



MDN/CS/COMPLIANCE/2022-23

June 11, 2022

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Dalal Street
Mumbai- 400001

National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor C-1, Plot No. CII
G Block, Bandra Kurla Complex, Bandra (East)
Mumbai - 400051

Scrip Code: 541195

Trading Symbol: MIDHANI

Sub: Transcript of the Analysts and Investors Meet / Conference Call held on June 7, 2022

Dear Sir/Madam,

1. Further to our letter dated June, 7 2022 intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on 'Q4 & FY 22 Results' held on June 7, 2022, please find attached 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

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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
Q4 FY22
and
Business Update Conference Call”

June 07, 2022



MANAGEMENT: **DR. SANJAY KUMAR JHA**
 CHAIRMAN & MANAGING DIRECTOR

MR. GOWRI SANKARA RAO NARAMSETTI
DIRECTOR (FINANCE)



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Moderator: Good day and welcome to Q4 FY22 and business update conference call of Mishra Dhatu Nigam Limited hosted by ICICI Securities Limited. From the management team we have with us, Dr. Sanjay Kumar Jha – Chairman and Managing Director.

As a reminder, all participants' 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.

Without further ado, I now hand the conference over to Dr. Sanjay Kumar Jha for his opening remarks. Thank you and over to you, Dr. Jha.

Dr. Sanjay Kumar Jha: Good afternoon and I welcome all the investors and the stakeholders for today's conference. I am very pleased to announce here some of the highlights which initially I will start with Q4 results.

Q4 for 21-22 we have sales of Rs. 323.29 crores against 345.87 from the previous year. And VOP for in this fourth quarter of this 21-22 is at around Rs. 352 crores against the previous year of 271. There is a growth of around 30%. Also, we have the PBT which is Rs. 110 crores against Rs. 101.53 crores which we have recorded in the previous year, registering a growth of 8.8%. Similar trend is in the PAT also where our Q4 PAT against 74.62 of the previous year, the quarter four of 21-22 stood at Rs. 80.99 crores. This year also, if you see the overall for 21-22 as in the full year, complete year of 21-22, we have achieved a turnover of Rs. 859 crores against the earlier last year turnover of Rs. 813 crores registering a growth of around 5.7%. VOP also there is an increase of around 28% corresponding to the previous year so against 771 from the previous year, this year we have achieved Rs. 988 crores. And there's a corresponding increase in the PBT also and PAT also. And PBT stood at Rs. 239.12 crores against the previous year of 226 and PAT is 176.31 against the previous year of 166.29.

So, this is the total financial performance what I have put briefly here, and our results are already out. It is available for further details. And considering that this year we have paid the dividend of, already interim dividends were paid of Rs. 1.56 per equity share. And now we have decided the equity around 1.54 per equity share is the final dividend we are going to pay for 21-22, which is also the highest. In fact, it works to around 33% of PAT and highest dividend paid by the company so far in its history.

So, this is all performance, there have been some difficulties. As you are aware in the last quarter there is some impact of the current conflict which is going between Ukraine and Russia and also that has put a lot of pressure in some of our raw materials as well as the sales also, so we could not realize certain amount of sales in the last moment due to this affecting, due to this war.



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And initially the first quarter of the company's performance was also affected by the second wave of pandemic, third also has slightly, but then this is all, it was common for all these companies for this year.

Order book position, I just want to highlight here, that our order book stands almost similar to that what we had on the 1st April of 2021, it is coming to around Rs. 1,317 crores. The reason behind that buildup of the order book is mainly today we are not getting any order which can go for the couple of long-term. What we are getting the orders now that we can get the orders and we have to execute within a very short time.

This year another highlight, as I said, about the significant jump in VOP and also the export has gone almost it has touched more than 4x. Of course, base was very less, but nevertheless export jumping to 4x and we have to also see the disruption in the supply chain due to the pandemic in the entire globe, this has been a very significant achievement for the company as far as presence in international market is concerned.

I would like to highlight some of the other achievements. Our facility which has come at Rohtak in Haryana which is exclusively for our facility, that facility has already been established and we are starting the facility, already we have the booking of more than Rs. 100 crores of orders for this facility. So, we are starting the facility with a very good note. We also started our wide plate mill which was coming from since long time in this 21-22 and we have got established the entire product range which includes low alloys steel, stainless steel, titanium alloys, super alloys, armour steel, varieties of products already we have demonstrated and it is expected that and it is already we are getting orders from a different source which includes a small, a token of export also we are trying to get from this facility.

This year also we have seen that our 8-ton vacuum induction melting which has been a long requirement to enhance our capacity in manufacturing of special steel and super alloys, have been already commissioned and already it has been proven that this equipment can be used successfully, and you will find that the contribution of this facility in the current financial year.

