direct sales coming from Wide Plate Mill, how much? Around INR100 crores, INR120 crores. We're going to say around INR100 crores plus for H1.
- Amit Dixit:** And for Rohtak armour factory sir?
- Sanjay Kumar Jha:** From Rohtak, it was around INR60 crores.
- Amit Dixit:** INR60 crores? Okay. The Second question is, sir, what would be the level of contract assets and customer advances on the books?
- Sanjay Kumar Jha:** Which one?
- Amit Dixit:** Contract assets and customer advances?
- Sanjay Kumar Jha:** Contract asset, we are not having that.
- Gowri Sankara Rao:** The customer advances will be there.



- Sanjay Kumar Jha:** Customer advances will be there. You're asking about the advances in the terms of money?
- Amit Dixit:** Yes, money.
- Gowri Sankara Rao:** See, we get advance of 32% -- 30% normally, customer advances, 30% of the order value they give. Presently, in fact, earlier we got from the ISRO, now we are completing that supply, that advance has come, but still we are getting some advances, only in the first half, we got INR200 crores advance.
- Amit Dixit:** So currently sir, how much is there in the books actually, in your balance sheet, customer advances, is it INR300 crores?
- Sanjay Kumar Jha:** Balance, we will tell you that figure.
- Amit Dixit:** Okay. The next question is...
- Sanjay Kumar Jha:** Tell me, yes.
- Amit Dixit:** A substantial increase in payables in this half year. So can you let us know what was it, I mean, on the account of around INR153 crores...
- Sanjay Kumar Jha:** Which one?
- Amit Dixit:** Increase in payables.
- Gowri Sankara Rao:** Yes. Payables. You must have seen as we have explained our pressure on the inventory, our inventory has built up, it has increased by INR248 crores compared to last year. So as we explained the raw material consumption, most of the payables are raw material only, nearly INR150 crores, because of -- and pricing. We have to delay some payments, because we are not going for any further working capital because already MIDHANI has tied up for INR350 crores and INR330 crores.
- Sanjay Kumar Jha:** But we also have the receivable now, receivable are taking a lot of time because of that payment has to come from the government. So it takes time in processing and then the submission. So that's why considering that, we are not taking any working capital loan. So this is -- basically, the balance is coming, but then both sides, payable is also getting delayed, receivable also we are getting delayed.
- Amit Dixit:** Okay. Okay.
- Gowri Sankara Rao:** Clearly INR360 crores advances.
- Amit Dixit:** INR360 crores. Okay.
- Gowri Sankara Rao:** In that INR200 crores will be in the first half only.
- Amit Dixit:** Yes. INR200 crores in the first half. Okay, sir. Great.

- Moderator:** The next question is from the line of Rohit Ohri from Progressive Shares.
- Rohit Ohri:** Two questions. First one is related to ISRO. After the success of Chandrayaan, they are looking at Gaganyaan and we have already worked for them. So would you like to take us through what sort of work can MIDHANI do currently with Gaganyaan and the projects associated?
- Sanjay Kumar Jha:** For Gaganyaan, majority of supplies already we have completed. And now the limited requirements are still there. So there, we have some special materials like titanium plates and some of the like grid fin, some -- still some requirements are there, which we are executing. So I say 90% already we have completion is over for the Gaganyaan requirements.
- Rohit Ohri:** And there's no other players or the players of the same project that ISRO is looking at?
- Sanjay Kumar Jha:** ISRO, right now, they have the -- more they are going for a public private partnership model. So the many things are now getting in the offering now. It will be coming in the future. It will take some time. But they have one thing has come out now that 5 PSLV, they have given to L&T and HAL Consortium. So that 5 PSLV orders we have received and which we are already executing now. So this year, this current financial year for the 5 PSLV requirements, we'll be giving from already supply has started, we'll be finishing in this financial year for the entire supply for the 5 PSLV also.
- Rohit Ohri:** Okay. Sir, knowing that these material will be of very high quality and high purity requirement, do you think you will be able to kind of liquidate the strategic material that we are already carrying since last 2, 3, 4, 5 years?
- Sanjay Kumar Jha:** That's a big challenge because these are the strategic value, I rightly word put the strategy. And today, the world is very in a difficult critical situation. So these are strategic materials. First of all, you have to find out the buyer. And the buyers will be having no bad intention, which would be used for a constructive purpose. And also it is better if it's within the country. So there are many challenges. We are trying to see that how best we can utilize. We are -- we have got some success also in that area.
- Our focus is that in today, but recently, also, we have done a very unique development and technology earlier used to use for space requirements with fewer materials. So now we have gone to 50% scrap. Now we are looking for even higher content of scrap also. So these things are not done immediately because many testing qualifications are required, and customer has to agree for that.
- So some work is moving in that, but that is very less because whatever we have piled up is not 5 years, it is right from the inception. Many things are right from the inception only it has been piled up. So we have to see that how best we can utilize because these are all valuable materials, having a lot of good -- you have the nickel, you have the cobalt, all relevant materials are there. We are trying to test out it like that. One way is just to find out and sell it in the market, but that sort of possibility is not there, if we get some good customer.



- Rohit Ohri:** Okay. Sir, my second question is, looking at the margin erosion that we have seen and aware that in the second half we generally use quite a lot of scrap material, but if you look at the bottom line, do you think you will be able to close the year with the PAT levels of pandemic or pre-pandemic levels of INR130-odd crores or something like that?
- Sanjay Kumar Jha:** We are hopeful. Let's see. We are hopeful, and we are trying for that. And we definitely trying to see that how best we can optimize that.
- Rohit Ohri:** Okay. So that's all from my side.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Amit Dixit for his closing comments.
- Amit Dixit:** Yes. Thanks, everyone, for attending the call this morning. I would also like to thank the management for sparing their valuable time for interacting with us. I will now invite Dr. Jha for any closing remarks.
- Sanjay Kumar Jha:** Yes. First of all, I am extremely thankful to all the investors, stakeholder for showing your interest and giving a lot of very valued -- your questions and queries. And we have tried to answer to the best of our abilities. Certain things which you have asked early, we have not answered to the level of satisfaction. But many things we have to see that how we can take care of the interest of the company also, because many informations are very crucial in nature for the strategic program of our country also.
- So we have done to that extent. And whatever you have seen in the results, which has come, we are also trying to see how we can improve it further in the coming quarters. And I see that MIDHANI will be in the right place. But one thing is there that this industry is now and in very, I say, transformative state because of the change in the requirement of the materials in the different types. So we have to see that, and this is a time where investor has to put the confidence on us.
- And I am sure that we will not make you -- will make you happy at the end of the day, and entire company management is working hard. We have a very good team of engineers, committed people. They are working very hard to minimize and many new products we have developed, which if you can say that recently also, we have got the product development for C-276 Hastelloy for BHEL executed successfully. And also, we are trying to make many alloys for our aero engine program. Many foreign supplies we have made for aerospace industry right now.
- So we are trying to see that how MIDHANI can be a leading material supplier for the aero engines or aerospace in the future, not only in the domestic, in the international front also. So this is a challenge. So I'll say this is the stage where we are -- the company is in the complete transformation, and we need the blessing and support of all the stakeholders. Thank you very much.



*Mishra Dhatu Nigam Limited
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Moderator:

Thank you, members of the management team. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.