



MDN/CS/COMPLIANCE/2023-24

June 02, 2023

To,

**The Manager,**  
Compliance Department,  
BSE Limited, P.J. Towers, 1<sup>st</sup> Floor,  
Dalal Street,  
Mumbai- 400001

Scrip Code: 541195

**The Manager,**  
Compliance Department,  
National Stock Exchange of India Limited,  
Exchange Plaza, 5<sup>th</sup> 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 May 30, 2023**

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Dear Sir/Madam,

1. Further to our letter dated May 29, 2023, intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on Q4 – FY23 Results, held on May 30, 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](mailto:company.secretary@midhani-india.in)

**Encl: As above**

**मिश्र धातु निगम लिमिटेड**

(भारत सरकार का उद्यम)

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**MISHRA DHATU NIGAM LIMITED**

(A Govt. of India Enterprise)

Registered Office: P.O. Kanchanbagh, Hyderabad, Telangana-500058



Mishra Dhatu Nigam Limited (MIDHANI)  
Q4 FY23 Earnings Conference Call”

**May 30, 2023**



**MANAGEMENT:** DR. SANJAY KUMAR JHA – CHAIRMAN & MANAGING DIRECTOR  
MR. N. GOWRI SANKARA RAO – DIRECTOR (FINANCE)  
MR. T. MUTHUKUMAR – DIRECTOR (PRODUCTION & MARKETING)

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



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY23 Results Conference Call of MIDHANI 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 Limited. Thank you and over to you sir.

**Amit Dixit:** Good afternoon, 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, we have Dr. Sanjay Kumar Jha -- CMD; Mr. N. Gowri Sankara Rao – Director (Finance); and Mr. T Muthukumar, Director (Production & Marketing).

Without much ado, I would invite Dr. Jha for opening remarks, post which we will open the floor for an interactive Q&A session. Over to you, sir.

**Dr. S.K. Jha:** Thank you and I extend a hearty welcome to all the stakeholders. shareholders for this important Conference Call after our Annual Results.

Dear all, in fact, this year has been a unique year for MIDHANI. Unique in the sense that even though we have got the sales of Rs.871 crores, but we had some idea that PAT has come slightly lower compared to the previous year. I will come to that in our discussion afterwards.

There are a lot of challenges we have faced this year that cost of power has gone up extensively, cost of our fuel also has gone up extensively, almost 1.5 times compared to previous year, at the same time, the raw material cost also has seen a quite big surge in the raw material.

To consider all three adversities also, if you see our EBITDA is almost maintained to that similar level as we have got from the previous year. The reason behind that is if you see our power consumption has come down and our fuel consumption also has come down. So it has compensated our cost because of this, but in addition to that, the raw material cost has also given a lot of impact. And in that our outsourcing that whatever we do outsourcing has come down.

The two major developments in this year that our Rohtak facility, which already I was interacting with you earlier started working and we have got in fact it has worked in the last quarter only. In the last Q4, we have got the sales of Rs.32 crores from Rohtak. And our white plate mill, the project which was commissioned almost in a couple of months back there also it has stabilized now in this year and we could able to get almost sales of around Rs.219 crores from that white plate mill. In addition to that, the saving which I'm talking today on the outsourcing has come because of the operation of our wide plate mill.



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During this period, a lot of other facilities like 8 tonne vacuum induction melting also got commissioned. Just now, we have crossed 100 heats also from that equipment. And this equipment has given the initial month itself we have got output of alloy called C-276. That business we could capture only because of that (VIM), the vacuum induction melting 8 tonne. And using our white plate mill, we have done a very good substitution of the import. And that is of the C-276 plates and sheets. And those achievements are very good foundation for the company. And we are expecting now with this business is going to grow further in a big way because as of now the entire quantity in the value of around 250 to 300 crores requirement is getting imported in the country. So our idea is that to capture that market as much as possible in the coming period because of that mill.

In addition to that, this mill also has a lot of new developments, we are able to do develop the armor steel which we used to get from the outside earlier. Armor steel plates we are making ourselves and we are doing normally of our vehicles, which has been done in our Rohtak facility.

In export area, there's a tremendous progress, in the sense that many new alloys we have developed and we have supplied to the overseas customers. And there is a good indication for this year based on that we are expected to get a good amount of orders coming from export market also.