We have also started a very important facility for making titanium alloys. Already we have. But to enhance its capacity we are making a titanium shop. So, our titanium facility now we are putting exclusively for making titanium production in a single place which will meet the requirement of the international companies or precisely aerospace companies, so that our product can be used in the moving parts of aero engine components.

So, these are some of the highlights which I have presented. Now floor is open for discussion and any queries. And with me, Director Finance has also joined. So, you can put your questions now. Thank you.**



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Moderator: Thank you very much. We will begin the question-and-answer session. The first question is from the line of Kaitav Shah from White Equity Investment Advisors. Please go ahead.

Kaitav Shah: I have two questions. First question is related to the inventory. So, we have the sub line item is called internally generated scrap and rejected material. So, if you see over the past five years that portion as a percentage of inventory is increasing consistently. In 16 it was around Rs. 17 crores and the percentage of inventories was around 6%. That has increased to Rs. 217 crores and 27% of inventory for the FY20-21. So, can you please throw some light on this, why these balances are increasing and is company planning to use this material for some future project? Can you please throw some light on this?

Dr. Sanjay Kumar Jha: You have rightly told that whether the company is trying to use this inventory. First of all, our company we are manufacturing very special alloys and special materials. So, these materials whatever we generate the scrap during the process, it cannot be sent outside and showed outside and basically, they are very valuable in nature. And our orders are not having uniformity. We cannot get the same order on a regular basis. So, whatever we generate, probably we have to store for some time and then when the next order is coming, I will be utilizing those things. So, this is the reason precisely that it is going up. But at the same time, certain things are also not moving very fast because items which we make, the certain scraps, you cannot sell in the open market, even though you are not able to use it for a long time, you cannot sell in the open market because these materials are very strategic in nature. These two factors are I think important. Any other part is there, I will ask our Director Finance to add here.

Kaitav Shah: Adding on that so if the balances are increasing, so any plan to written off in the near future of these inventories?

Dr. Sanjay Kumar Jha: If you see this consumption of internal scrap, I don't know if it is appearing in our financial results or not, but our consumption of internal scrap has increased progressively year after year. It is mainly because we are trying to see that the scrap can be used for certain customers who are not monitoring, that means their requirement is not for using the pure metals. So, we are making the balance on that. And also, we have modified in our processing technology which has helped us to consume more and more quantity of scrap. So, that work is also parallely going on and that encouraging results are coming. The last year itself this current financial year, we have saved around Rs. 40-43 crores of raw material by utilizing our internal generated scrap.

Kaitav Shah: And sir, second was just a small question, so you are providing the count of the employees. So, can I get count of how many are in the admin staff and how many are in the technical staff? If you can give some idea on that for the current year and the trend over the last five years.

Dr. Sanjay Kumar Jha: I think you are looking for the numbers, technical and non-technical side.

Kaitav Shah: Yes.



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- Dr. Sanjay Kumar Jha:** We will provide you that information.
- Management:** But anyhow production and technical side only more people are there because this company is a quality-oriented company and more testing environment, inspections are required. So, we have a big bunch of quality control people. So, compared to admin, production side is more including our whole equipment maintenance team also.
- Kaitav Shah:** And the trend is same for the last five years, right?
- Dr. Sanjay Kumar Jha:** Yes, trend is similar. Trend there is no change. People are working in the operations.
- Moderator:** The next question is from the line of Aditya from Securities Investment Management Co. Pvt. Ltd. Please go ahead.
- Aditya:** Just wanted to understand, we have been targeting exports growth for the last few years. So, just wanted to understand which countries are we targeting and what kind of products are we looking to export?
- Dr. Sanjay Kumar Jha:** Export, the country which we are targeting, there are almost, I don't have the list readily available here, but I will tell you, we are targeting Germany, we are giving to Turkey, we are giving to some Bahrain also, France also we have given, we have also supplied to US also, UK also, and we are also making the deemed export. So, there are various sectors where our export is going on. And I'll tell you it's basically the beginning. Because in the international market since we are entering the first time, our products are being tested for quality, for processing, for certification. And that's why the volumes are now increasing year by year, because once a customer is satisfied that one grade is successful, they are increasing the quantity provided the price are given on competitive basis. So, these things are happening now. And I am sure that, in fact, if you see our targets from the Ministry that I have to take it further from Rs. 80-87 crores for this year, we have to go to more than Rs. 350 crores in next two to three years. So, what I say that there's a lot of emphasis from the ministry also, and we are working towards that.
- Aditya:** And sir, just wanted to understand which are the products and sectors you are targeting.
- Dr. Sanjay Kumar Jha:** Products are, in the mixed category, first I'll say we are giving the titanium alloys. We are also making the special steels. We are also giving the super alloys. So, all majors these three areas we are targeting. Whatever is our product portfolio, we are serving that.
- Aditya:** So, unlike India, where in many of the products you are the lead market leaders, but when we go to international markets the competition will be higher. So, just wanted to understand what gives us the confidence to improve our export share in our revenue.
- Dr. Sanjay Kumar Jha:** Confidence comes from your quality and then what is the price. These two aspects are very important. So, in the international market, the price is the first thing and then next comes the



