



MDN/CS/COMPLIANCE/2022-23

Date: 25.11.2022

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 November 21, 2022

Dear Sir/Madam,

1. Further to our letter dated November 21, 2022, intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on Q2 – FY23 Results, held on November 21, 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
company.secretary@midhani-india.in

Encl: As above

मिश्र धातु निगम लिमिटेड

(भारत सरकार का उद्यम)

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“Mishra Dhatu Nigam Limited
Q2 FY ‘23 Earnings Conference Call”
November 21, 2022



MANAGEMENT: **DR. SANJAY KUMAR JHA – CHAIRMAN AND MANAGING
DIRECTOR – MISHRA DHATU NIGAM LIMITED
SHRI. N GOWRI SANKARA RAO – DIRECTOR FINANCE –
MISHRA DHATU NIGAM LIMITED**

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



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Moderator: Ladies and gentlemen, good day, and welcome to MIDHANI Limited Q2 FY '23 Earnings Conference Call hosted by ICICI Securities Limited. 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 this 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, Mr. Dixit.

Amit Dixit: Yes. Good afternoon, everyone. On behalf of ICICI Securities, I welcome all the participants for MIDHANI Limited Q2 FY '23 con call. At the outset, I would like to thank the management for giving us an opportunity to host this call. From the management side, we have with us Dr. Sanjay Kumar Jha, Chairman and Managing Director, and Shri. N Gowri Sankara Rao, Director Finance.

Without much ado, I would hand over the call to Dr. Jha to take the forward. Over to you, sir.

Sanjay Jha: Good afternoon to all investors joining for this meeting. And before proceeding for your questions, I'll just try to give overview of what we have achieved in this up to the quarter two. And Q2 results already it is out. And the major significant outcome of our Q2 report is VOP, there is a significant increase compared from the last year's VOP of around 41%.

And also we had, in spite of having a lot of additional expenditure coming out from due to higher cost of the raw material power. The company has maintained the profit almost similar to whatever the like previous year. And also, we had -- if you can see our digital, even though the sales is slightly marginally on the lower side, I am talking about in the first half. We have got kept the profit at the level of similar level. Almost the PBT is around 2.6% higher only compared to the last year.

And considering that, only of the path is slightly on the lower side, very less difference. So these things are -- their data is available, in addition to that, I would like to mention some of the other highlights during this period where we have established a number of products coming out from the wide plate mill.

And in that, some of the noteworthy developments in the wide plate operation is production of nickel based super alloys plates, which we have made some export also using that setting. And we are also seeing the development of another nickel based super alloys required for our indigenous production of -- the desulfation unit required for various power plants which is operating in the country. So that sets also we have developed successfully.

And now we are expecting that the entire quantity, which is being imported as of today in the country, we can fulfil the requirements coming out from this facility on developments are connected with wide installation of wide plate mill. And also, as we have told previously that 8-



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ton vacuum induction melting also got fully all started. So combination of those two equipment's has driven this outcome.

In addition to that, your company also has developed the armour steels, which is being used for vehicle armoring our Rohtak facility. And there also, we have got almost armoring of around 100 number of vehicles. Out of that, already 15 numbers have been rolled out from the factory and balance are under various stages of the fabrication.

So the steel develops being made in our new installation of pipe treadmill. In addition to that, we are also trying to see that the requirements of armour steel used in various applications of our armoured tanks and other ordinance factory, as well as ordinance factory requirements, we can meet from this facility. In this period, in recently conducted defence expo. We have launched six different new products which includes as I said, super alloy nickel-based alloy sheets. Then Titanium moulds, which we have exported and also some of the grades of special materials.

So these are the highlights coming out from this next two, first and second quarter. So -- and during this period also, we have made some of the important MOUs we have signed and recently the concluded defence -- Defexpo, which includes a business cooperation agreement with Boeing in the area of raw materials, which is being used in manufacture of various type of components in India for their supply chain and supply chain as well. These are the nutshells, I just put a brief things here. Anything special afterwards, now I'll request you to give your queries based on this performance of the company.

Moderator: The first question is from the line of Aditya Deorah from Divisha Investments.