In addition to that, this year has seen a highest ever order booking from the aerospace. We have got Rs.130 crores aerospace order, the highest in the history of MIDHANI. At the same time, super alloys category, we have booked almost Rs.138 crores order also. Titanium, of course, we are doing earlier also, but this year also titanium has done a good order booking.

And direct export which earlier used to take the deemed export also into our account, so this year we have focused on the direct export which we have got almost an order booking of Rs.35 crores in the last year from that side and good indications are there.

Some of the highlights on the export I would like to mention to the investors. We have supplied Alloy called Alloy 108 rings to the USA and that firm is supplying to the SpaceX for their launch vehicle. So this was a very small amount of order, but it has gone for the evaluation. Once it is successfully evaluated they are going to place the order for these rings from our company.

We have also received the three different orders coming from Pratt & Whitney, which is from Poland of their brands, already we have got the order and we are expecting the other places also going to place the order from Canada requirements, for other countries requirements also. And we are expecting that MIDHANI will be approved as a supplier for Pratt and Whitney in the future and the audit is expected in next month.

I'm also happy to inform you that we have also got the order from the Israel Rafael from Israel. And there we are already supplying maraging steel for their application. And subsequently the



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GE Healthcare also has approved us for a special alloy which is being used in healthcare system, that is 909 and MIDHANI is going to be one of their approved suppliers in the future and initial orders already we have received.

So like that in the oil and gas also, a very leading big company of the US, they have also come and they have given the trial order to us and I'm sure that once it is getting approved we will be regular supplier. Rolls Royce also has audited MIDHANI and also we are going to get the initial requirement from Rolls Royce we have received the order and we are going to execute for their requirements. So like this, our people are supplying to Sweden, Turkey and Germany for the different type of requirements.

So export is the one thing I will say this year '22-23 has been an excellent year for MIDHANI. In improving the domain of the export area in a big way because there are the multiple many customers, and that also in the high-end customers basically coming from the aerospace and healthcare, those things are as high and premium markets we are trying to capture.

In addition to that, many other license program for our domestic projects also is going on which includes already we have executed further advanced multi-combat medium combat vehicles for our aircraft for our AMCA program. Also, MIDHANI is supplying materials for Kaveri dry engines which is making the unmanned air combat vehicles. And many other like of course LCA is already we are in touch with that. And now currently we are trying to see that how we can analyze the materials we're using for our Sukhoi aircraft engine. And Adour already we have done earlier as I earlier also said about titanium alloys. Now super alloys also we have made the turbine blades for using the power engine.

And this year, our skull melting furnace also is almost commissioned and now we are making a special alloy used for that in the biomedical application. So it is under trial now. Once that material is approved, that will be another very good opportunity for us to enter in the new horizon of the business.

And my new project 10-tonne Vacuum Arc Remelting (VAR), at our new plant of titanium is coming up and we are almost going to commission very shortly that plant also. So the project is also getting the getting completed. In this, full of activities for us. And we are eagerly that how we can get certain other requirements.

One of the major products in the bulletproof jacket, this is the new development which I think the investors should also see that we have made a Bullet Proof jacket for Air Force, it's called Garuda. And that is the first time developed in the country having very unique features, production level of BIS level 6, NIJ-4. And also we have made our product acceptable to airports and we are going to supply shortly in next month to complete the order. So this will be one of our unique developments by your company, and that is I think the first time in the country. We will be trying to see that how it can be used for other armed forces also.



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And there are many other developments which I would like to answer as we go for the questions and all. So, I will try to close here. If you have questions on financial, I have director, finance with me to answer those. On operational efficiency, we have director, production & marketing here. So we will try to answer all those.

**Moderator:** We will now begin the question-and-answer session. Our first question is from the line of Manan Poladia from MKP Securities. Please go ahead.

**Manan Poladia:** Sir my question is basically from what I've seen your gross block till about approximately two years ago was about 400 or 430-odd crores and you've been doing a revenue points for the last three years of 800 something. So that is in fact of maybe 2x. Now what I want to understand is that you put in about 600 crores of CAPEX in the last two years, right, in the two new factories that you put up. What I wanted to understand is what is the potential impact from these two factories?

