## Management Discussion

**Vikas Singh - Analyst, ICICI Securities**
Thank you. Thank you. Good morning, everyone. A warm welcome on Q2 FY '27 results conference call on Mishra Dhatu Nigam Limited. We would like to thank management to give us the opportunity to host them. From the management side, we have with us Mr. Dr. S. V. S. Narayana Murty, Chairman and Managing Director, Mrs. Madhubala Kalluri, Director Finance, Mr. Padavittan Babu, Director Production and Marketing. Without taking any much time, I'll hand over to Director Sir, Chairman Sir, over for his opening remarks.

Over to you, sir.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Okay, thank you and good morning all of you. This is Narayana Murty, CMD, MIDHANI. I'm joined by Director Finance, Director Production and Marketing, General Manager, and our Company Secretary. So, as you all know, Mishra Dhatu Nigam Limited is a Mini Ratna defense PSU. We have achieved a turnover of INR295.91 crore during second quarter of FY '26-'27. And we have registered a growth of 41.09% against the turnover of INR209.73 crore recorded in the corresponding quarter in the previous year. VOP during second quarter of FY '26-'27 stood at INR310.8 crores with a growth of 21.23% against value of production of INR256.38 crore recorded in the corresponding quarter of the previous year.

PBT during second quarter of FY '26-'27 stood at INR38.75 crore with a growth of 102.56% against the profit before tax of INR19.13 crore recorded in the corresponding quarter of previous year. PAT during second quarter of FY '26-'27 stood at INR27.69 crore with a growth of 116.84% against the PAT of INR12.77 crore recorded in the corresponding quarter of the previous year. So you can see, the turnover, the value of production, the PBT and PAT all have significantly increased, in the last quarter. During the first half of FY '26-'27, the company has achieved a turnover of INR535.4 crores with a growth of 40.81% against the turnover of INR380.22 crore recorded in the corresponding period in the of the previous year.

Value of production during the first half of FY '26-'27 stood at INR571.15 crore, registering a growth of 14.76% against the value of production of INR497.67 crore recorded in the corresponding period of the previous year. Similarly, profit before tax during the first half of FY '26-'27 stood at INR62.67 crore, registering a growth of 64.4% against the PBT of INR38.12 crore recorded in the corresponding period of the previous year. Similarly, the PAT during the first half of 26-27 stood at INR44.01 crore, again registering a growth of 72.05% against the PAT of INR25.58 crore recorded in the corresponding period of the previous year.

So you can see not only the quarterly results, even the first half of, first half results are also significantly improved. And the order book position of the company as on 1st October 2026 stands at INR2,164 crores. So this is a summary of our last quarter results as well as the first half results. So we are very happy with these results and we are ready to answer any of the questions that our con-call participants wish to ask.

## Questions & Answers

**Operator**
Thank you so much, sir. Thank you. Ladies and gentlemen, we will now begin with the

question-and-answer session. [Operator Instructions] Our first question comes from the line of Shashi Ranjan with Anandan Capital. Please go ahead.

**Shashi Ranjan - Analyst, Anandan Capital**
Good morning, sir. Thank you for the opportunity. Sir, MIDHANI has low volume and high variety patching company. So how long we are going to have this burden on our business? Like That's the first question I have.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, no, typically, MIDHANI is a company producing niche products, so the volumes are small, unlike steel plants where the volumes are very large and the cost of the product is small. So this- since we are catering to markets of DRDO, Department of Space, and Department of Energy, and the requirements will be small, it will not be Like we are catering to, say, some naval materials or tank materials or launch vehicle materials. Per se, the requirements are smart, but these products are very, very specialty products which are manufactured by very few companies in the world. So it is a- the nature of business itself is like that.

**Shashi Ranjan - Analyst, Anandan Capital**
Okay, thank you, sir. Now, what are the measures that we are taking to improve and optimize the shop floor turnaround time?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, so the turnaround time, you see, normally these things are processed as a batch, okay? Unlike a continuous production like a steel plant blast furnaces or other continuous rolling mills or continuous casting units, these are vacuum melted grades unlike the air melted grades in other, kinds of steels. These vacuum melted grades will have limitation because the chamber size is small. So we have typically, say, 600 kg furnaces, 2.5 ton furnaces, or 6 ton furnaces, 8 ton furnaces. These are all limited quantity of one batch.

So the turnaround time depends on processing from liquid metallurgy and through ingot processing and all that standard route. So each batch will be processed. So the turnaround time from- for a typical superalloy may be two to three months. From the raw material to the finished product. So these are all standard things.

**Shashi Ranjan - Analyst, Anandan Capital**
Okay, so, thank you for enlightening me with the nature of the business. Just one last question if I may squeeze out. Are we looking at- expect- or are we looking or expecting orders from commercial aviation OEMs like GE, safran, CFM, or Pratt & Whitney? And what is the status of the revenue that we are getting from GE400 certification that we have? Thank you. I'll get back in queue.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, so we are in touch with the private aerospace companies for supply of materials, even though currently we are supplying maybe through some of the traders and all we may be supplying. But we are in touch with them because the audit takes little longer time even for these aerospace manufacturers. So we are in touch with the companies that you have named. And with respect to S-400 certification, yes, we got in the First half of the year, the certificate we are getting. Probably to have the numbers to tell you, I think maybe in the next half, I think we'll better- we'll get better figures.

