MIDHANI

MDN/CS/COMPLIANCE/2024-25 June 4, 2024

To,

BSE Limited,
P.J. Towers, 1st Floor,
Dalal Street,
Mumbai- 400001
Scrip Code: 541195

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

Sub: Transcript of the Analysts and Investors Meet/Conference Call held on May 30, 2024

Dear Sir/Madam,

1. Further to our letter dated May 30, 2024 intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on Q4 – FY24 Results, held on May 30, 2024, 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

Digitally signed by PAUL ANTONY
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Encl: As above

"Mishra Dhatu Nigam Limited
Q4 FY24 Earnings Conference Call"
May 30, 2024

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

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

Moderator: Ladies and gentlemen, good day, and welcome to MIDHANI's Q4 FY '24 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

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

Sanjay Kumar Jha: Good afternoon, all the investors, my colleagues sitting here, Director Finance, Director Production and Marketing, AGM marketing and Company Secretary, Mr. Paul. We are very happy to join for this conference call. And I would like to put out some of the highlights. Financial Results have already been disclosed and available with you, so I'll not dwell into that, but I'll try bring out some of the highlights that have been very crucial for this company for FY 23-24.

First of all, you might have seen that our sales turnover has almost 23% increased year on year. I think this increase in a year-on-year basis is the highest for the MIDHANI. Earlier this type of increase we have not seen and that also in the year when we had a lot of turmoil in the global supply chain, which has really affected our supply of raw material.

As far as the price is concerned, at the same time, your company also has seen a lot of change in the product portfolio, which is basically mainly the super alloys and there, we had almost a 2.5x growth and there is volume wise production. The requirement of this costly raw material is there which is totally dependent on the international supply chain.

In addition to that, for this year, also, we have seen that our task was to how to reduce our inventory that is work in progress. So that is a drastic cut from the last year to this year. If you see the last year, it was almost around INR 759 crores. And this year, we have brought it down to INR 669 crores.

That segment also, we had a lot of work, and it is also effected/impacted our P&L results and also that was reflected in the terms of PAT and EBITDA. And in addition to that, this year -- but there are a lot of new things we have done. In fact, this year, our export has gone from almost 3x from the previous year to this year in terms of the export, not taking into account the deemed export.

Earlier, the company has also sold a deemed export component. So we have not taken the deemed export and total export from the overseas. It has increased from year-on-year basis to almost 3x. This is I want to highlight. And also, we have made a lot of in-roads in the supply chain of international aerospace companies.

So this is the one good sign not only our space. In fact, many of our materials are now has a place in the European market. Also, some of the things have gone to the Middle East also. And in the U.S. also, we have seen some potential. So that has given MIDHANI a lot of space for its future growth and future business as far as aerospace and defence material is consigned from the overseas market.

And also some of the alloys we have made for the healthcare industry also. And another one is for oil and gas. So your company has made in-roads in these sectors, and I'm seeing the impact will be in the future once we'll be increasing our volume coming from this area. And this year also, we have seen that almost INR78 crores worth of capex also we have spent. And many new facilities have been commissioned and something already going to be completed in the coming days. So with this type of our performance and all, I would like to thank all the investor and shareholders keeping faith on us.

But I'm trying to tell you that probably your EBITDA and all will not be so attractive, but I think because of turning point for your company since company has changed its position itself from a very protected market to the open market and that is a good sign for that and protected market.

When I say, if you see the space order book today it's appearing hardly around 12% and its impact on FY 23-24 net sales contribution hardly in the tune of 15% or 20%. So with this type of environment we are trying to find out the new areas where we can have our business in the future. So with this small introduction it will be better to get the questions coming from the investor.

Moderator: Thank you very much. We will now begin the question and answer session. We will go for the first question from the line of Mr. Amit Dixit from the ICICI Securities. Please go ahead.

Amit Dixit: So the first question is on Value of Production if I look at the value of production during fourth quarter FY 24 then it has gone down compared to Q4 of FY 23 if I compare Y-o-Y. Now this is something unusual in case of MIDHANI. So could you explain what led to this decline?

Sanjay Kumar Jha: Yes it's not the decline, in fact, there is a correction. As I've mentioned that our -- earlier in the fourth quarter we used to accumulate a lot of work in progress and that used to be built up in our inventory and that, in fact, you see that's why I've told that if you see the last year -- last year, our inventory was seen in our balance sheet is almost in the tune of around INR 1224 crores - and this year it increased only around INR75 crores.