**Dr. S.K. Jha:** In fact, you have put very right question that, why our production is not increasing that is I think your question. In fact, earlier also, I have told this, project whatever we have commissioned and a lot of technological challenges we have to resolve. I'll talk about one of our major investments that is around 500 crores plus of wide plate mill. It was made to design earlier to use only specific product, so their turnover was expected was very less. But we have to modify the equipment for the commercial application and those things require some time. So I think this year I will say is for development of products using this facility. You will see the impact output of that in the coming years.

**Manan Poladia:** But sir, my question also was that what is the expected impact basically like are you expecting 2x sort of number or 1x, 1.5x if you can quantify?

**Dr. S.K. Jha:** I cannot tell you at this stage, but market potential is very good and many of our products we have given for qualification. We are correcting the result. If the results are coming all right, definitely it is going to increase as you said 1.5x or can go for 2.2x also.

**Manan Poladia:** Is there anything that you are guiding on a consol basis for the company in terms of the next two to three years like in terms of sales or PAT growth?

**Dr. S.K. Jha:** See at this stage that value figures and all. I cannot give. But definitely, our target is in line with the requirement that the restricted line of the ministry where you might have seen the Ministry of Defence also is going to increase the production almost 1.5 times in the next two to three years. So MIDHANI is also in line with that.

**Manan Poladia:** On the operating profit margin basis, you would say 30% is a good number to go with?



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- Dr. S.K.Jha:** Operating profit margin, I don't think it will be maintained at that level because once you are going in the products which are highly competitive in nature in the market, that much margin may not be there, but we will try to see that how we can improve. As I have told in the beginning only the fluctuation in the raw material cost is a big issue today. I think that figure is very important. Geopolitical situations are not very favorable.
- Manan Poladia:** I completely understand sir, with the Russia-Ukraine war as well. Would you guide for 500 bps or what range would you guide if a 5% range of errors?
- Dr. S.K. Jha:** 25% to 30%.
- Moderator:** Our next question is from the line of Nikunj Mehta from Wealth Guardian. Please go ahead.
- Nikunj Mehta:** I am looking at the numbers for the last five years and we've put in a lot of capital, top line been flat, profit has gone from 180 to about 217. But at the same time, our inventory has gone up from 500 to 1,225 crores. That has kind of resulted in us being 100 crores odd, 90 odd crores of cash when we had in 2019, today we have about very close to about 500 crores of debt and capital employed has expanded, but top line is still not crossing about 900 also it used to be about 700 then. So on the P&L side, whatever developments that you spoke about in your opening remarks, that is encouraging. But this inventory, do you consider this as an issue and what are you planning to do as a team to correct this issue and year or two down the line where do you see this balance sheet skewed up towards the working capital intensity, how do you plan to solve this working capital issues?
- Dr. S.K. Jha:** In fact, you have rightly mentioned about that inventory issue. We are also very serious in that and you might have seen that this year in spite of raw material costs going up, then also we have maintained the inventory, very less increase compared to the previous year or earlier was increasing at the very high rate, this year we have controlled. I will ask director, finance to add further on this issue.
- Mr. N. Gowri Sankara Rao:** Yes, Mr. Mehta, as you rightly said that inventory has gone up, but mainly two reasons are there. One, we are establishing new facility like WPM has started, Rohtak facility has come, and we have remade them. Because of new facilities and our production of items is going up. Compared to Q3, Q2, now the inventory is coming down, which we are planning this year it will come down further. As new facilities come because of our production timeline some quantities are there which we are going to reduce in this current year '23-24. And as far as the raw material inventory is concerned, it has come down for WIP because in the in the production process, this inventory has gone up. But compared to Q3, Q4, it has come down. Our aim is to reduce further and make the end product expansion goes and dispatch to the customers that we are planning in '23-24. In '23-24, our target is to reduce the inventory.



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**Nikunj Mehta:** Any quantification if you can give how much the reduction could be in number of days or in absolute rupees crores.