Aditya Deorah: Sir, you had mentioned in your opening remarks also that the value of production has gone up for this half year. And I guess, even for the last financial year also, the value of production has gone up. But sir, we are not seeing the corresponding increase in sales. And as a result, our inventory has moved from around INR 800 crores in -- at the end of financial year '21 to maybe INR 1,091 crore at the end of financial year '22, and it has moved to INR 1,280 crores for this half year. So sir, when do we expect that we are able to build this inventory that we have built up?

Sanjay Jha: The inventory is a very important part and important issues, which we are dealing with a day-to-day basis. But the major reason for the inventory increase build up in inventory is mainly because of raw material also, because the raw material costs have gone up. So we have to also stock some of the requirements coming out required for the nickel-based alloys. And earlier, our production of nickel-based alloy are very less. Now the requirement has gone up for super alloy production. So therefore, it adds to the inventory in a very high value material and which is nickel. This is the one first part.

And second part that, of course, the WIP, which already you have mentioned, which I have already told that, it is the -- whatever the VOP has been build up. And you said that last year also, it was like that. So if you see the performance of the previous year also, the Q3 and Q4,



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there is a substantial increase in the sales. So I said that whatever you have seen now, it will translate into the sales in the coming months -- and another part is that this year, since our Rohtak facility also started working -- so partly, there also some -- the WIP has been build up. So they're also to provide some of the materials, which we are depending on the outset on the import also raw material. So there also, there is some amount of inventory is required to maintain our production on time.

Aditya Deorah: So for this financial year, how much sales growth are we budgeting? For this financial year, how much -- I mean like what kind of sales growth are we expecting by internal targets?

Sanjay Jha: Our internal target is INR 1,000 crores.

Aditya Deorah: Is it the value of production or the sales?

Sanjay Jha: I'm not talking about this.

Moderator: Next question is from the line of Ankit Shah from White Equity Investment.

Ankit Shah: In Q2 F '22 conference call, the management had talked about having a fixed asset turnover of about 2x from projects such as the wide plate mill and the Rohtak plant. However, later on, it was changed to potential revenues of INR 500 crores from wide plate mill and INR 100 crores from Rohtak plant, which results in a fixed asset turnover of 1x. So can you throw some light on this discrepancy? And help us understand this better?

Sanjay Jha: You said that management has projected 500 crores of revenue in current financial year?

Ankit Shah: No, last year in one of the calls, management has said that we will have a fixed asset turnover of two times from wide plate mill and Rohtak plant?

Sanjay Jha: I understood the question. What we have projected that once this mill is established fully, we can expect the revenue of around INR 500 crores from the wide plate mill. And now this mill is still under on trial, trial means that we are making the products one by one, we are moving towards. Once we go to the full scale of because any project, you cannot get the full scale of operation in the first year of itself, sir. So this year, we will be seeing like trials are getting conducted. And initially, if you see the first quarter, there were no addition much from the wide plate mill. Second quarter, it has improved. And third and fourth, we will see the further increase in the coming revenue coming from wide plate mill.

Coming to the Rohtak also, Rohtak also started giving in this quarter only second quarter only we have got some addition revenue. Our fourth, again, we'll see the major change, because as I said, things are now in the area of that production, we have around 70-80 vehicles are there for armoring, then we have the jacket for 1,500 also to execute. So these things are moving on now and that increase will be there. But the complete INR 500 crores, we are expecting that from the next financial year only it will start coming, once our entire all the product range are established.