So this is the type we wanted and it was a lot of queries was from the investor also that why your inventories are going up. So if you see that we are tried to see that our inventory should come down. And this is a correct and that is what I said this year is almost a correction which we have done. And impact has not seen very high because we have done 23% growth in our turnover. And also we have also reduced some of our like cost of the fuel has been reduced.

Even though raw material costs has been very high, there is a surge in certain critical raw material. In spite of that we have tried to make balance. So I will say that all the corrections were started this year and that's why the result is like this, but we are sure that this action which we have taken this year is going to be given a good results in the coming years. So probably this year we have to take that type of, but it is healthy for the company because our money is not locked so much and so that we are able to have a better cash flow.

Amit Dixit: The next question is on order book. So if you look at the order book also and if I compare it from Q4 onwards Q4 FY '23 onwards then for the first time actually it has gone down compared to last quarter. Last quarter it was INR1,762 crores, this year it was INR1,579 crores. So is it due to the pre-election run that we didn't get orders or what is the outlook on orders inflow for FY '25?

Sanjay Kumar Jha: Order inflow indications are very good. In fact, today as on today when we are talking to you we have INR1,767 crores is our order book position. And also we have the expected order book is almost in the tune of INR1,150 crores. So order book is not the issue today. We have in that is lined up properly. So we'll be communicating to you as and when we are receiving orders, but it is in that way in healthy condition.

Amit Dixit: So if I get it correctly the order book position is INR1,767 crores at the moment and apart from that the expected order inflow is INR1150?

Sanjay Kumar Jha: True.

Amit Dixit: So what would be guidance for revenue for this year FY '23 revenue growth I mean if you can give a...

Sanjay Kumar Jha: Our target which we have set for this year is, of course, very high, but I will not commit as on today, but we are expecting definitely the growth will be 20%, 25% revenue this year.

Amit Dixit: One thing that we have seen over the years that -- not over the year in this quarter or in this year or last few quarters is the margins were declining progressively, but now we have seen a good increase in margin Q-o-Q it is around 560 bps. So what has led to this increase. Is it the change in product mix or something else?

Sanjay Kumar Jha: The margin is mainly -- as I have told you that we have -- in last quarter we have seen that our VoP should not be very high. We have tried to convert all our inventory especially work in progress inventory into the sales. That was our first step so that the raw material consumption has come down. And also the price also has cooled down in the quarter 4. Raw material prices have now reduced drastically.

So that impact will be seen in this year because that benefit will get in this year. For the last year there was so erratic up to Q1, Q2, Q3, but it has really affected a lot in our performance as far as this profitability is concerned.

Amit Dixit: Sir, if you can provide a breakup between super alloys, titanium and specialty steel for revenue and order book that would be great?

Sanjay Kumar Jha: First of all, I would like to mention about the sales. Sales we have done this year super alloys 20%. It is coming to around INR217 crores -- INR218 crores. And titanium alloys we have done 14% which is coming to around INR149 crores. We have also done the Maraging steel which is our prime product has been 34%. So there is reduction. It was -- previously it was 47% and that used to be very high in our entire performance.

Super alloys was only 10% previous year. So this year it has gone to 20% even though our growth has been 23%. So you can make it -- make out that is almost -- it has crossed more than 120% and 130%. And also, we have the specialist special steel that is coming to 24%. And others is around 8%. So this is the distribution of the sales in FY '23/'24. And you also asked about the order book?

Amit Dixit: Yes sir.

Sanjay Kumar Jha: The order book if you see today, we have defence almost 78%. And space is only 12% and exports around 5% and balance orders coming to the 5%. This is order book, which I have told INR1,767 crores. Am I clear?

Amit Dixit: Yes, -- so what I see is that essentially the decreased share of titanium maybe because space component is low. So margins you expect to be in this bracket only, 20 to -- I mean say it has improved to 19.8%. But going ahead, will it be like at this level only? Or we will see margins going back to the levels that we have seen earlier, about 25%?

Sanjay Kumar Jha: I see it will not be -- see, if you see EBITDA to sales ratio, it may not be exceeding. This year, we have got around 21%. So it is 21%, right? So it will be maybe crossing coming to touching the 25% max. I don't see it will go to 30%, 35%, in that range, which we have seen earlier. So it is going to that, but it definitely -- there will be a plus side because if you see the fourth quarter, fourth quarter has given indications already.