**Mr. N. Gowri Sankara Rao:** The absolute number of days means it depends on our range of production. If we produce more value items, inventory value increase. See, MIDHANI will produce low alloy steel to very high alloy, that means high end steel also is there, and we produce more high-end steel to our requirement of our customer, the inventory value will be more. When we supply to the commercial grade from low alloy steel it will be less like when we supply to the railways and all. Now, present condition is we are completing the supply pending with ISRO, VSSC and Mission Shakti some supplies are there for which orders were received in 2019. If that orders we are closing this year, definitely this inventory slowly maybe by 100, 120 crores like that it will come down this year.

**Nikunj Mehta:** The second question is, sir, that within the inventory we had this number of scrap that was building up. If you could guide on that also what steps are we taking to reduce that, sir?

**Mr. N. Gowri Sankara Rao:** See, as I told you that when we are producing for VSSC, Mission Shakti products where we have high margins, normally rejections also will be there. So definitely scrap inventory also will go up. Now VSSC has given a dispensation to MIDHANI with 80% of the scrap also I can use in their product.

**Dr. S.K. Jha:** Once we use, definitely scrap quantity also will come down.

**Mr. N. Gowri Sankara Rao:** If you see this scrap value also has gone up because recent days all raw material prices have gone up. Normally, we value scrap only to the extent whatever is the material content is there, like moly, nickel or other products whatever is there, to the extent only we will take with 90% recovery rate. But the prices have gone up in last year '22-23, that's why the scrap value also appearing more but we see here we are going to use the scrap so it will come down.

**Moderator:** Next question is from the line of Anuj Kapil from Taurus Mutual Fund. Please go ahead.

**Anuj Kapil:** I just wanted to know that how much amount we are expecting from government spending on indigenous defense orders over the period of like say next three to four years?

**Dr. S.K. Jha:** Government spending today last year, if you see almost around 1 lakh crore have given to the CAPEX for indigenous industry, and this year also you can say that growth will be not less than 10% to 20% easily. I see that the requirement of the materials or the equipment's are going to increase in the future more and more. And not only MIDHANI, but many other industries will also get benefited because of this.

**Anuj Kapil:** You are focusing on the export as well. So how much percentage you are seeking like it will be increased by end of FY24?



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- Dr. S.K.Jha:** We are targeting 10% of our sales on the export.
- Anuj Kapil:** There will be incremental increase by 10% sales?
- Dr. S.K. Jha:** Sales, whatever we do, on that 10%, so last year our export was not so high, it was low only, it is almost around 35 crores, but '21-22 it was almost 10%. So this year also we are targeting that we should go to the level of 10%. So it will be around Rs.100 crores.
- Moderator:** Next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.
- Viraj Mithani:** Sir, I would like to understand with all this new initiative coming on stream, what would be our like top line growth and the bottom-line growth would be, any ballpark figure or some guidance on that?
- Dr. S.K. Jha:** Top line almost for coming year will be around 20% growth is expected.
- Viraj Mithani:** And the margins would be the same level or would be lesser than the last year level?
- Dr. S.K. Jha:** This market is very dynamic today. Our major input cost is coming from the raw material, then the fuel and the power. These three contents if the prices are stable, then we have no issues. But what happens that initially if you take order when the prices are low and in between prices goes up, we have no scope of getting that compensation from the customer. So it may create some problem in the future. As I said in the opening remarks itself, we try to offset this increase by doing certain operational efficiency, but there also you have certain limitations. So we could manage this year to make our EBITDA level same, but then it has to be seen in the future how to do. And then the finance cost also has gone up because of interest lending rate is very high. So those things are definitely a pressure is there on the profitability. Otherwise, we are definitely going to improve.
- Viraj Mithani:** And sir my second question is like, I have been following this company since 2019. I fail to understand being such a unique company, we are not able to grow compared to our peers. Like probably we should be the best growing company. Is it the business model, lack of initiative by the management, what is it that is hindering the growth if you can throw some light on that?
- Dr. S.K.Jha:** See, we have a certain level of limitations based on our capacity. So now only this as I told in the opening remarks due to this capacity whatever we have invested the money it has come to the operation now. So you will certainly see the impact of those things in the coming years. So definitely when a company is investing some CAPEX, you will find that investment is there, but the output is not there. It will take time because the Defence items whatever we produce it takes time to get qualified, a lot of analysis, verification, and as I said in the export market also when I'm sending a product to them, they will check for it to their application then they see that how it is performing, then only they will approve you so that further business can be seen afterwards.