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quality. Unless those two things you do not meet, and for me the main part I'll say the quality is very-very important. Price wise, we are not finding much difficulty in the sectors which I have told you. But of course, the margin is less because initially once you have to establish in the market, you have to be slightly cheaper compared to the established player. So, to penetrate the market, initially we have taken a conscious decision by the board that we will operate with a very less margin. So, with a less margin and with a better quality we are operating, but as we are progressing some places, we are getting good margin profit also.

Aditya: Right. And in previous calls you had mentioned about Nadcap certification for aerospace international companies. So, where are we, what is the status for that?

Dr. Sanjay Kumar Jha: Nadcap is on an advanced stage of approval. We are expecting in the next six months, we are expecting that we will be getting that.

Aditya: So, what kind of opportunity will it open for MIDHANI?

Dr. Sanjay Kumar Jha: See, Nadcap is one area, if a Nadcap certification is there, you can enter in the international market for aerospace industry. Because for the aerospace industry unless the Nadcap certified company you are, you cannot get the orders. So, the main objective of getting Nadcap is for that purpose. And considering that Nadcap certification not only international market even in the domestic industry also the foreign OEMs right now they are buying material from the outside and then manufacturing the product in India, they will also certify you and you can be a supply chain partner for their industry also.

Aditya: Right. And in terms of our raw material, how much of it is imported? And what would you say it was 3-4 years back?

Dr. Sanjay Kumar Jha: See, today the raw material which we are discussing mainly required for MIDHANI are imported only. Very less indigenization is there in the country. So far, during this period we have taken effort to indigenize a highly voluminous requirement of pure iron. We have indigenized in our company with the support of our R&D, and we are consuming that. But the resources of the nickel, cobalt, moly, it is not available in our country. So, that's why we have to depend totally on import. So, wherever it is possible we are indigenizing and then see that similar is the case for titanium also.

Aditya: Right. So, are we dependent on any one or two countries for our supply of raw material?

Dr. Sanjay Kumar Jha: Yes, definitely.

Aditya: Sorry I did not get that.

Dr. Sanjay Kumar Jha: Yes, we are depending on that.



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- Aditya:** No, what my question is, are we dependent on only 1 or 2 countries for our supply of raw materials or is it diversified?
- Dr. Sanjay Kumar Jha:** I am just trying to affirm, I am telling that whatever you have raised the question, the answer is yes.
- Aditya:** Right, okay.
- Moderator:** The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** So, I have 4-5 questions. First of all, if you can lay down the CAPEX that is scheduled for wide plate mill, armour plant, spring plant, and the power plant, if you just tell me the CAPEX numbers for each of these plants? The total CAPEX that they are scheduled to do.
- Dr. Sanjay Kumar Jha:** Already for wide plate mill our CAPEX expenditure is completed now. And our CAPEX was around if I remember correctly, around Rs. 500 crores. And for armour also our CAPEX already we have completed more or less, very little part is left now, so there almost around Rs. 60 crores we have spent. And third area you have asked about?
- Management:** Spring plant.
- Dr. Sanjay Kumar Jha:** Spring plant also our CAPEX expenditure is coming to an end now. Hardly 10% is left. But there we have almost placed around Rs. 30 crores. And you said about powder?
- Abhijit Mitra:** Powder, yes.
- Dr. Sanjay Kumar Jha:** For powder we have not spent so far. Already it is in the stage of now tendering and we have an estimate of around Rs. 35-40 crores.
- Abhijit Mitra:** Can you lay down your estimate of the maximum revenue that's possible from these plants, starting from the plate mill.
- Dr. Sanjay Kumar Jha:** Plate mill maximum revenue what we can get to the full OPEX capacity is around Rs. 500 crores.
- Management:** It depends on the product mix. If I do more special steels and my own products slabs, then my revenue will go up because today I am outsourcing for the plate mill. Whatever plate is to be rolled; I am getting outside. Now whatever I am getting outside, I will roll only inside, that itself will save me nearly Rs. 60 crores. And further if I roll titanium and other things where the prices are more, I will get more revenue. If I go for a commercial scene, like what I supply to railways or stainless steel, then my value will be less, even margins also will be less.
- Dr. Sanjay Kumar Jha:** I will just tell your one example, recently while interacting with Airbus, they said that if India can supply titanium because they have problem now today with the Russian supply chain and



