



MDN/CS/COMPLIANCE/2022-23

Date: 01.08.2022

To,

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

Scrip Code: 541195

The Manager,
Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor; Plot No. CII, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400051

Trading Symbol: MIDHANI

Sub: Transcript of the Analysts and Investors Meet/Conference Call held on July 29, 2022

Dear Sir/Madam,

1. Further to our letter dated July 29, 2022 intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on 'Q1 & FY 23 Results' held on July 29, 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

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 Q1 FY2023
Earnings Conference Call”

July 29, 2022



ANALYST: MR. ABHIJIT MITRA – ICICI SECURITIES LIMITED

**MANAGEMENT: DR. S. K. JHA, CHAIRMAN AND MANAGING DIRECTOR –
MIDHANI LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Midhani Limited Q1 FY2023 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. SK Jha – CMD – Midhani Limited. Thank you, and over to you, Sir.

Dr. Sanjay Kumar Jha: Good afternoon. It is my pleasure to welcome all of you for this meeting after the first quarter results and I would like to mention few things here before I in fact what I have been telling over the company I would like to get the questions from investors, but I will start somewhere this year the first quarter, which we have ended on the 30th June, the company has clocked a turnover of 114 Crores almost same as Q1 of the last year, but one significant achievement is that our production has gone up in the first quarter, so it is reflected some of the VoP. The value of production has gone up by almost 90% higher so that this results will be seen in the second quarter and third important point for all this metal companies is that pressure on the profit is mainly due to increase in the cost of raw material, which includes nickel, moly, cobalt and also the increase in the price of fuel. We consume the LPG in large quantity and also power cost also has gone up because we have to whatever we are getting the power from our captive power plants that has not been coming we are getting from that Telangana State Power Corporation so this is what is a major highlights as such for this first quarter and we have made a provision for the dividend is almost similar whatever we have given in the last financial year of that FY2022 of first quarter, and our order book position also is consistent whatever we have started from the 1st April to now. I will be happy to take the questions from the all stakeholders.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Good afternoon and thank you for giving me the opportunity. My question is if I see the raw material cost, the percentage of sales in this quarter it has actually gone crazily high, so can you explain what was the reason for this compared to the corresponding last quarter?

Dr. Sanjay Kumar Jha: Cost of raw material you are telling.

Viraj Mithani: Yes, cost of raw material, it is like 96% or something,,, so what happened means if you can just throw some light and going forward how are we trying to tackle this?



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Dr. Sanjay Kumar Jha: You are talking about the cost of raw material.

Viraj Mithani: Correct.

Dr. Sanjay Kumar Jha: Yes, cost of raw material is high because if you see the first quarter of the previous year and now there is an increase in production in tonnage form if you see almost more than two times. Naturally the production has gone up and it has been reflected in the form of VoP also and there it is coming almost 90% higher. Almost two times increase is there in the VoP also. These are the factors, which have contributed for this raw material consumption number one and number two the prices have also has gone up. If you see from the first quarter of the previous year and first quarter of the current year almost there is an increase of 25% to 30% in the cost of all major raw materials, which we consume for our production. These are the two main reasons or that.

Viraj Mithani: We do not have the escalation clause in our contract when we deal with the customer or we have that.

Dr. Sanjay Kumar Jha: No. It vary from contract-to-contract, but nowadays whatever orders we are getting it will be on the fixed price only.

Viraj Mithani: How are we providing the next quarter onwards, it will be the same impact or we have taken step to mitigate the raw material prices means are there any form.

Dr. Sanjay Kumar Jha: There will be a pressure on the margin level of raw material, not only for Midhani for any metal company. If you see results if that come out coming in any steel plant also because it is reflected in that, and we are also having the single problem, but we are trying to see that how best we can utilize our reverse and recycle or scrap, which we generate internally to minimize the impact of the raw material, but the cost of the power and energy that is in form of the LPG and all, it will remain on the higher price. Overall there will be a pressure on the margin, if you see in the next quarter also probably from the third quarter and all it may get normalize, but first two quarters we will find the impact of that.