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So I expect that now as these things are going we have resolved many things, it is going to give the output in the coming years.

**Moderator:** Next question is from the line of Shirom Kapoor from Prabhudas Lilladher. Please go ahead.

**Shirom Kapoor:** Could you give us the segmental split of revenue between your segments of defense, space, energy and the rest? And similarly, could you also give the order inflow for FY23?

**Dr. S.K. Jha:** In fact, for space, we have given almost 40%, then followed by defense has gone to 24%, and PSU includes also mainly in defense only, we have around 21%, and the 6% balance goes for the energy, others and export is 5%. We have put in the railways, is very bigger, maybe coming to hardly one this time this year also we have started supplying 400 axles to railways, new coaches are coming up, for ICF we have supplies. This segment is also going to pick up in the future.

**Shirom Kapoor:** And would you be able to give the same mix for order inflows as you usually do in your annual report?

**Dr. S.K.Jha:** Order booking for last year was 900 plus.

**Shirom Kapoor:** No, I meant the order inflow by segment, defense, space, energy if you could give that split?

**Dr. S.K. Jha:** Defense has gone up; we have 40% coming from the defense now, order position. Space is coming down; become almost around 30%, and aero we are talking around also is there 10%, but the aero is almost you can same as the defense only. So like that we have the energy, armor. If I combine armor, navy, defense, almost I can say 60%, 70% we have. Around 10% to 12% we have the space export also booking is there. Railways also we have the booking of around 2% to 3%. So like that the order position is there. Now that total position is not changing now. And you see this change also coming in the defense in the future also. Defense also has a good visibility and you must have seen today also they have given more successful launch. So, the space is also going to pick up again because their launches are picking up now.

**Shirom Kapoor:** In defense and space you see which are your two dominant segments. In defense and space there's a good outlook in both right and not that maybe only defense will be the driving factor going forward?

**Dr. S.K.Jha:** We have a good diversification now, railways also we are trying to capture as much as possible whatever we can do as per our capacity. Possibly, energy sector also is a good possibility now because as I said, almost Rs.125 crores order booking we are having for the energy out of 1,350 crores, and as it includes our special grades, which I have told about C-276.

**Moderator:** The next question is from the line of Namrata, individual investor. Please go ahead.



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- Namrata:** My first question is what is the peak sales that we can achieve on our current asset base?
- Dr. S.K. Jha:** Maximum sales there is no limit, I will not say the limit as some investors rightly told that the way it was supposed to grow, you are not growing, so the maximum limitations are there, certain deficiency in our working infrastructure, already those things we have filled the gap now. So I'm sure that those things will increase and as I told earlier also we are expecting the growth of not less than 20% in the future. But as you have told that number figures, let's see, we'll be reporting as and when the figures are coming improving.
- Namrata:** My second question was are we looking at any other new products going forward?
- Dr. S.K. Jha:** Yes, this year I have told we have made plates, sheets at wide plate mill. We have done the pipe extrusion which was not there in the MIDHANI earlier, so this also we have installed one equipment, for that equipment technology has been established now. So already 5 crores business we have done last year from there and we have good amount of orders coming from there also on that facility. So you will see that those things will be picking up in that product. And axles we have made for the railways, last year it was only 400, 1,500 orders already we have been in our hand now for axles. So Container Corporation of India has given this thing. I'll ask my director, production and marketing to apprise you on this.
- Mr. T. Muthukumar:** There would be an increase in the requirement of the axles. Container Corporation of India has given a trial order of 540 numbers, and on successful completion within two months there are going to be tender for another 20,000 numbers. And railways also, now we are having about 1,000 numbers for executing, and on completion of that, there is going to be a tender for another 20,000 number also, that also we are upgrading our equipment and we have put our CNC two machines we have brought which is one thing about 10 crores and we installed it and this will enhance our productivity so that we can supply in short span of time. Apart from that, other equipment's already, as CMD has briefed, which we had installed. That is going to help in long way to give this grade 276 which is being imported to the tune of about the 350 to 400 crores. So that will become 100% indigenized and we will be the only party to be able to supply mainly for the energy sector. So order wise there is going to be a good future. So only we have to augment our supporting equipment and supply the material.
- Moderator:** Next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.
- Viraj Mithani:** Sir, any update on the Nalco JV which you're planning?
- Dr. S.K. Jha:** Yes, one update on JV with NALCO, that recently we have appointed a consultant since we wanted to finance that project. So for that we wanted to make bank account reports using that one of the consultants. But to our surprise, the consultant has given that requirement of product which you wanted to plan in that facility is very less in the country. So earlier report projections were very high that projections are not reaching even to the 10% also of that whatever we wanted