So we will try to maintain that level as far as the profitability is concerned. And in addition to that, PBT and PAT because of our if you see earlier our finance cost and all is very high last year. So even as compared to FY '22/'23, almost INR8 crores is extra amount we have paid only for the finance cost. Those things I have seen that we have really controlled that side. Reduction will be there. So overall, the performance will be better once we are going for this year, '24/'25.

Amit Dixit: And sir, we also know that we are increasing our capacity for titanium-based alloys, but the order book doesn't suggest that we would be -- we are getting a great deal of orders for titanium alloys. So how does it match? Are you targeting good for exports? Or are you targeting this for maybe the development that would come particularly in case of aerospace?

Sanjay Kumar Jha: You have rightly pointed out, in fact, many titanium orders coming from the export source, we are not taking because of our constant capacity and not only capacity, raw material also is one factor. So we are trying to see that how this gap can be filled up. But today in our order book, we have almost INR350 crores of orders from titanium alloy only. But that is a very high volume. In fact, INR350 crores if we are able to complete this much order, that itself will be a big achievement for the company.

That INR350 crores is enough to load our entire facility for titanium. So order book position for titanium is very, very good I will say. I think this is our highest figure we have got for titanium order book and expectations are good from the international market. And some of the orders already lined up, which I have shown that INR1,150 crores are going to get the order. There also will have some percentage of titanium coming again, adding to our requirements. So titanium has a very good potential this year.

Amit Dixit: Sir, you highlighted in the initial remarks that we have made in road in the supply chain of international aerospace companies. So is it possible to further explain this particularly where we have made growth and what kind of stage we are and when can we start supplying the other material?

Sanjay Kumar Jha: What I'll tell you, in our -- this customer, normally, we are not getting -- giving the details about where we are here today. But just to give you some idea that where we have started working -- some example I'll give you. Probably higher to sale. Like you see the aerospace coming like Aero Engine manufacturers in India. Like in abroad, like India, we are -- also we are started. So like one example, the Kaveri Dry Engine. So Kaveri Dry Engine is the one area where MIDHANI material has been used for all the components.

And now this engine has to be applied for making a certain number of strategic equipment. So we are hopeful that, that will get materialized and we'll get a good amount of orders may be from that. Again, part of the Kaveri Engine itself. Now Kaveri Engine also programmed, has taken further step. So from there also, the already 5 Indian equivalent material we have supplied. So we are expecting that if those things are getting qualified, there also I'm going to get the material.

Our AMCA program, which is running in the country for there also, we are going to develop the material for 110-kilonewton engine. It is for our domestic program. In addition to that Shakti engine, which is coming for that requirement coming from the HAL, there also we are supplying sub material.

There are various programs where already we are giving the materials for our domestic program. So considering that our expertise now also we have done a lot of work we are doing for the Indians that coming from the outside, like our aircraft, which is a Russian origin aircraft. Now they are also -- we are trying to see how we can Indianize certain materials for that segment also.

So we are working for that also that how we can give the aeroengine materials for our domestic, but aircraft has been supplied from the Russian origin. And for overseas market, if you take about this, like GE Healthcare already we have supplied.

Now we are qualify or material for their product also. Pratt & Whitney also we are discussing. So there are many avenues. I can -- all details we cannot give you at this answer, but it is a regular way. And I will give you the break up where we have supplied, but that information is not in the business interest of the company. Because when we work with them, we have some sort of a non-disclosure act in it. And that way, international company they operate.

So this was only I can share with you. But I will say we are moving in the right direction. And many things first, we have done so far, either the certification, then the grades which are very difficult to make those things already, we have made qualify, they have tested, they are using now and we'll be getting good inflows there. Only thing is that how much we can adjust with our capacity. Capacity concerns are there in certain areas. With that buildup we are doing now, regularly.

Amit Dixit: No, I appreciate that. Just a point here, now GE 414 in all probability, HAL and the GE will together manufacture it in India. So do we also have some kind of supply chain for that particular engine or we are thinking of developing some parts for that?

Sanjay Kumar Jha: Our effort is in this direction only. So without adding or without waiting for that facility to come here, we have started working with in advance that our things -- material things can get qualified in their system. So as you have rightly told when it is coming to India, start manufacturing. MIDHANI has opportunity to get aligned with them. So I see it's a good possibility that MIDHANI will be one of the suppliers for the materials for that program.

Amit Dixit: Sir, what would be the revenue that we booked in this year from Rohtak armour factory and Wide plate mill and how much do you expect it to be in this year, FY '25?