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you know in the international market for titanium supply Russia used to play a very vital role. They have a huge capacity and all. So, if we can fill up the gap, we can get a very good potential of market. So, we are trying for that basically. So, what our Director Finance has told, adding to that, if you are going for special materials, special alloys, naturally with the less volume we can go for higher turnover. And our main purpose target is for that only. Our team is working towards that, and we have some small progress also we have made, and we will be updating you as and when we will get the good amount of orders.

Abhijit Mitra: So, the maximum revenue you feel from this mill is around Rs. 500 crores, that's what you said?

Dr. Sanjay Kumar Jha: Yes. Today I am assessing that, but it may change. It may go to higher also.

Abhijit Mitra: Have you booked anything in 2022?

Dr. Sanjay Kumar Jha: Yes, we have booked some orders. Around I think Rs. 5 crores worth of order but it's a small beginning only I will say, 5 crores worth of order we have booked.

Management: Because their margins are very thin. A lot of competition is there. If you take commercial steel, carbon steel or stainless steel, margins are very thin, and lot of competition is there. And this project also wide plate mill is kept with the funding by the government agencies as a strategic is nature. Their material MDN, some material armour steel and all to roll that this plant is planned. So, this is additional. The plant capacity also 30,000 tons, in the 30000 tons, only 5000-6000 tons only this special steel and important titanium will come. Balance 25000 now I have to see now to utilize the market at a very competitive market. And another important thing is the wide plate mill in the oven itself it is a wide, the wide plate mill I can roll up to 3 meters width which is not available in most of the places. It is unique. So, I am trying to capture the market and the customers also. If we are able to capture and customers' confidence I get, I get some orders with some additional premium also. Say normal steel 2 meters width if it is going at 25 or 260, I may get another Rs. 20 more for this wider plate.

Abhijit Mitra: Okay. And any revenues that you have thought of in 23, 24, 25 from this project?

Dr. Sanjay Kumar Jha: Yes. Revenues we have thought of. We are planning to have more addition. In fact, armour steel, for my own requirement of our plant I am already manufacturing and giving to that. So, it is not only I am giving the products directly from the mill. We are also doing the value addition so that our turnover will go up. And also, we are taking up some of the requirements of.....

Abhijit Mitra: From a wider plate mill perspective, can we expect, Rs. 50 crores, Rs. 100 crores of gradual revenues in the next two to three years? Is that possible?

Dr. Sanjay Kumar Jha: Easily. We are targeting much higher than that. We are targeting at least Rs. 250-300 crores this year.



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- Abhijit Mitra:** For FY23 itself.
- Dr. Sanjay Kumar Jha:** Yes.
- Abhijit Mitra:** Okay. That's comforting to know. And sir, what about the armour plant? What is the maximum potential revenue that you feel possible from the armour plant?
- Dr. Sanjay Kumar Jha:** Armour, this year we have the order book of Rs. 100 crores. I am expecting that not less than Rs. 60-70 crores we will be having this year.
- Abhijit Mitra:** Okay. And what about spring plant, sir?
- Dr. Sanjay Kumar Jha:** Spring, is only where we are depending exclusively on one customer that is Railway. And railway certification is now on the way. And after that I have to look for the orders and we are ready now in all aspects, that work is going on. So, I'll be coming to you, means investors, whenever I get a good breakthrough in that side. But there also I will say that once our work starts moving, we will have a continuous flow inflow of the order.
- Management:** Not only Railways, we are seeing other orders also, where other people are also wherever springs are used those orders also, those customers also
- Abhijit Mitra:** But what is your expectation of the maximum revenue possible from this plant, from this steel plant?
- Dr. Sanjay Kumar Jha:** The plant can give revenue of not less than Rs. 25-30 crores per annum. So let us see that how much we can get this year. That's a challenge, we are trying to regularly we are working on that.
- Abhijit Mitra:** Okay. And what about the powder plant, what is the maximum revenue possible from the powder plant?
- Dr. Sanjay Kumar Jha:** Powder is basically I'll tell you it is not as a project, it is R&D. In fact, powder we have started with the R&D type of activities and that will require some time to establish our product in the market because normally the powder producers across the world, they are certified by certain companies, additive manufacturing companies. So, we have to penetrate that area. And that work also has to take off, maybe it will take one year, one and half year to get the equipment itself. It will take some time by the time I feel that technology also will mature in the country. Today we talk about additive manufacturing, but the users are also very limited. People are not using the components so easily, but it is progressing now. You can even find that now certain startup they are making the rocket also using the additive manufacturing technology. So, I am hopeful that the way our product is progressing, by the time our technology is available, we will get very good customer there also. But we are, financial part has also been done for that project. I don't have the exact number, but we will let you know.