Viraj Mithani: If the value of production has increased means that the benefit of that orders would be booked in the next quarter right, so we see the numbers coming in the next quarter for that right, which is reflected in this raw material price is it correct to think.

Dr. Sanjay Kumar Jha: Yes, whatever we have seen that higher value and see in form of inventory we are having in the more. All those things are going to be reflect in the output in sales only. Sales will be on the higher side.



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Viraj Mithani: My next question is since your subordinates like BEL, Hindustan Aeronautics are guiding very strong quarters and since we also perform a part of a defense we also supplying the defense. Can you give sense in terms of growth and like, which you see there and how are you going to be planning now because they have been guiding very, very strong quarters from now onwards.

Dr. Sanjay Kumar Jha: BEL and HAL, they are basically the manufacturer of the defense platform and there what will happen that whatever growth because they have a very good order book position now and also the orders are all long-term orders, so they are planning out that all input material they has been taken care maybe couple of years back only, so that the pressure is we are seeing on the raw material they may not see on that sort of pressure.

Viraj Mithani: No, but do we benefit for their expansion and we supply to them right to the defense so do we benefit from that.

Dr. Sanjay Kumar Jha: BEL no because BEL in TOTEM electronics and but of course for HAL we are getting some of their requirements we are getting from HAL.

Viraj Mithani: You talked about Sukhoi Engine part can you just give some color how is it happening now means that certification we talked about in the last call.

Dr. Sanjay Kumar Jha: Yes, for Sukhoi a committee has been formed now, which is seeing that how the certification work can get expedited and Midhani also is got sitting in there. I am hopeful that they will try to see that whatever product is made or indigenize in the country the certification will be faster there. So they are monitoring that and we are also part of that.

Viraj Mithani: My last question what will be the size of that business for us if you can just give some color on that.

Dr. Sanjay Kumar Jha: Sukhoi in fact we have not seen the order yet; order value I cannot tell you right now so that is all in that in fact the total engine and all if you see it is coming on the 1000s of Crores, but what Midhani will get from the raw materials and that we have to see that how much quantity they are going to leverage from us.

Viraj Mithani: No you said we will be making some engine parts also in the last call; give some color.

Dr. Sanjay Kumar Jha: No, engine parts we are making for this is for Jaguar aircraft and this is Adour engine so for that we are getting the regular order after the execution of 40 sets now again we have got the order for around 66 Crores order from HAL for that work. It is we are getting regular



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order for that and Sukhoi the order placement is yet to take place so we have to see that how much parts we are going to indigenize in the country. Last meeting I said that we are developing the grades in advance, so that development we have taken it forward and we have come to the final stage of certification.

Viraj Mithani: Thank you and all the best.

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

Rohit Ohri: Two questions. First one is related to the JV that we have with NALCO, so when do you expect that the operations will start.

Dr. Sanjay Kumar Jha: JV work is going on now, but it has slightly slowed down initially because of some issues in the land acquisition and also getting the environment clearances and all, but now those things are in place and we have gone to the first stage of appointing that consultant for execution of the project it will take care of the procurement and remaining part of the project and also we have gone from the first phase, already tender we have floated for getting the interested party who can be part of our this supplier of the equipments and technology, so that work has started and it will take the time which we can get the project to be completed; we are assessing but it will take some time depending on that how much they commit when we are getting the offer and order so that part we are yet to see, but now as well as we initiated usually this type of project once they we place the order from that day to execution, it will take one and a half to two years.

Rohit Ohri: So what sort of investments will be expected from Midhani.

Dr. Sanjay Kumar Jha: Midhani, we are giving the equity of around 170 Crores.

Rohit Ohri: These orders from the railways that has started gearing up for mass production of axels and wheels for certain wagons as well as LHB coaches, what sort of opportunity do we see in that domain?

Dr. Sanjay Kumar Jha: For axel already we are executing one order of around 4 to 5 Crores; it is initial trade, but we have some future indications are there. We are getting around consistency or getting the orders so maybe around 15 to 20 Crores worth of order will be there in that.