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- Ankit Shah:** Sir, the peak revenues from these two plants will be INR 500 crores and INR 100 crores or it be higher?
- Sanjay Jha:** We have -- this is our estimation. See, our estimations we have kept like this. But higher is possibility is there, it can go higher also. But we cannot say right now, with the current market scenario and our execution capacity, we have given this figure. And as we progress, we suppose you have -- you've got an order, where your value addition is much higher than this sales of the product is very high because of the high-value items. It can go and increase, but all depends on what is the market scenario in that case.
- Ankit Shah:** And this INR 500 crores assumes what kind of capacity utilization? Would it be like close to full utilization? Or would it be lower?
- Sanjay Jha:** It is full creation.
- Ankit Shah:** Sir, next question is on the LCA opportunity. In the previous call, you had said that we are awaiting certification for supplying certain raw materials for the LCA order. So by when can we expect to get the certification? And what would be the potential order size post certifications are achieved?
- Sanjay Jha:** LCA order already certification as awaited only for a couple of items, two, three items are there for it. But more or less, whatever we are supplying now is already certified. -- items are certified, and we are supplying.
- Ankit Shah:** And once these two three items, certification also comes in, what would be the potential order size from the LCA opportunity? Let's say, per...
- Sanjay Jha:** I cannot really see those items which I have told it is not only exclusively for LCA, it can go for other requirements also because the common materials are used in the different areas. So we are in the mode of now developing those items, the product. So based on our outcome and the cost of production, the order will be placed on MIDHANI. So right now, these values are difficult to predict because their project also, there is no clarity that how much of the equipment they are going to get the orders from the services. What I mean to say that air force and all.
- Ankit Shah:** Sir, is it possible to share some idea about the per unit order size? Just a ballpark number just for us to understand the scale of the opportunity.
- Sanjay Jha:** For LCA, we'll tell you that we'll give you that input.
- Ankit Shah:** Sure, the next question is on the inventory side. Can you share the amount or percentage of non-recyclable scrap that is sitting on our balance sheet. And what would be our plans for the excess scrap and potential inventory write-offs that we could be looking at in next two, three years? Just more color on the inventory piece if you can share.



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- Sanjay Jha:** See, whatever is the non-recyclable scrap you are talking. Normally, the scrap, which we cannot use, we will sell in the market. We'll auction and then we'll sell. Whatever we can recycle that only we keep with us. So a question of that scrap, retaining it has done on the rise. Of course, it may remain for some time until we get the right price and we get the right customer because the number of times if you auction and you are not getting the correct price, you will not sell. We'll try to see that how maximum benefit company can get by reselling scraps.
- Management:** Adding further excess scrap we cannot sell up because the government regulations are their certain types of scrap we cannot sell. So those stocks also needs to be meant for internal use as and when we get a first type of order say, our scrap level is more, there is no non-recyclable scrap like that only as [inaudible 0:18:25] is selling. We will sell the scrap wherever it is sellable. Wherever it is internally useable because our scrap is not a simple MS scrap or SS scrap. It is a high value scrap. If I am able to use it in my production process, it gives me good margin.
- Ankit Shah:** So this scrap is largely going to be metals, which would not require any write-off hedge?
- Sanjay Jha:** Write-offs are not done, there are no write-offs.
- Ankit Shah:** Sir, next question is on the exports. So how do you see exports shaping up over next, let's say, two, three years? And any certifications that we expect to receive in the near future, this financial year or maybe next financial year, which could boost exports.
- Sanjay Jha:** Yes. Export, we are doing right now, even though certifications are not required in that area already, we are making the export -- and as you said, for certification also the work is in progress. And we expect by this year-end, we are not by mid of the next year, we will start getting the certification.
- Ankit Shah:** And sir, on that basis, what with the export potential for us? I mean what kind of exports are we looking at for next two, three years?
- Sanjay Jha:** As export potentials are good potential is there, but the only issue today is the payment conditions and pricing. So we are seeing that based on those two aspects, we are booking the export. So for LCL is quite good. But only thing is that you have to get the proper price as well as seven terms also. We have a number of vendors outside customers, they are asking for almost a grade based supply system. -- grade-based supply systems is not acceptable in our case. So we are looking for alternative that how we can meet their expectations by adopting certain change in our, I say that business conditions
- Ankit Shah:** On next question on Su-30 MKI engines. or HAL potential orders for Su-30MKi engines about 240 engines and 80 engines for MiG-29 that order size for HAL would be around INR 33,000 crores. So do we see any opportunity for us flowing from these orders?
- Sanjay Jha:** Su-30 is a licensed agreement with the engine supplier to HAL. Now question is that how much percentage they allow them to indigenize it depends on the type of contract they sign. We are not aware of that, what is their conditions in that, that how on the, as far as the material is



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concerned. But they are also looking for to indigenize it even for the existing fleet also. But then as I said, unless the engine supplier is not gaining the permission, you cannot use materials, which is not certified by them. So India is looking for that sort of development, but it has not resulted in the clear cut in the business proposition. However, developmental work MIDHANI is your company is doing. We have taken some steps to indigenize the alloys, which are very critical for Su-30 engine. So we are working towards that. When we come to the business space, we'll definitely inform the investors.

Ankit Shah: And on the MiG-29 engine, is it a similar situation or their Indian materials allowed?