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Moderator: The next question is from the line of Romil Lalit Jain from Electrum Investment Managers. Please go ahead.

Romil Lalit Jain: My question is on the defence side. I think our government is very vocal about defence and a lot of opportunities have come up in the defence space, right from ship building to army and everything, aerospace and all. So, what kind of rub-off effect do we expect our business because lot of these alloys and special steels will also be used in the defence category. So, can you just throw some light on that? Maybe in the next 2, 3, 4 years, where do we see ourselves in terms of revenue or maybe EBITDA margins and all? Thanks.

Dr. Sanjay Kumar Jha: First of all, I would like to mention here that yesterday itself the Defence Acquisition Council had cleared the AOM, that acceptance for your, that is called equipment. That has been already cleared by DAC, Defence Acquisition Council, and which calls for that investment of around Rs. 76,390 crores. Now there if you see the classification, I would like to draw one area, that area is they are talking about the of indigenization of materials for Sukhoi engine. Do you know that today in our country, Sukhoi is the main, one of the biggest fleets for our entire aerospace, Air Force? So, for the Sukhoi engine, if they want to start indigenization, MIDHANI has a golden opportunity because many of the alloys which is being used for the Sukhoi application, we have technology to manufacture those alloys and also, we have a very good system in place to get certification for aerospace materials. So, considering these two aspects I see that we have a very good opportunity in the area of aero engine materials and that is going to rule for future in the country. And not only that, in addition to that, you see for our Light Combat Aircraft also LCA, which is UCA we indigenously have done that, for that also manufacturing of the engines has to come in the country today or tomorrow. So, once we get this experience for the materials, we can enter in that area also and there is a huge business coming up for the aerospace materials. It is basically in the engine.

Romil Lalit Jain: Okay. This Sukhoi which you mentioned just wanted to understand, the timeline for that. Let's say, I mean, of course not the exact timeline, but how much kind of certification will take when we start this process. And as you mentioned, we have the technology. So, do we have the capacity if we get the certification in the next six months, one year, I don't know how the process works, but by then can we expect some kind of revenue to come from this?

Dr. Sanjay Kumar Jha: I'll tell you for Sukhoi materials MIDHANI will not wait for certification. Our material is already certified for as far as material is concerned. Only for the components which has to be made for aero engines there only we will require some time for certification. For raw material we are already certified, and time will not be needed for that.

Romil Lalit Jain: Okay. What kind of opportunity size will that be on this entire aerospace?

Dr. Sanjay Kumar Jha: Today our business in aerospace is very less compared to that, in India the activity is less. So, I see that future, if you see ours, I'll be seeing that our, if we are able to get the right quantity of



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the orders and all, it will be fairly tilted towards the aerospace industry. So, it may seem that you will find that 30%-40% of our revenue maybe coming from the aerospace. I cannot predict what we will be the requirements of the materials as on today, because initially for how many sites they are going to place the material, but it is a good volume, good area.

Romil Lalit Jain: Okay. So, sir let's say the next 4-5 years, where do we see ourselves because the opportunities size is so huge overall and the exports will also increase, so what kind of estimates we could get from let's say next 4-5 years in terms of margins and the topline?

Dr. Sanjay Kumar Jha: I will tell you today with, you might have seen the Ministry of Defence. They are trying, they are talking about \$5 billion export, \$25 billion of production. So, that increase itself is coming to 2x, whatever we are today, it has to go to doubles. So, there is a target that unless you grow at the rate of 20%-25% per annum, you cannot catch to that level. So, wherever you see now the requirements coming from the defence industry, either PSU or private, any industry and especially I am talking about the PSU which we are seeing from the close quarters, definitely we have to grow at the level of not less than 20%-25% per annum.

Romil Lalit Jain: Okay. And the margins will also be healthy.

Dr. Sanjay Kumar Jha: Margins I cannot tell you, because margin is today, whatever we are having that itself is a very high margin. You know in the country today; a lot of competition is coming in the materials also. MIDHANI cannot claim that MIDHANI is the sole manufacturer of everything in the country today, it was the earlier time. So, there will be a pressure on the margin, but then definitely somebody has to improve the efficiency, there is a lot of opportunity in that.