Rohit Ohri: Last question is related to DAC approving the bullet proof jackets with the Indian standard BIS class and the level of projection giving in BIS VI, so their requirements is the order the



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entire thing is around 28000 Crores and moving the Rohtak plant is almost ready what sort of opportunity can Midhani get from this bulletproof jackets or what sort of bids are there or what sort of tenders must have come if you can share that.

Dr. Sanjay Kumar Jha: First of all the 28000 Crores, which have been approved by BSE those number of equipments and I do not know how much is a percentage for bulletproof jackets which the figure is not with me, so definitely with this type of approval we are expecting that tender will be floated now and parallely we are also gearing up for putting up our production facility. I will give you that exact information after getting that what is the value of tender they are floating now and what specification we are going to have. you have told was that BIS VI, so it is also has a lot of deviations in that specification, so we are going to see that then we will comment on this.

Rohit Ohri: Rhotak plants is ready as and when the orders might come are we be able to cater to it.

Dr. Sanjay Kumar Jha: Yes.

Rohit Ohri: Thank you sir that helps thank you thanks a lot.

Moderator: Thank you. The next question is from the line of Hardik Jain from Prudential Partners. Please go ahead.

Hardik Jain: Thank you for the opportunity. You mentioned that order book is now similar to what it was in March 2022. Is it from 1300 Crores the outstanding order book?

Dr. Sanjay Kumar Jha: Yes.

Hardik Jain: Last time you mentioned that we will be saving around 60 Crores due to wide plate mill because we are doing the rolling outside and once this wide plate mill start we will do the rolling in-house and we can save around 60 Crores. The benefit of the annual saving of 60 Crores by when we should start seeing. Can it start from the next quarter?

Dr. Sanjay Kumar Jha: No, this whatever I have told is we are outsourcing for our plate rolling so that outsourcing we have stopped, so in the first quarter we have sell around because of that 4 to 5 Crores saving is there. Now then saving in terms that we are also having the expenditure also so normally once we are getting the at most saving for operational cost we have to do that electricity power and all we have to do. So that we have started but 60 Crores only for one product I have told it maybe the total whatever business we do from that facility.



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Hardik Jain: Once we start using the full capacity of wide plate mill, then the savings would be 60 Crores.

Dr. Sanjay Kumar Jha: Yes.

Hardik Jain: Okay thank you.

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

Abhijit: My question is on Pinaka. Would you be supplying any material to the Pinaka orders that they are close to formulizing.

Dr. Sanjay Kumar Jha: For Pinaka missile, we have initially developed the material, but at present it is they are getting this material through the open tender and with the amount of open tender we will also participate and if we are able to get the L1, we can get this order, but the material component is very limited in the cost of material and the Pinaka is very less. It is the material is a very low alloy steel and its value is very less, so mainly the missile part other parts are important, which includes your propellant and control system both things are important there.

Abhijit: But I think the order size is pretty big right.

Dr. Sanjay Kumar Jha: Numbers are quite big in that.

Abhijit: What are your estimate of the total order value because I think they have clocked IFB also and given a number of 8600 Crores within that in front will take fighting vehicle also within the 8600 Crores, but how much would be your addressable market if I assume only the rocket.

Dr. Sanjay Kumar Jha: Frankly I have not assessed Midhani market is there in that, but for Pinaka missile as I told you it is basically the low alloy steel where the margin will be very less probably Midhani we may not able to compete as far as material is concerned. The other things whatever in country and other vehicles where you see in the armor and all we are already working with that Avani and all I think this is as per this.

Abhijit: That is all from my side. Thanks.



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Moderator: Thank you. The next question is from the line of Shalabh from Snowball Capital. Please go ahead.

Shalabh: My question is on inventory, I am not sure what is the current figure in the balance sheet but I guess the last year it was around 200 Crores of scrap in the inventory, so I want to know how do we assess what is extractable from the scrap and what is the process of revaluing this inventory in case we are not able to extract the amount of metal that we think we should be able to.

Dr. Sanjay Kumar Jha: We have two types of generations with scraps; one time generation is that which we cant recycle. Second which we cannot recycle. Recyclable scrap almost reached a 70% is there which we can recycle and balance which we have to either dispose it or either we have to keep in the stock.