Sanjay Jha: MiG-29, I have no idea precisely what is the materials. But for MiG -- other MiG-19 and all, we have developed the materials earlier, but whether they are going to utilize, again I would say, engine materials, it all depends on the type of contract they enter with the supplier. So for which I do not -- we don't have the right information at this stage.

Moderator: Sorry to interrupt you Mr. Shah, I request you to come back in the question queue for a follow-up question. Thank you. The next question is from the line of Venkatesh from Logic Tree Investment.

Venkatesh: My question is on what is the kind of opportunity size our company can target over the next four to five years. So broadly, both in terms of domestic as well as exports? And is there a company that we can benchmark ourselves with globally, who is in the same space and who will probably at a significant scale or something just for comparison?

Sanjay Jha: This question is very apt question you have asked and already as far as the bench marking is concerned, it was done earlier, and it was seen that MIDHANI far as profit percentage and all is matching with some of the leading international manufacturer in the similar domain.

But the volume-wise, our volume is very less. So the volume depends on that how your domestic industry is growing, and you have rightly all about next four, five years. I see next four, five years, scenario is very good for the entire engine industry, which is operating in the area of defence manufacturing. Because of the various policies and various tests taken by Ministry of Defence indigenization of various equipment platforms, materials in the area of defence.

MIDHANI is also a part of that. And I feel that our growth also will be on the similar lines, as you see in the other PSUs, the difference only in our case and other case that we are not in directly getting the equipment or reforms coming to us. We are basically some sort of raw material supplier going to that. And their moment it is coming out in the raw material side, there is a lot of competition among the various manufacturers in India. And in itself past many new interims are there in this field. So it is not a monopolistic area.

We have to be competitive. And we are also competitive today. A lot of orders we are getting on the competitive bidding only. They're not coming directly in our lab. So I think there is a



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good opportunity as our efficiency is going up and market also is growing. There's a good opportunity for us to get them.

Now what is the quantum and all, the target which has been set up by Ministry that defence manufacturing should go two times of whatever we are doing today. Almost INR 1,75,000 crores of turnover and then around \$5 billion of export. We are also trying in that sector and accordingly, our targets also have been fixed year after year.

Venkatesh: Right. So is it fair to expect that we could probably double our revenues over a four-year period, sir?

Sanjay Jha: Yes, there are targets are there, but then we have to do a lot of work behind the scenes that our infrastructure has to go up, modernisation license plan has to pick up. So a lot of investments are required in that area. We are working towards that.

Moderator: The next question is from the line of Romil from Electrum PMS.

Romil: Sir, I just want to understand a couple of things. One is on your titanium business. So can you just explain this business? I mean, what kind of products you make? What is the process? What are the raw material sources, some bit of margin outlook and everything on this particular part of the business?

Sanjay Jha: Now this is a very fundamental question you ask titanium. So let me tell you, first, titanium is called a wonder metal. Why it is called a wonder metal? Because it has a very wide especially because of its light weight and high strength ratio, it is a lightweight and high strength. We had a tremendous application in the area of aerospace and other side also, it has a very good corrosion resistance, especially against the seawater. So if you see that this material can work on the – above the ground in the aerospace and other side, under seawater. So if I'm clear about the application, then I can proceed further.

Romil: Sure, sir. Absolutely, sir.

Sanjay Jha: So because of this nature and very good properties and in addition to that, other properties also high temperature then it can work under high temperature -- so all those properties make it very unique material. And MIDHANI, our company, we have the expertise of this alloy from last 25 to 30 years. We are working on the alloys. So we have the complete control of the process.

Now you have asked about the raw material. Raw material in this case, today, we are depending on the import. Raw material, we are not able to manufacture in India. Again, it is an economic of scale because of our requirement of raw material of that is called titanium sponge is only 800 tons to 100 tons max. And the plant is economical, if you go 5000 tons, 10,000 tons.

So that's why our production of titanium sponge in India, even though it is taking place at a very low scale, its cost is very high. So we have to depend on the -- totally on the import of titanium response. And with the current world scenario, which we see in the -- that like in the aftermath



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of Ukraine and Russian conflicts, there is definitely very much pressure on the supply chain of this material. So we are also getting affected.

And but so far, we are able to manage and that earlier, when we are discussing about some of the requirement of inventory also, probably, that is also one of the reasons why we have to stock some more quantity so that we should not suffer for want of material in the immediate future. So is there. And our target is that whatever we are producing today there less scale, we are going to almost double our production. So we are setting up a facility, new facility coming up where my titanium production is going to increase by two times.