Sanjay Kumar Jha: Rohtak we have armour today, order book is almost INR140 crores of order book. And recently an order has come from armour. And we are seeing that those things can be increased further. But for Wide plate mill total order book position. So, around 250 crores we have on Wide plate mill.

Amit Dixit: And this is to be executed over how many years, this Rohtak armour factory?

Sanjay Kumar Jha: That update is very quickly in 6 months. Trying to see. But in fact, that is not sufficient, in fact, we have to load more and more. We are looking for the opportunity orders. This is limited to very -- that quantity is very less for as far as the capacity is concerned. We have seen that how we can load it further from the other sectors. Whatever I have mentioned they are all high-value materials. So that's why you find that even if our utilization is very less for the Wide plate mill segment. It will contribute so much revenue for the company.

Amit Dixit: Okay. And what was the revenue we booked from both these facilities in FY '24?

Sanjay Kumar Jha: FY '24, what we booked earlier?

Amit Dixit: What we booked from the revenue contribution from both these facilities?

Sanjay Kumar Jha: Revenue whatever we got. Wide plate mill is around INR235 crores from Wide Plate Mill and INR21 crores from the Rohtak.

Amit Dixit: So from INR21 crores, we expect to go to INR140 crores around. That is the sizable jump?

Sanjay Kumar Jha: 140, whatever is the order book, this will be executed in almost 2 years, 25 months. Rohtak will be around 100 crores.

Amit Dixit: Okay, wonderful. And I just wanted to understand because in inventory, I thought that we had some constraints in recycling this inventory but we have managed to bring it significantly down. So, what has changed and what would be the outlook going ahead as far as inventory is concerned? How many days inventory would like to keep or we have increased the recycling content? What are the measures that we have taken over here?

Sanjay Kumar Jha: First of all, what we are trying to see that our VoP and our sales also to match. We should not try to build up the inventory year-on-year basis. That is our first target as far as inventory is concerned and already inventory we are carrying -- so our idea is that how we can utilize it like suppose we have the scrap -- quantities in contributing in a big way. So we are seeing that how we can utilize our scrap for our internal processing.

And at the same time, whatever scrap we cannot use will be trying to dispose it off. So already, we have made a scrap disposal policy. And on that, we are working. Last year, we had a fairly good amount of success but we are trying to build up this year that how we can reduce it further.

Amit Dixit: So what would be the quantum of customer advances in the book?

Sanjay Kumar Jha: We may be having around INR350 crores to INR400 crores. We will give you that exact figure later.

Amit Dixit: Earlier, there's also media article suggesting that we are also involved by one of the ordinance factories for supplying material for this Arjun MBT. So, any substance in it or it's just some media article floating around?

Sanjay Kumar Jha: Yes, we have communicated to investors that we have received the order of around INR130 crores, which has been already given the communication also. And that order already it has come, now we are trying to execute that order, which I have told is mainly for the Armor, only.

Amit Dixit: And similarly, HAL, there has been 156 numbers and LCA. So, will we be involved there as well for Armouring that?

Sanjay Kumar Jha: Yes, already it's a continuous effort. LCA, we are supplying that whatever the requirement is there for the materials. But there LCA engine is from outside only, major requirement of super alloy and titanium is used for the aero engine. So that is still they are depending on the engine from the GE. But whatever is coming to the non-engine side, MIDHANI is supplying regularly those grades. And as I have told they have a Russian aircraft. So, there for that engine, we are giving a lot of developments as of now.

Amit Dixit: That is from my side. You may now pass it on to the management for any closing remarks.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions. I would now like to hand the conference over to the management for the closing comments.

Sanjay Kumar Jha: So it is a very good conversation and already you have covered all the aspects which we required from the company point of view. And I really look forward for your valuable inputs, corrections and suggestions. We are trying to do some of the corrections which have been already discussed a number of times but there are a lot of challenges also.

And if challenge, the opportunity also is there. So your company is working towards that. And I am sure that type of the facility and the team we are having, it's really possible to achieve goal we have set. And this year is very remarkable for the company because we have crossed the psychological barrier of 4 figures.

We have crossed the INR1,000 crores turnover mark in this year. So this year has been very significant. Nevertheless, it is not reflected in the terms of the profit but I am sure that as we start progressing, that area also we will address. And we will have a very good performance and opportunity to invest and work on with this company.

But I select this area is very challenging. We are getting a lot of requests on the different companies for supplying the materials, but the only challenge is that, the conversion time is very less. So we've to see that how we can accommodate all these requirements in such a short time. Thank you.

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