Shalabh: The number that we see in the balance sheet like for last reported balance sheet 2021, it was 218 Crores that is the 100% scrap right, 70% of which probably is recyclable and balance 30% is not is that understanding correct.

Dr. Sanjay Kumar Jha: I am not clear in that, I will reply it, I will give you that correct value on that. Basically, it is a dynamic one, which we can this change will be there but the current value is how much and what is that, that we will communicate.

Shalabh: Why this question comes up because it is a sizable part of our balance sheet which goes and fits in that scrap and it has increased significantly over the last many years so until, unless we really use that it is just fixed in the balance sheet, not generating any return for us it is actually genesis of this question, how do we use this finally in the production.

Dr. Sanjay Kumar Jha: Recent past we have been trying to use the maximum quantity of the scrap to make manufacture of product, there is certain limitations so as I told earlier also our customers their demand that whatever certain products, which we work on the aerospace and missile and other service sectors; they say that you cannot use this scrap and certain times they said that the scrap can yield only 50%, so whatever we generate in this process of production we are not able to fully utilized and which I told in the last conference call also that our products are not of same grade, there are some various variety of this, so the scrap which we generate in the first order cannot be utilize in the second order so there is a time restriction Midhani is having and those scraps cannot be sold in the open market also because it is sometimes come with strategic materials. These limitations are there, however we are trying to see that how maximum we can utilize and nowadays also we are looking asking customer



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to permit us to utilize those scraps certain percentage, instead of utilizing complete virgin material.

Shalabh: In that case because if customers are also not allowing us to do it and probably we cannot use it in the second order as you said and should we be conservatively revalue this and take the impact in the P&L because there is a value which is showing in the balance sheet, but probably it is not really useful in the business right.

Dr. Sanjay Kumar Jha: See as you rightly told that any company if the inventory is high it is not the right indication and unfortunately when we are trying to minimize it the raw material prices have gone up, so whatever we are trying to reduce by consuming scraps they have not been reflected because straightaway the raw material prices have gone by 30%, 40% so definitely you will have as in terms of the price or cost that you saw the higher value and this is the main reason for in current situation.

Shalabh: Sure. There was also a media report that there was some **(inaudible) 25.22** from with scarp anything any comments on that or how significant was that.

Dr. Sanjay Kumar Jha: In terms of values it was not significant. It was whatever confiscated was only 9 tons and even on 8 tons of the scrap and those scraps were not useful as such in the same form, so it was there but then it was the incident was serious in nature and we have taken lot of corrective actions after that and we see that our systems become full proof in the future it was basically the alarm for us, but the damage was very less.

Shalabh: Just lastly on this quarterly number, if we see the change in inventory is higher than actually the raw material we had consumed, I was just wondering this means that the cost of the material which we have added to the inventory is far higher than what we have actually consumed this quarter for this quarter's production, so how do we understand that in terms of what is actually the cost of the material, which was consumed for the current quarter's production.

Dr. Sanjay Kumar Jha: See, it is not only the cost of material you do the lot of value addition so the material, which has gone to left at the extent of finishing stage definitely it will carry the actual price, so we will do the valuation based on the stages where materials are live. In that respect we will find that this type of discrepancy will be there, though it is not only raw material, you are adding your power, your fuel, your cost.

Shalabh: Correct it is not just the raw material everything is there.