Romil: And sir, what are the products that you are manufacturing in titanium right now? And when will this new facility come up, the capex and the new products that will be there?

Sanjay Jha: Titanium, we are producing right from heavy forging to even a small thickness of wire also. So MIDHANI product is diverse. We make plates, we make sheets, we make foil, we make rings and we are also making different castings, we are making different types of assemblies. So titanium production in our case we are making any size and shape you ask, MIDHANI is able make that.

Romil: And sir, who is the competition in the titanium business directly competing with us in India?

Sanjay Jha: India so far industry called PTC has come out in Lucknow and they are doing only in the one of our problem in titanium casting. But in future people may enter in this business, we do not know. But this technology is slightly difficult. So it takes time for people to get out.

Moderator: Romil I request you to come back in the question queue for a follow-up question. The next question is from the line of Renjith Sivaram from Mahindra Mutual Fund.

Renjith Sivaram: Sir, congrats on good execution, though the top to bottom line is a bit stretched. So just wanted to understand because this, as we look at the broad commodity prices have come down. So was there any inventory-related readjustment in the income statement this quarter because the prices have come down?

Sanjay Jha: Prices. So I don't think anything has come down so far.

Management: Commercial steel prices have come down, not the special steel Yes, only like MS where the price...

Moderator: Sorry to interrupt you, but you are sounding little distant may I request to speak a little louder?

Sanjay Jha: What we are not using that commodity steel in our manufacturing. So what we are talking about the price is those areas where the prices have come down. We are also -- I tell you that prices -- our raw materials are mainly nickel, cobalt, moly, tantalum and iodine. So there, the prices have not come down, in fact. So there is a pressure on the price as of today also. So I don't see any



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reason there that we have adjusted because of that. And so I think that is -- will be given or any other where you want to make...

Renjith Sivaram: When I read your annual report, you have this R&D tied with Carborundum for ceramic-based armor plates. So what -- how large is that opportunity? Will everything will shift to ceramic? And like what is the status of that? Will that be manufactured in Carborundum facility and the Rohtak? Or will...

Sanjay Jha: This is Carborundum I have seen in context with one of our products called our bulletproof jackets. With Carborundum, we are trying to see only the silicon carbide tiles, we wanted to procure and see that -- with using that tiles, we wanted to make the bulletproof jackets. So this is still in the R&D developmental mode. But if that development is completed, and we are through in our development, you might have seen a lot of requirements are coming for the bulletproof jacket, either from the Paramilitary Forces or from the Armed Forces.

So there are immense potential in that area. But nevertheless also we have lot of manufacturers in that extent also. Jackets a lot of people are there in India to make that. So how much we are able to capture, we will tell you whenever we get the certain amount of orders. But that is in context of the development of a specific product, it is not a substitute of the metal, which we are discussing.

Renjith Sivaram: So you are not substituting the current metal with that?

Sanjay Jha: Yes.

Renjith Sivaram: And sir, this Rohtak, when do you expect this Rohtak facility will be in 100 -- in terms of utilization level at a normalized level and what kind of revenues can we expect from Rohtak, if not this year, next year onwards and incremental revenues?

Sanjay Jha: This year, we are targeting around INR 100 crores, but let us see. We have the order book -- order is there. We have the order to be able to execute and complete, but there are certain constraint on the supply chain. So we are assessing some problem in the completing all orders. But we are making an attempt to get almost INR 100 crores of sales coming from the Rohtak facility this year.

Renjith Sivaram: And in terms of the future growth opportunities like in future, if we are going for this -- Rafale is currently now imported. So is there any chance that the future Rafale, the material technology and requirement will be done by us instead of importing from France? Is there some thought like that or for any other major aircraft we can look at we being the sole supplier of the material?

Sanjay Jha: First of all, I'll tell you MIDHANI cannot claim today that we are the sole supplier of the materials. Because in India, a lot of other companies, they have come up with the various facilities in the area of special alloys production. The only an advantage with us that our alloys are certified for the aero applications. Now coming to the Rafale, Rafale is basically, the



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structural part today is completely composites. So we have to go for the composites, then only we can make. That is number one.