Romil Lalit Jain: Okay. Last question from my side, I just want to understand whatever orders we get the order book and everything, is it largely tender driven or how that process works, or it is directly given to MIDHANI?

Dr. Sanjay Kumar Jha: Majority of the orders we are getting by the tenders only. We are not getting on nomination; nomination era is almost over. Very limited orders are coming on nomination where you have exclusive technology we are holding; exclusive patents we are holding, exclusive we have that testing facility and all we are having. There we are finding some orders are coming on a nomination basis, but they are very limited. So, majority of the orders we have to be on the competitive basis only.

Romil Lalit Jain: So, the competition is very high. How many such company would be there who would be competing with us let's say for a couple of tenders?

Dr. Sanjay Kumar Jha: I cannot tell you for every tender there is a different type of game. Every tender you may find either one competitor, sometimes with the two competitors depending on what is the type of grades. And sometimes even though tender is there, we are the only available in the country. So, it depends that what is the type of tenders. But today I'll say that MIDHANI's product portfolio



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is very wide. So, we are finding ourselves not so much discomfort in getting the tenders, in winning the tenders. But competition is there definitely.

- Moderator:** The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** Just to continue the previous questions, on the armour plant what is the maximum potential revenue that you can see sir per annum?
- Dr. Sanjay Kumar Jha:** Our plant means?
- Abhijit Mitra:** The armor plant.
- Dr. Sanjay Kumar Jha:** Armor has a great potential, country we have an estimate, it was not by me, it was given by a consultant. We see that there is a potential of Rs. 250-300 crores. Rs. 3000 crores is the total volume in the country, but we can see MIDHANI can grab 10% also of that. It will not be less than Rs. 300 crores.
- Abhijit Mitra:** And the capacity is enough to address that?
- Dr. Sanjay Kumar Jha:** No, right now we are adding further. We are in the process of improving the capacity. Certain supply chain also is the issue because all materials are not available in the country, so we have to depend on the import. So, those types of activities are going on, but it has a very big bright future. Armour industry is increasing, everybody now is looking for safety for high standard. And then you need a lot of improvements in that area. We are working towards that.
- Abhijit Mitra:** But as of now you mentioned that in '23, you were targeting a revenue of Rs. 60-70 crores.
- Dr. Sanjay Kumar Jha:** We are starting with healthy order book position of Rs. 100 crores right now, but I am just telling that if I am able to complete 80% also is fine, but I'll be seeing that, how I can maximize the revenue by doing more and more.
- Abhijit Mitra:** Okay. But then white plate mill and armor plant put together itself can add around Rs. 300 crores revenue in the FY23, is this understanding right?
- Dr. Sanjay Kumar Jha:** Yes.
- Abhijit Mitra:** And that Rs. 300 crores can increase up to almost Rs. 500 crores in the next couple of years easily?
- Dr. Sanjay Kumar Jha:** Definitely.
- Abhijit Mitra:** Got it. Also, if you can give your expectations of order inflow for the next year?



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- Dr. Sanjay Kumar Jha:** The next year means this current financial year?
- Abhijit Mitra:** FY23.
- Dr. Sanjay Kumar Jha:** We have almost a visibility of around Rs. 1200 crores of order.
- Abhijit Mitra:** What is the MoU target?
- Dr. Sanjay Kumar Jha:** MoU target we have for this year around Rs. 1000 crores.
- Moderator:** The next question is from the line of Shalabh Agarwal from Snowball Capital Investment Advisors. Please go ahead.
- Shalabh Agarwal:** The first question is, just wanted little more color on how is the profitability getting managed? Because we have seen most of the raw material, most of the metals scaling new highs in terms of prices, whereas we have been able to maintain our margins despite having fixed price orders? So, just wanted to get a sense of how we are doing it and what do we expect for the next year? Do we expect to maintain the profitability or not given the surge in the prices of raw materials?
- Dr. Sanjay Kumar Jha:** Yes, you have really mentioned over this, this is an area of concern for all the metal and especially this special alloys and metal producers in the country. Because you know that there's a lot of volatility in the price of raw materials. That is putting the pressure in our profitability margins and all. We have also faced in the current financial year, means previous financial year our expenditure has increased because of increase in price of the raw material, because of increase in the price of the fuel. So, a lot of other issues are also there, power cost. My submission is that this is a part of our industrial hazard. We are any ways going to face. The margin depends that how much efficiency you are doing in your operations. If your efficiency is improved, you can get the margin otherwise in today's condition, whatever raw material price is there very difficult to sustain the profit, very difficult. We have faced in the last year. Otherwise, we could have got a better financial result.
- Shalabh Agarwal:** In the last year itself our actually gross margin have actually gone up. In FY21 we were at 74% I am talking about gross margin, whereas now we recorded around 78% almost. So, despite having fixed orders and the raw material prices going up our gross margins have actually gone up. That is what I wanted to understand. How have we have been able to manage that?
- Management:** See, here I will answer, the gross margin also depends on the value of production, because value of production this year is Rs. 989 crores whereas last year it was Rs. 770 crores. Even the prices have gone up because I am able to make more production, my fixed cost distribution is more, it is taken care. Another thing, if you see my balance sheet, even my raw materials also compared to last year I have increased by Rs. 100 crores. Luckily due to this present season of this Ukraine war, Russia-Ukraine war and other things even though prices have increased, I built up some raw material at pre-war rates. Now I am also facing some problem because of the war increase