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- Dr. Sanjay Kumar Jha:** Utilizing the manpower, the equipments all those things are accounted in that.
- Shalabh:** Correct, which would only mean that what extra we had produced for subsequent quarters is probably more valuable than what we have produced this quarter which is why the...
- Dr. Sanjay Kumar Jha:** Yes, definitely and then volume also is more and tonnage wise if you see tonnage I have not have the exact figure but since we are doing the calculation; tonnage wise it was two times than whatever we have got in the first quarter of FY2022.
- Shalabh:** Lastly just on the order booking, what is our expectation for the full year in terms of the order inflows that we expect.
- Dr. Sanjay Kumar Jha:** This year we have sure of getting 1000 Crores and our annual plan also is around 950 also to make turnover. We will be maintaining almost in that level of order book, but as I told earlier also the number of cases like,
- Moderator:** Ladies and gentlemen we seem to have lost the audio from the management side please stay connected while we reconnect the management. Ladies and gentlemen thank you for patiently holding we now have the line for the management reconnected. Over to you Sir.
- Dr. Sanjay Kumar Jha:** We have already answered, where we have got disconnected I do not know, so can you repeat the question.
- Shalabh:** This order intake of around 1000 Crores that you said before the call dropped off. Is this primarily from defense?
- Dr. Sanjay Kumar Jha:** Yes mainly from defense.
- Shalabh:** Thank you Sir and all the very best.
- Moderator:** Thank you. The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.
- Sanjeev Kumar Damani:** Namashkar. You have pending order of 1300 or some odd Crores that is listed in the press release, my question was that this is entirely a workable order or many a times orders are received and then lot of things are pending to be done about it.
- Dr. Sanjay Kumar Jha:** Whatever we have seen all are workable order only and there is no order that cannot be worked up, and you have rightly said that sometime some orders will have some



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developmental issues, but as the majorities are in the executing only developments are very limited.

Sanjeev Kumar Damani: One more sense I want to develop; do you foresee or if you have your estimate ready in next three months this orders will not be completed means, we have already passed July but by September this order will not get over or it will be for the entire year that this will go.

Dr. Sanjay Kumar Jha: No this whatever 1300 Crores, we have shown we will be adding further there will be some addition also will be there.

Sanjeev Kumar Damani: Agree, but the execution if you have something...

Dr. Sanjay Kumar Jha: No all we cannot execute in this year.

Sanjeev Kumar Damani: Okay they are not executable in this year. Can you kindly add in your presentation the dispatches that are made to various government departments in the sense that to the defense to the air side?

Dr. Sanjay Kumar Jha: Okay the sector wise.

Sanjeev Kumar Damani: Sector wise if it is possible that will give us an idea because you know very well that these days defense is growing **(inaudible)31.52** and we all investors are drawing our stake of share by investing into the companies which are doing all this work.

Dr. Sanjay Kumar Jha: Yes, you would like to know the sector wise; space is 37% dispatch, defense 33% plus 15% around 48%, and others around 11% is going to the energy and some part of the exports also.

Sanjeev Kumar Damani: When we talk space, space means Hindustan Aeronautic or something like that and then...

Dr. Sanjay Kumar Jha: No space means ISRO.

Sanjeev Kumar Damani: That directly goes to ISRO only. Not to HAL Hindustan Aeronautic is not our client sir.

Dr. Sanjay Kumar Jha: Yes, it is there in the defense it is coming in the sector of defense and PSU. It is coming under the category of PSU which I have told it is around 15% so and 33% is coming in defense which includes coming directly from the defense like the Indian navy and we get certain times from the armed forces.



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Sanjeev Kumar Damani: Sometime Bharat Earth Mover also maybe giving you certain orders.

Dr. Sanjay Kumar Jha: Bharat Earth Mover practically they are not using our type of materials.

Sanjeev Kumar Damani: Can you kindly tell that are you having monopoly in any of the product that you manufacture that means that you are the only producer in India of that item can we claim something about something then you may not be able to name them for security reasons, but anything that we produce is a monopoly in India that you only produce or there are other manufactures also there.

Dr. Sanjay Kumar Jha: The first point is you have rightly told that certain things we cannot reveal that we have the monopoly is there. The monopoly is not because of the grade it is because of the technology. Certain things we have got the technology transfer or we have developed the technology over a period of time there we had monopoly those things are very strategic in nature it cannot be discussed in open platform, but however I can tell you one thing on titanium production we are the only company in India.

Sanjeev Kumar Damani: This titanium you did going to rise in the days to come in defense and core sector as well as in domestic sector also which there be a growth of these items; utility will be there by a common man or for the ease of the common man.

Dr. Sanjay Kumar Jha: Titanium is called a Nobel of Golden you can say the wonder metal it is called a wonder metal; the name is wonder metal because it is a property of very unique and then it carries lot of cost at the cost wise it cannot be utilized for the common purpose. There is application in defense and space and defense you can say mainly it is in the naval and in the aerospace that is the sector earns badly in the missile also.