Number two, coming from the Aero engines, the Aero engine is either Safran or **[inaudible 0:38:22]** whatever Aero engine thereby, it has been supplied through the complete setup of OEMs such as it elsewhere. Unless India develop its own aero engine or some OEM can setup the facility in India and then utilize our certified material then only it is possible in their domain. So that's why recently it was felt that why not, we should Indianize the material from Sukhoi which is very well, it is a Russian origin. So we are working towards that. So definitely, as you progress, one development will give the chance of getting the other one. So we are working towards that and see that how our company can capture the other market if it comes to operate in India.

Renjith Sivaram:

Sir, lastly, if I can ask one more, like you if I look at the overall space opportunity now that most of the space engines are now with cryogenic or everything is going to be manufactured in there. So what is our overall contribution in this space as a segment? And how do you see that?

Sanjay Jha:

Yes. Since our contribution has been enhanced today also rocket motor casing and material required for various fuel tanks and also we use for cryo and semi-cryo special castings, special steel, special alloys, they're all going from MIDHANI only. But then likely to the future, the other manufactures also are coming up. So we have -- but then the market here that their volume also will be going up because there's a big ambition or big plan for Indian defense industry, and that is those plants are coming to the reality, definitely, MIDHANI also will be benefited, our volume also increase and maybe other also. Again, we have one advantage that our material has proven for the last 35 years. So they can have more. But then the price also is the one factor which we have to be very competitive.

Moderator:

The next question is from the line of Charanjit Singh from DSP Mutual Fund.

Charanjit Singh:

Sir, my first question is regarding overall order inflow scenario, maybe the tenders, which you would be seeing in the pipeline. If you can tell us in terms of how defense segment would see the growth space and nuclear, are we seeing good pipeline building up? That's my first question.

Sanjay Jha:

Yes, order flow, we are expecting that whatever order position is there as on today are INR 1,500 crores, order book will remain after the closing of this assessment year also, this is our expectation. And we are also trying to see that how we can get the other product also in our fold, which includes the export, which includes certain things require from our Wide Plate Mill as it progresses, if we get converted into some of the products into the large volumes then that also expected. But these things are all a future for which our team MIDHANI is working very hard. And as we progress, as we get some good business in this area, definitely, we'll be telling to the investors. But as you have rightly told, there is a lot of requirements coming out from these sectors right now. So we are also hopeful that whatever best we can capture in the advantage as far as.



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- Charanjit Singh:** Sir, if you look at there was a lot of CWIP also in the process. And so what is our gross block right now and on that gross block, what is the kind of asset terms and revenue generation, which we can do?
- Sanjay Jha:** This question, I'll give it to or Director Finance to answer.
- Management:** Yes, if you see our gross were presently INR 937 crores and with the addition of INR 982 crores, after capitalization, one more addition of INR 100crores will come. Nearly, you can see that by the yearend, it will be INR 1,100 crores. And we are expecting at the same level of price or same we were selling at INR 1,000 crores. Seeing that all the new, whatever new facilities have come if it is stabilized and it creates some production level, we can easily same level of gross block as our revenue.
- Charanjit Singh:** Sir, but the asset turns here will be like we have already all about 2x. So it should be a much higher top line, what we can deliver?
- Sanjay Jha:** I could not understand your question. Your telling that asset turnover ratio, you're telling?
- Charanjit Singh:** Yes, sir.
- Sanjay Jha:** Asset turnover ratio...
- Management:** Asset turnover ratio normally will within total effects. Our total assets are mainly INR 2,900 crores. Only if you take non-current assets, it is around INR 1,121crores,exact that level, we can achieve but if the total is INR 2,900 crores or INR 3,000 crores once it is resumed by the year-end, our turnover will be around 40%, 35%-40%.
- Charanjit Singh:** Sir, on the space side, we had earlier seen there was a weakness in terms of the launches. How is that opportunity building up now going forward? Are you seeing that traction going to pick up on the space front?
- Sanjay Jha:** Yes, we are also listening through media only. And also recently also, I assume that there were news that more than 300 satellites are already in the queue and ISRO having the to utilize that opportunity. So definitely, those things have to go into the orbit, you need more and more launch vehicles. So I see that it will pick up now as the time goes up.
- Charanjit Singh:** Okay. Sir, lastly, if you look at from BDL's perspective, so Astra and other missiles increasing need where more domestic missiles will be integrated with the current platforms. So how do you see that now shaping up going forward, especially from Astra and other missiles programs? And what percentage of that order if BDL gets can benefit MIDHANI?
- Sanjay Jha:** Are you talking about Astra? Astra is definitely -- but the induction of Astra every year, hardly 100, 150, 200, they're not beyond the must be. So corresponding to that, we are getting the orders and we are only supplying in areas. But other missiles like Akash is already – we have given all the materials required for the Akash. Unless they get the fresh order then only we can get for



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Akash. And also, we have certain other missiles, which they are producing for naval applications and all. So we are supplying some materials in that.