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to make there. So considering that we are rethinking that, whether we should go to that scale or that project or not? So we are still under the analysis only. But meanwhile, your company is having lot of other opportunities where I invest my money I can get the output and market is available, as I told the export market today is very much, in fact, many export orders we are not booking today because their delivery time is very less and they want the product of the different type where we need the additional facility we have to put in our plant. So we want to improve our infrastructure to meet those requirements. So there only our focus is there, how we can quickly make our products in large volume to meet the requirement of overseas customers, which includes in the area of aerospace, oil and gas and other commercial applications.

**Viraj Mithani:** What will be the CAPEX figures for the years to come like two or three years, will it be any significant CAPEX or would be just an OPEX?

**Dr. S.K. Jha:** No, whatever CAPEX we have invested, we want to take the output from there. But nevertheless, the CAPEX is not stopping here, in fact last year also we have almost spent around 70 crores already on CAPEX and this year also we are targeting at a similar level, so around 100 crores.

**Mr. N. Gowri Sankara Rao:** Instead of major CAPEX, whatever CAPEX we have invested so far for that any additional facilities is required, there we are concentrating.

**Dr. S.K. Jha:** We are augmenting our capacities, modernizing our areas where the equipment's are very old and see that we can meet the requirement of international customers and increase our volume.

**Viraj Mithani:** We have sufficient capacity for the new initiatives to take care of, is that right?

**Dr. S.K. Jha :** Yes.

**Moderator:** The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.

**Rohit Ohri:** So my question is any more orders from metro related to the same or how is ISRO sourcing things ahead?

**Dr. S.K. Jha:** Yes, ISRO already, the five PSLV which they have outsourced given to the private firms, there already we are in the process and I am expecting that anytime this order will come. We are going to supply. Rs.100 crores order we are going to get from our L&T who is the supplier in. So it is not that ISRO only it is coming from now VSSC, now it has gone to the private firms also so. With the success of the different launches by ISRO, I think this is going to pick up in a big way.

**Rohit Ohri:** So you did mention about alloy and the opportunities with probably L&T and others. Sir, if you can put some number to that, that what sort of opportunity can we see from this initiative in the next two years or three years?



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- Dr. S.K. Jha:** Already, we have booked the order of around 200 tons. 100 crores already we are having. Another tender is coming now. I am expecting that this year it will be around 200 crore orders we will be booking.
- Rohit Ohri:** So sir, this 200 plus 100 is in addition to the already existing 300 crores that we had on -?
- Dr. S.K. Jha:** Yes, in fact, we have already price negotiated. Rs.550 crores I am expecting in this quarter only.
- Rohit Ohri:** This also includes the axles which might come from the requirement of the government and maybe for Vande Bharat?
- Dr. S.K.Jha:** Many things are from the government, from defense, from missile, a lot of strategic government sector, that is coming from Akanksha.
- Rohit Ohri:** So my last question is related to the land requirement and the request that we were putting in for Adibatla. Any improvement on that or any positivity shown by the government over there?
- Dr. S.K. Jha:** Adibatla, we have not requested for land because already we have our land in Hyderabad, Kanchan Bagh area and that land itself today is very, very costly, in fact much higher than whatever the Adibatla land. And we are also very close to aerospace. So why you should go and make a separate facility there.
- Rohit Ohri:** My thought process was that you wanted to come more closer to the aerospace via Adibatla, that's why I asked the question.
- Dr. S.K. Jha :** Already we are very close to aerospace. In fact, we are already trying to discuss from the Tata Boeing, how can we meet their requirements of certain miles and all. We are interested to participate in that. We are also thinking that how we can enter in the supply chain of the Safran. So these are all in the line now we are trying to. Because if you enter in the supply chain, you have to first get it approved against the international supplier, raw material supply is only through the international source for them today. So anything we are going to have it is we have to compete with the international supplier and they will also qualify based on their performance. So we are already talking to them.
- Rohit Ohri:** So the 1,300 crores order book if I was to break it in two parts, one is short cycle and one is long cycle, short been less than six months and long been less than a year, so what is the ratio in that short cycle versus long cycle?
- Dr. S.K. Jha:** I think the majority 90% is short only now. Space also is a very long cycle. We have to complete. Already we have delayed, within one year we have to finish.
- Moderator:** The next question is from the line of Dhwanil from Hinglaj. Please go ahead.