Sanjeev Kumar Damani: That you have initiated this correct if I am wrong before few years, I heard that America was supplying titanic utensils to India to be used in kitchen of India.

Dr. Sanjay Kumar Jha: No that can be a brand name utensils are never made in titanium; it can be a brand name by some company but titanium has its application mainly started from that naval and mainly from aerospace if you see the all our aircraft, aircraft engine components lot of things are made of titanium.

Sanjeev Kumar Damani: Thank you.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.



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Parimal Mithani: Can you give me the breakup of the current order book and second question is in terms of how do you see the order intake coming, which are the area that you see growth in coming next three to four quarters and since our order book (inaudible)37.18 orders over a three-year period right sir if I am correct in this.

Dr. Sanjay Kumar Jha: First of all I will just answer your question about the order book. We have total order book is 1377 and breakup is like that not in terms of percentage here I am not having but you can calculate from that so around 600 plus is for the space, 300 plus for naval sector, missile around 130, 100 is coming around energy and balance Aero 67, Airbus 65, Railway 12.5, and others are miscellaneous.

Parimal Mithani: Since there is MOD budget in terms of shipyard in terms of aircraft and all that it is quite high over a period of time and how do you see Midhani's role in it going ahead.

Dr. Sanjay Kumar Jha: You are talking on the defense acquisition and clearance and all that.

Parimal Mithani: Yes, defense acquisition in terms of aircraft the new destroyers and the various orders, which the defense has already given to missile currently it is how do you see your position in things of moving ahead.

Dr. Sanjay Kumar Jha: All whatever the term you are saying the materials are mainly source from the defense vendors. Midhani also is part of that and we are participating in the defense tenders and as per the price alone we are winning the tender, so as and when if the requirements are coming we are getting but so far on the volume of materials I am not finding that huge volume they have. No tender has come for huge volume in their current projects.

Moderator: Thank you. We will move on to the next question that is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: If you can give us some color and sense like how is the year plan and next year would be in terms of growth, profitability and margins.

Dr. Sanjay Kumar Jha: I can do one thing; we can give you some figure, but in summary I will say that we have given the target of around 25% growth every year, so the idea behind that 25% it is coming under every field since we have to grow by 25% profit also has to go importantly.

Moderator: Ladies and gentlemen thank you for patiently holding we now have the line for the management reconnected. Over to you Sir.



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- Dr. Sanjay Kumar Jha:** We are discussing about what is the growth plan and projections of profit etc.
- Viraj Mithani:** Correct.
- Dr. Sanjay Kumar Jha:** We are with the Ministry of Defense. Ministry of Defense has given a target of that 175000 Crores is a turnover now so they are looking for almost two times the turnover has to go up by 2024-2025 and export has to go from right now we have around \$1.75 million it has to go to \$5 million, so our targets also has been aligned accordingly wherever today we are from that we have to go to almost double we have to go to our turnover and also export has to go to high exponentially very high. Export is coming to three times, and that get three times I have to get to it four times.
- Viraj Mithani:** It means that next year we do around 1000 Crores top line and around 200 Crores, 220 Crores profit because we enjoyed 21% net margin; does it mean that we are going by the number so what you are guiding us so what you are telling about that.
- Dr. Sanjay Kumar Jha:** You could infer from that, but I cannot share about the figure but definitely our target is to meet the requirement of our department.
- Viraj Mithani:** Net margins would be 21% only and now net margins would be going down because of the commodity inflation, competition.
- Dr. Sanjay Kumar Jha:** I cannot say on that figure, that figure is very difficult to predict right now. In fact you people are the right people to predict because after predictions are not so accurate; you can see in the market we know what is the forecasting and all I mean to say.
- Viraj Mithani:** This we talked about 1000 Crores orders, which this is the 1300 Crores plus 1000 Crores total.
- Dr. Sanjay Kumar Jha:** Yes, 1300 is there 1000 Crores is for this year.
- Viraj Mithani:** So there will be 2300 Crores right total.
- Dr. Sanjay Kumar Jha:** Yes, we will be increasing I will be increase 1000 Crores also so definitely it is the starting.
- Viraj Mithani:** What is the order book timeline like the order book would be 1300 Crores order book we executed?