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in prices where whatever nickel cobalt I have purchased at a lesser price helped me. Though I incurred some additional expenditure helped me in reduction in my expenditure and also because of my increase in production, I got good margin, whatever gross margin is there it has improved.

Shalabh Agarwal: Okay. Typically, these orders that we have got, and the Chairman sir mentioned that the time duration of the orders have come down. So, what is typically the duration now for the orders that we are getting compared to say a couple of years back?

Dr. Sanjay Kumar Jha: Today, if you see the order requirement is such where if I am getting from a customer, let's say, I am talking about our new business on the wide plate mill. So, wide plate mill, order is there I have to execute in 2 months, 10 weeks, they have to supply it. So now earlier we used to have the months and sometimes in the year also, now it is coming within the weeks, so these are the different type of challenges we are facing now. And definitely that is also trying to improve our, like cycle time has to be reduced. It is good for the company because you invest, and you get your cash back and the cycle time is less. It is good for the company, so that we are doing. So, this is the type of orders now expected. Nobody can wait for the month now for getting the orders. Recently we got the order from the Railway. Now the Railway order the moment we have got, it has to be supplied from the next month. So, we have built up the material, it was lying with us, moment the order has come we have supplied. So, like that, different types of challenges are coming for execution of the order. Defence projects also now there's a time bound, any project which has been sanctioned, once the raw material, without raw material project will not start. So, moment the customer is giving the order we have to supply within a very short time. In fact, we have some examples of GTRE, which is making that some of the components for aero engines, they have given the order and we have supplied in very short time. Number of things are there; challenges are there now.

Shalabh Agarwal: Sure. And to your earlier comments where you mentioned that, now you have competitors who are doing all the products that MIDHANI is doing. So, do you have companies which have started working on titanium alloys and super alloys? Because earlier I guess it was only MIDHANI who was doing it in the country, even though it was a much smaller in volume compared to these teams. So, do you have some teams who are doing titanium alloys and a super alloys now?

Dr. Sanjay Kumar Jha: For super alloys we have one and two companies already they have started. Maybe all grades they are not able to make, but some of the common grades, they have started making. Started I will say, there is a small beginning by them, not fully full expertise is there. For titanium yes today we are the exclusive manufacturer. We are, nobody else has come up. But in southern India titanium also a company has started working in defence corridor of Uttar Pradesh. So, they have started working now. So, very shortly probably there will be another next producer of titanium in the country.



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- Shalabh Agarwal:** Sure. Are we still working on ASTRA missile, because that's been an order which has been placed recently?
- Dr. Sanjay Kumar Jha:** Yes, ASTRA we have all the materials supplied by MIDHANI only and long back we have supplied for material for missiles. So, right now when the order has been placed on BDL, definitely we are expecting that some of the orders will start flowing from them. So, at present whatever orders they have got it is a long time they have to supply. So, for initial supply all the material of MIDHANI is supplied in advance.
- Shalabh Agarwal:** Okay. And lastly, what is the breakup of the revenue Rs. 860 crores that we clocked, broadly in terms of defence and the space segment?
- Dr. Sanjay Kumar Jha:** You are talking about the supplies made for this year?
- Shalabh Agarwal:** Yes, this year, FY22.
- Dr. Sanjay Kumar Jha:** FY22 I will just mention here.
- Management:** FY22, of the Rs. 860 crores 45% to space, 21% to defence, 21% to PSUs that is also defence. Exports are around 10%, others also is energy and other things. So major share goes to space only as of now, but earlier it is 56% like this, now it has come down to 45% because of slow down of space launches.
- Shalabh Agarwal:** And because the new orders are coming more from defence, is it right to assume that next year, that is FY23 current year, the space orders will be far lower in terms of the same?
- Dr. Sanjay Kumar Jha:** Not that far lower but I expect that this whatever 45% you have seen probably it will go to around 40 or 35 in that range.
- Management:** Same level of turnover is there, if my actual turnover goes up, the percentage will come down.
- Moderator:** The next question is from the line of Anuj Sharma from M3 Investment Private Limited. Please go ahead.
- Anuj Sharma:** My question is in extension to the earlier participant. So, of the Rs. 3000 crores ASTRA order, what will be the size of opportunity for us?
- Dr. Sanjay Kumar Jha:** Right now, I cannot translate. We are having a number, but I expect that from there MIDHANI may get around Rs. 250 crores.
- Anuj Sharma:** Alright. So, approximately 10% of total order value is our addressable opportunity, 8% to 10%?
- Dr. Sanjay Kumar Jha:** Pardon?