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**Dhwanil:** Hi sir, where do you see the debt at the end of this year and when do you expect it to go to '19-20 numbers?

**Dr. S.K. Jha:** Your voice is very feeble. Can you just increase your voice and repeat the question please?

**Dhwanil:** Can you throw some light on where do you see the debt at the end of this year and when can we see some 100 levels?

**Dr. S.K. Jha:** Debt part is not very high. In fact, Rs.100 crores we have taken for the capital requirements. Balance we have taken the money we have taken for the working capital. So that anyhow It will be there but it will be going up and down, but we are not getting any advance money there. So that normally if you see other defense companies you compare, they will get always surplus because they get the advance from the big-ticket projects, the projects will be there for five years but they will get the advance now itself, so that difference will be.

**Mr. N. Gowri Sankara Rao:** To your question, this Rs.300 crores working capital that is there, for the inventory and our receivable, once we get the orders, sir, the Rs.300 crores, we will maintain after four months. But coming to Rs.100 crores long term debt this year, repayment starts every year, Rs.20 crores we will pay. So slowly that down the line this Rs.100 crores will be repaid and we are always planning to meet our CAPEX requirement, those things from internal generation only.

**Moderator:** The next question is from the line of Mr. Amit Dixit from ICICI Securities Limited. Please go ahead.

**Amit Dixit:** I have three or four questions. The first one is in this quarter we saw that raw material as a percentage of VOP shorter. Now, what are the key drivers for that, was it price and where do we expect it to settle at in this quarter because raw material prices seem to have stabilized at least as of now?

**Dr. S.K. Jha:** You have asked me that it was seen raw material price has been stabilized you tell.

**Amit Dixit:** So, what would be the sustainable raw material cost as a percentage of VOP, I mean, if there's a number or a range you can give us?

**Dr. S.K. Jha:** Raw material cost, we have total around 35.5% is the raw material cost VOP.

**Mr. N. Gowri Sankara Rao:** The quarter-to-quarter it will change. See, sometimes when we produce the material for our strategic customer, there, we use virgin metals more, then my raw material consumption will be more. When I use for other customers, then I will use more scrap, then my raw material consumption will be less. Like that it will change. More or less always It will be around 35%, sometimes it may go to 40% depending upon the product which I'm manufacturing. Coming to your next question, moly and other prices, see initially due to Russia-Ukraine war, the prices



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have gone up. Normally we buy for one year requirement seeing the price trend. Recently, moly prices have gone up. When it has gone up, we have taken a decision that we should not buy full requirement of the year. So, we have purchased only emergency basic requirement to not to stop the production. But subsequently, if you see recently the moly prices have come down, nearly 40%. So it has given an advantage by not booking the supplier order, I could save some 40% of cost. Now, when I place the new order, I will sell in the price per Kg; it was earlier 9,000, now it has come down to around 5,000 and odd, it saved me nearly Rs.4,000 per kg. In the same way, some other materials also the nickel, you know very well nickel has gone up to \$100 per Kg. Now earlier days it was only around 17 to 18, now, it is stabilizing at 22. That's why if you see my raw material inventory also last year I have an inventory which could have saved MIDHANI, even though pricing is there we didn't venture into the market, but now the price is stabilizing at \$22.00, now I am buying nickel for my requirement among the other materials also. Only issue now is titanium sponge, which we are also sourcing slowly. That's why if you see that my inventory is level fast, now it is in the range of Rs.100 crores. Hope I clarified you.