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Dr. Sanjay Kumar Jha: It varies, lot of variations are there, lot of variations and depending on the product because Midhani product profile is huge. We make a small wire of around 102, 250, 280 and bar, so there are various type of products there,. We make a small washer to one ring of three-meter diameter. My point is that we have a various type of product profile so depending on the products and all we decide that what with the time of (inaudible)43.34.

Viraj Mithani: Can you give the average time of execution. It is not like one and a half years or the two years or how do you think how do we look at it.

Dr. Sanjay Kumar Jha: Average time is one year.

Viraj Mithani: Okay thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Prabir from Adhikary. Please go ahead.

Prabir: Thank you for providing me this opportunity. My question is about the addressable opportunity for aerospace like in next ten years around 100 odd fighter jets going to be manufactured in India, of it what could be the size addressable possible market size for company like Midhani, and also in next ten years also there will be a hypersonic missiles where lot of specially graded air alloys or metals will be required so if I put together in these context, can you please help us understanding the requirement and possible marketable size?

Dr. Sanjay Kumar Jha: This exercise has been already done by our consultant recently and they have given the business potential and we have mentioned about some of the programs so the figures are not clear. Right now it is under evaluation and ministry is already taken for its evaluation and we are expecting shortly the figures will come out and we may discuss afterwards, but as you have rightly told that this programs are there in the country now and it is moving in the better higher pace, but whatever you have mentioned those things are time taking it is not translating immediately, but initiations have been made and visibilities are good in the sense that as you mentioned about the fighter plane, now the fighter plane whether the engine has to be purchased from the outside or made in-house, so these are the different ifs and buts west are there, so work is go in that direction, but if it is getting from the outside, the entire thing will be coming from the outside only. Since that is the case for the overall of the Indian MRO facility. The MRO wise it is comes in the India two, three MROs definitely coming from the material go out, so these things are very in nascent stage, I will not about to comment on this but Midhani has a better opportunity because we are already supplying the aero engine materials from last 25 years.



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Prabir: If you exclude this engine part for this aero frame and all so rightly recently there is a 46000 Crores of orders given to HAL for Mark1A, so in that what could be the size of this material for aero frame and all and other whatever required materials.

Dr. Sanjay Kumar Jha: You have told very correctly that you are mean the aero engine. Aero engine is the biggest; material cost wise highest in that and second comes the frame now the frame is also not made from the Indian material whatever LC you are seeing it is getting from the imported source only so the balance material left for very limited in quantities; there also I will tell you the number of things are coming from the outside so still we have lot of things indigenized but progressively we are doing indigenization and it will be getting reflected better in after four to five years once the indigenization is complete and again the engine is our own engine now engine also is now the entire engine is coming from the outside.

Prabir: Understood. My last question is who do you think your competitors in this business where you are right now.

Dr. Sanjay Kumar Jha: You are asking the name or you want to if people are there..

Prabir: Yes, the companies that are in India which is doing the kind of work.

Dr. Sanjay Kumar Jha: No, people are there now there are lot of people are there in India started manufacturing so people are. Good margin product will be there, so people are coming forward.

Prabir: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Darshan Shah from White Equity. Please go ahead.

Darshan Shah: Thanks for the opportunity. I have two questions; one on the inventory side so we are carrying inventory of almost 1000 Crores versus our revenue of 800 odd Crores, so what is the normalized level of inventory that we are aimed and by when do we expect to get that.

Dr. Sanjay Kumar Jha: Normalized level of inventory projections are being given by the consultant right now and we cannot reduce immediately but our efforts are on. As I told earlier also we have tried to reduce it but then the raw material prices have gone up in the recent past, so I am not seeing that near future it will come down because the prices of the raw material has gone up and at the same time there is a supply chain disruption also so because of that we have to stop. We cannot go to the situation where on monthly or by monthly basis I can buy the material I can run my store. These are the main reasons for getting high inventory, but it will get



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addressed, we are trying to address it by consuming more and more scrap see that our raw material consumption will come down.