Charanjit Singh: Okay. But on an annual basis, is there any number which you can highlight that from the missile programs, how much revenue which you can achieve as more of these missiles get approved?

Sanjay Jha: Right now exact figure, I'm not having, but I understand. Almost last year, how much we have done?

Management: INR 12 crores.

Sanjay Jha: So last year, we have done about INR 12 crores business. This year also, maybe similar to that coming from the missile sector.

Charanjit Singh: Sir, just lastly, on the nuclear side, what we are seeing is there's a lot more traction when the orders are getting placed to the pump manufacturers and the other larger contractor. So on the nuclear pipeline, anything you can highlight for us?

Sanjay Jha: Yes, nuclear business also projects are getting on the fast track now, but -- so far, what we are involved in the manufacturing of certain products like lattice tubes, we are supplying already and we have new requirements also, I hope it will be coming up. But again, there also MIDHANI is not the only supplier, we'll have lot of competition in that. Another idea is that some requirement for super large pressurizer generator turbines. So already, we have on order, which we are executing now and also participating in some other orders also.

Charanjit Singh: So we are...

Sanjay Jha: Though -- our product range required for nuclear business already we are working with them. But pumps and all is not our domain, which is done by like -- even the steam generator also is being done by either L&T or some other companies. We are only supplying certain raw materials.

Moderator: Next follow-up question is from the line of Ankit Shah from White Equity Investment.

Ankit Shah: On the precious metals scam that we shared the last quarter, can you update us on the progress on that? And as a follow-up, are we looking at appointing some better internal auditor, ENY or anybody else to strengthen our internal controls?

Sanjay Jha: We have already our internal auditor it is there, and they are already taking care of our auditing system and all. You know that we are having a quarterly review of the audit results. It's being monitored by several independent directors are there on our Board. The systems are well placed. Requirement of the consultants arises when we have some specific problems. So for which also recently ministry has appointed certain consultants and they have submitted the report on our business growth plan and which we are considering and we are trying to see that how it can be implemented.



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- Ankit Shah:** Okay. And update on the precious metals scam that happened?
- Sanjay Jha:** Which one?
- Ankit Shah:** Sir, there was precious metals scam CBI directed some people...
- Sanjay Jha:** That was a small theft took place. It was a basically theft of scrap, not precious metals. It was theft of the scrap reported in the media and the people involved in some contact workers, some security staffs, they were being like arrested and then later on it was investigated. But it is not related to any precious metal. It was a scrap which normally used recycling in our system.
- Ankit Shah:** Can you share some light on the same? Actually, what was the quantum of this crap that was stolen?
- Sanjay Jha:** I am not the right person to ask because they are already investigation is done by CBI. So that information lies with them. I am not right to say that. So what they have given in the media also and what we have also seen that 950 kgs were intercepted by CBI. Beyond that, we don't have the information.
- Moderator:** The next question is from the line of Rohit from Progressive Share Brokers.
- Rohit:** So three or four questions. The first one, you're saying that Q3 and Q4, you will see a pickup, and that is slightly a bit of bullish commentary to reach INR 1,000 crores. So sir, what are the factors that will cause this? One, it is because there is a slight change in the product mix or is it because of the short cycle kind of orders that you have? Or is it because of the absolute ramp-up that we see in the plant?
- Sanjay Jha:** Both the things are not required in our case. Our conversion cycle time is slightly on the longer one, because we are dealing with the very precious materials. So the number of steps required for processing those materials are quite large. And that's why you will see that whatever we produce, let's say in the first quarter, I will sometime able to do supply in the second quarter or in third quarter. Because the gestation time for the materials from manufacturing to supply runs in the average almost seven to eight months. So this is the reason for precisely for getting up so much the WIP. Nothing else, otherwise beyond that.
- Rohit:** Okay. Sir, you did touch upon certain issues related to Russia, Ukraine and raw material and nickel molybdenum. So going forward, do you think you'll be able to maintain the EBITDA margins of 30%, 33% that we usually have?
- Sanjay Jha:** Right now I see with the available product mix it may be possible to maintain that. I am not seeing any reason why it should not be there. But then you know the factors are there where we now see as I told cost of production has gone up because of the raw material cost and also we have taken the orders with the fixed rate from the customer.