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- Anuj Sharma:** Approximately 8% to 10% of the order value will be our opportunity size, correct?
- Dr. Sanjay Kumar Jha:** Normally, yes.
- Anuj Sharma:** Alright. My second question is, we had signed a MoU with Lockheed Martin in February 2021 and we were expecting some revenues to flow into FY22. So, could you just explain where are we in terms of this MoU and any progress in terms of financial milestones?
- Dr. Sanjay Kumar Jha:** For Lockheed Martin, we have not signed MoU. It was only MOA was there. That was not converted to MoU because we are discussing on 4-5 projects with them. At the end of our discussion, it came out that they are basically interested in trying to get some technology transfer to us, not getting the business flow from India. So, that has not made us to progress much, because technology transfer as far MIDHANI we don't need the technology from the outside. We have already our in-house technologies fully totally matured. So, unless we have the agreement where they can give technology and then they can buy that product also then only it was possible to have some sort of MoU, but that didn't click so far. So, we have restricted to that level of discussion only.
- Anuj Sharma:** My third and final question is in defence you are seeing a lot of usage of composites and carbon fibers and we also plan to have tie-ups, any progress on the carbon fiber tie-ups?
- Dr. Sanjay Kumar Jha:** Yes, recently already we have frozen our DPR for carbon fiber and shortly you will see that announcement will be made for setting up this facility. And this is being done with the support of NAL Technology, which is our indigenous technology and MIHDHANI and HAL both will be doing this work and location has been almost decided, but I will not be able to tell you at this juncture unless it is officially declared, but we have progressed a lot during this period.
- Moderator:** The next question is from the line of Ronak Chheda from Awriga Capital Advisors. Please go ahead.
- Ronak Chheda:** Sir, my first question is on the space program. We are seeing the budget for the space program has not yet scaled up in last two to three years. So, what is your sense of the opportunity here from next three to four-year perspective?
- Dr. Sanjay Kumar Jha:** In fact, in space program there is a shift in country's policy where India has decided to go for public private participation. And now they are looking for investment by the private sector. So, this is a time where they are trying to reconcile and see that how the private sector can participate. So recently for the five launches of PSLV, already the firms have given a bid and I am sure already they have selected some sort of a consortium from the private and public participation and then that is where the investment is coming up now. You may not find their budget is increasing as far as ISRO is concerned, but definitely investment will pick up. And now it is going for some sort of a commercial type of business and that is because of that launches has to be done by the private sector now, it is going into that direction.



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Ronak Chheda: Sir, would it be fair to assume that our margins on the product would be similar irrespective of the customer?

Dr. Sanjay Kumar Jha: This is very difficult because customers...margins are basically decided by what type of orders we are getting. If you see the commodity steel, if you are trading in that marginally very less, if you are trading in a very high-end material margin will be higher. So MIDHANI has the majority of our orders are from the high-end materials only. But there also for high-end steel or high-end materials or alloys, there are a lot of suppliers coming up in the country. Definitely there will be a pressure on the margins in the future. But as I said earlier that our MIDHANI technology is so versatile, that if we are able to improve our operational efficiency, will get a good margin.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Dr. Sanjay Kumar Jha for closing comments.

Dr. Sanjay Kumar Jha: I will say that this interaction has been quite satisfactory, very nice. All the participants have put very apt questions and queries and I was very happy to answer. And some of the things which we could not answer you can take it from our financial results and other data. But we are very fortunate to have all of you who are stakeholders in our company, and I can also tell you that this company has a great potential in the future because some of the products which we are developing for which we cannot put in the public domain for strategic applications have a good potential as our defence manufacturing has picked up. So, that is the aspect which we are having. We hope that our progress will be very good in the coming future. And once again, I thank you all. I don't have any other information to give you all, but I can only say that your company is one of the biggest advantages is that the knowledge base is excellent. We have very good team for R&D and innovation. And I think that is the driving experience for us and having edge over our competitors. Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.