Darshan Shah: Second question is on the LCA aircraft opportunity. In some of the earlier calls, you have mentioned that per aircraft raw material requirement would be around 25, 30 Crores is that correct.

Dr. Sanjay Kumar Jha: Yes, ideally, the requirement is there, but what has happened that initially for initial feeds of 15, 20 year craft since the HAL our materials are not certified so HAL has taken the preference state to buy the material from the outside and slowly they are giving the orders for indigenization, so right now we have the order of around 20, 25 Crores of order for LCA and it is getting added further as we progress.

Darshan Shah: Thanks that is it from my side.

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

Abhijit: Just to add to the aero question, out of total 55 Crores of order book that you have from aero 25 Crores is from LCA and the rest is from development materials for AMCA, is that right.

Dr. Sanjay Kumar Jha: No, AMCA is not included in that. We have for aero that Adour engine that we will see that as I told you that engine-based crafts. Then also we have for this recovery dry engine is there for GTRE.

Abhijit: Well these are what slow moving orders or what.

Dr. Sanjay Kumar Jha: No, it is not slow moving these are all very fast moving only.

Abhijit: They are procuring materials for cover the engine on a regular basis.

Dr. Sanjay Kumar Jha: Yes, it has started know that the cover engine, dry engine has started for what I have heard about India has gone to the first trial has taken for UCAV that is Unmanned Aerial Combat Vehicle. Already they have taken the first trial and this now the idea is to make more and more so there the engine will be used from that cover dry engine.

Abhijit: This would be one time orders right, I mean as of now it looks like it would be one time order.



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Dr. Sanjay Kumar Jha: No, I think if it is getting cleared then India is going for a big way to manufacture that craft because you need lot of drones for high-end delivery.

Abhijit: But they have stabilized the technology and all.

Dr. Sanjay Kumar Jha: I do not know the exact performance of the first trial, but it was reported it has given the good performance.

Abhijit: Got it and any execution delay that you would have faced because of lack of materials based on Ukraine or Kazakhstan or that region.

Dr. Sanjay Kumar Jha: No not delay in our execution, but some sales got affected in our last financial year because of that and then the cost of the raw material has gone up because of this war, so those were the major factors, which are affected.

Abhijit: This year will there be any effect on sales because of supply disruption.

Dr. Sanjay Kumar Jha: Not sales I will tell you, but on the margin it will be there.

Abhijit: Margin impact will be there.

Dr. Sanjay Kumar Jha: Yes.

Abhijit: From your commentary, it seems that some of the margin impact is there in Q1 also but on an overall scale it does not show maybe because of the mix or size of the disruption.

Dr. Sanjay Kumar Jha: Mainly because of the utilization has improved. We have tried to compensate with the scrap utilization. Thoughts are on to do there, but we have to see how much we are able to. Because there we would have to also see that product not get affected, so the technology has to be reversed in that range so you cannot go for the full scale at one go. You have to go stage wise.

Abhijit: Got it, just to go back to last point which is UCAV, which UCAV are they procuring for this Kaveri is it TAPAS or something else.

Dr. Sanjay Kumar Jha: What is the name you say, I understand the name is different.

Abhijit: Yes, TAPAS.



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Dr. Sanjay Kumar Jha: TAPAS, I do not know but the engine name is some name I am not clear is basically what name that I am not clear at least for the craft engine.

Abhijit: Got it. that is all from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Dr. SK Jha for his closing comments.

Dr. Sanjay Kumar Jha: Friends it was a very nice interaction so whenever I interact with the team as lot of things come to us and with me the entire team was also there with me Finance and Marketing and Corporate Planning, Company Secretary who all have joined and have been part of this meeting so I hope whatever we have discussed here it will further give our commitment to meet the expectation of the stakeholder and Midhani. We have been very fortunate that all of you have got the confidence on us and I am sure that with the future performance, it will be kept and we will be meeting of your expectations and better scale. Thank you very much.

Moderator: Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference call. We thank you for joining us and you may now disconnect your lines.