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So definitely it is going to give pressure on our margin. So far it has not been reflected because of certain measures, which we have taken to reduce the consumption of raw material or improve our efficiency. Let us see how we are able to take up the challenges in the future. But we have some excellent plan on hand to take up those things like reduction in the consumption of raw material, pure raw material. So more scrap recycling for getting the -- so those things are in the line now.

Rohit: So if I were to break the order book into different space railways and others, how would that be currently?

Sanjay Jha: Yes, order book position I have worked out. Around 40% is coming, 40% to 55% is almost defense now. Okay. The space is coming around 35%, order book position today and balance around you say armour is around 3%, 3.5% and 4% like that.

Rohit: Sir my last question is related to the NALCO JV. Since last three four years there has been absolute delay in that. So any thoughts on what is causing this delay apart from the land acquisition issue which was there or are you looking at some new property or land where you would do a deal with this Utkarsha Aluminium Dhatu Nigam Limited?

Sanjay Jha: See, first of all I will tell you this project is not delayed. This project is of very high value in nature. So once a company like MIDHANI wants to invest, it's hard, it's hard money where we have used, you told that our margin is quite high and then we are keeping the equity in that project. We have to see that our return on the investment should be good. So considering that, since project evaluation was done four years back to get the certain amount of return on investment, we thought this is the right time we should re-evaluate that in the current world scenario and then take a call whether we should invest or not.

Probably that is the one reason which has made us to give some time, take some time, which is already on the way now and we expect that in couple of months we'll get the right information. If the inputs are encouraging, coming from the consultants, we will definitely take up the project fast. But on the ground, you know, lot of work we have done, all clearances are there, we have consent to establishment, we have taken the pollution control approval, we have taken the approval from the Ministry of Environment and Forest clearance is there.

So all clearances are there now. And also we have appointed a consultant which can go for engineering procurement and management systems for civil construction and all. So these things are already in place. We will be giving you the right information at the appropriate time. Even our Phase 1 construction, for Phase 1 also tendering is over and we have already sought to set the firm which can take up our first phase construction.

First phase technology as well as the equipment supplier that also has been finalized. But then as I told investment, before going for investment we need that clarity and then only we will come to the board for getting the approval for investment.



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Rohit: So when do you think that Phase 2 could also be completed if at all the returns are favourable for us?

Sanjay Jha: Phase 2 is also already in hand. We have made all the tender documents ready. Moment we see that Phase 1 is clear, then Phase 2 also will be in place for the tender.

Rohit: Sir, are approximate investment could be in the range of INR 1,000 crores, 1,500 crore, is it fair to assume that?

Sanjay Jha: The total investment is INR 4,000 crores for this project. And that's why our equity is not sufficient, which I told you. So that's why even if you go to any investors also for money and the bank, you have to go with the proper business proposal. So precisely we are working for that.

Moderator: As are no further questions, I will now hand the conference over to Mr. Amit Dixit for closing comments.

Amit Dixit: Yes. Thanks, moderator. I would like to thank everyone for attending this call and a fruitful discussion that we had this afternoon. I would now like to hand over the call to Dr. Jha for any closing comments. Over to you, sir.

Sanjay Jha: Yes, I believe at the end I tell you this quarter two has been very, very difficult for us because the prices have gone up for all the commodities. In this situation maintaining the profitability has been a big challenge, but again I appreciate your patience and the customer's confidence that we are able to get this type of performance at present.

But definitely we will try to see that our performance improves further and we can establish MIDHANI as one of the important company where investors will have interest. And also now we are entering our 50th year of our formation. So this is the golden jubilee year for our company. The day starts plotting from today. We see that in this period, companies should do a lot of projects, establishment and products. We are trying to see that we can get a very good performance from this country.

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

Sanjay Jha: Thank you.