**Amit Dixit:** Second question is on the scrap usage in this particular quarter Q4.

**Dr. S.K. Jha:** Scrap have been very high, in fact, if you see in terms of tonnage it is almost a double from previous year and the saving is almost 60% scrap used in the Q4. If you compared the last year, it was 40%.

**Mr. N. Gowri Sankara Rao:** Beginning of the year, if you see our scrap was only 40%. Quarter wise it has gone slowly up, at the end of the fourth quarter, we have used this scrap for 60% remaining 40%. So we started using identifying usage of scrap and we started using more of scrap.

**Dr. S.K.Jha:** Scrap management team has done a very good job and this is a total achievement of our operational team, they have done very good job by optimizing this because purity of the material is very important and we are not using only one grade, two grades, we are getting more than 100 grades. So managing the all grades scrap and then without mixing is a big challenge. So, that has been done by our team and that's why as we have told you our scrap consumption has gone up.

**Amit Dixit:** In your opening remarks you mentioned about some of the good opportunities at the Rohtak facility and white plate mill. We actually expected to obtain around Rs.500 crores of revenue in a steady state from both these facilities individually. Now, for FY24, how much revenue can we expect from both these facilities?

**Dr. S.K.Jha:** Yes, put together it may be similar to that.

**Amit Dixit:** So Rs.500 crores put together for Rohtak and wide plate mill?



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**Dr. S.K. Jha:** Because we have many things have to still get stabilized because one grade is there which is already we are done. But if you see that whatever we are doing, margin still will go up. So it will go near into that.

**Amit Dixit:** What is the order inflow we are looking in FY24? From where we are looking from this particular order inflow?

**Dr. S.K. Jha:** There are many things under pipeline. One is that you must have seen now the missile also requirements have gone up. So I am expecting that we will get from the missile sector also, we are expecting as I said about the space also and defense also. In fact, this matter, as I told that first quarter itself I am saying we can book the order of around Rs.500 crores. So, we'll see as we progress in Q2, Q3, but all orders which is coming now we have to execute very fast. We are also seeing now the export enquiry of around Rs.200 crores worth is there pending with us and we have to see that how quickly we can dispose that. So orders is not the issue. How quickly you can execute and give to the customer this is the challenge, because nowadays if you are going to the segment where it is not a long-term project, we have to supply the material in very short time. People are not willing to block their money in the raw material. So turnaround time is very less. We have improved many areas in that side also and there are certain examples where we have received the order then we have done the melting processing, in two three months also we have supplied. So those things are there. Let us see.

**Moderator:** Ladies and gentlemen, due to time constraint, this was the last question. I now hand the conference over to Mr. Amit Dixit for the closing comments.

**Amit Dixit:** Thanks everyone for attending this call and thanks, Dr. Jha for answering the questions very patiently. Sir, if there is any closing remarks that you would like to make before we close?

**Dr. S.K. Jha:** First of all, I am very much thankful to all the investors for their active participation and keeping very close watch in the performance of our company. Believe me, this type of involvement is also making us to drive and strive for the excellence. But as you know, defense, we have certain, we call one word patience. So you people are getting patience and definitely I can tell you on behalf of the management, we are not going to disappoint you. Many technological developments which we have done this year, I feel very proud of that, very difficult to mention at this juncture or everything, but whatever we have mentioned so far is going to give a lot of I think advantage in the future as I talked about the development of axles for the railways, development of the materials for energy sector, C-276, development of the alloys for export. So, there are many, many firsts are there in this year. So probably those things are definitely a strength for the company. And I'm sure that the current scenario in the world where the scarcity of the raw material because the many raw material suppliers were leading suppliers their capacities are not running at the full scale and that is where MIDHANI has a great potential. In fact, we have done a market survey in the different countries and we could find that many things where we can capture in the export area. So you will find that your company will be moving towards aerospace



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and export in a big way in the coming future. And many projects which is going to be announced or many things we cannot also tell in the open platform because our certain projects are very secret in nature. But we are very much in that and their development, their work also is increasing now. So you'll find that. I may not be able to give you what are the grades and all, but in terms of the volume it will go up. Our order book position and all. So once again, I thank you all and also my all both the directors who have participated with me and along with the company secretary for making this conference call possible today. Thank you.

**Moderator:**

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