We already some four or five inquiries we are currently processing. For giving numbers, I think it will be better for the next half of the year. We'll provide you.

**Shashi Ranjan - Analyst, Anandan Capital**
Thank you, sir. I'll get back. Thank you.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Thank you.

**Operator**
Thank you. Our next question comes from the line of Ravi Naredi with Naredi Investments. Please go ahead.

**Ravi Naredi - Analyst, Naredi Investments**
Thank you to give me opportunity, sir. Order inflow target for financial year '27 and '28, will you predict today?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Order inflow, currently we are having the, orders as I told you, open order book is INR2,164 crore and We are expecting orders about INR500 crores in the- in this financial year somewhere. I mean, at different stages of- in Q3, we will be expecting around INR450 crore to INR500 crores of orders are to be received. So for very long-term, maybe if the- I mean, it takes time. Probably you can see our figures Maybe, 1500-1600 crore, suppose we make also, we have orders which can be executed up to one and up to two years, and meanwhile we are also expecting, and the cycle time is typically a year, and so for executing an order and I think that much visibility is there.

**Ravi Naredi - Analyst, Naredi Investments**
Okay and sir, capex plan you have announced INR1000 crore two year back. So what is going on -- information. Can you...

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yes, with respect to capex plan, yes, we have gone to board and got approval. So we will be getting financial approval also. Okay, we have announced and we are in the process of finalizing the specifications and seeing- we'll be coming back with more finer details on this once we get the financial sanction also.

**Ravi Naredi - Analyst, Naredi Investments**
So any anything you have already done?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Now we are finalizing the specifications and we have presented. I mean, we have got DPS. We have gone to board and specifications for the equipments are under finalization.

**Hanil Bagadia - Analyst, Equicorp**
Okay. So in how many year it will be complete? One thousand crore capex.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
It will take three years.

**Ravi Naredi - Analyst, Naredi Investments**
Three years. Thank you very much.

**Operator**
Thank you. Our next question comes from the line of Abhishek Jain with KRIIS PMS. Please go ahead.

**Abhishek Jain - Analyst, KRIIS PMS**
Thanks for opportunity and congrats for stock setup number, sir. Sir, revenue growth has been quite strong in the first half, so just wanted to understand that how much the growth is coming from the commercial inflation and how much is from the actual volume growth in first half?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Actual volume growth versus commercial inflation.  Example the we get about 20% of our revenue from superalloys Okay,

**Abhishek Jain - Analyst, KRIIS PMS**
Okay.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
And 22% from titanium alloys and about 13% from maraging steels, and the special steels contribute about 36%, and balance is other miscellaneous grades. So this is the alloy-wise revenue. And of course, sector-wise, we get space- I mean, PSUs are about 48%, defense is around 26%, And about 10% exports. So this is the

**Abhishek Jain - Analyst, KRIIS PMS**
How much is the volume growth.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Volume Growth, That is tonnage-wise?

**Abhishek Jain - Analyst, KRIIS PMS**
Yeah,

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah. Okay, tonnage is difficult to tell because, it depends on the product mix. Yeah, product mix, because Some titanium alloys will be tonnage-wise low but value-wise high. That's why I am giving, with respect to, the price-wise

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Percentage.

**Abhishek Jain - Analyst, KRIIS PMS**
Got it, sir. And sir, your most of the contracts are the fixed price contracts and you take the price hike in 12 months. So just wanted to understand when you are going to take a price hike And what, how this will reflect in your EBITDA margin in the coming quarter?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Okay.

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Here generally while fixing the price, we are factoring the like the inflation, sir, as majority contracts are fixed price contracts only. If delivery period is less than 18 months, we are not allowed to have price variation formula. So majority based on the experience, we are factoring the likely escalation, simplifying.

**Abhishek Jain - Analyst, KRIIS PMS**
Costs. And sir, the last quarter margins were impacted because of the higher LPG and the fuel cost. Yes. So how do you see this cost evolving and what margin recovery can we expect going forward? Because earlier we are making in a margin of around 22% to 24%. That has come down to 16%, 17% So just wanted to understand when the margin recovery will start from here on and what would be the key drivers for the margin expansion. Go ahead.

**Madhubala Kalluri - Director, Finance and Chief Financial Officer, Mishra Dhatu Nigam Limited**
EBITDA for the last financial year, if we look at it, is 23% overall last financial year, and this quarter, these six months also, we are at 20%. And when in Q3 and Q4 we are expecting the higher amount of sales, then obviously it will be crossing that last, year figure. 23% is the last year figure, 22.8, and we will be crossing it. And, Ministry has given us a target of INR1,600 crores. We are working towards it. And once the volumes increases, obviously the EBITDA margins also will increase.

Of course, it is after setting aside the increase in the costs, whatever we talked about in the Q1.

**Abhishek Jain - Analyst, KRIIS PMS**
Okay. And, so you are also looking for the recycling of your scraps, you are making a tie-up with a few organizations as well. So just wanted to understand what will be the benefit of that, how this will help in recovery of your margin.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, we had signed an MoU with Heavy Water Board, under Department of Atomic Energy for recovery of nickel and cobalt from some of the scrap that we are having currently. So idea is a long-term perspective. Okay, so we are having some of these scraps from which precious metals can be recovered, and looking at the kind of price fluctuation and volatility that whatever we are having in precious metals, we would like to get some of these elements, get back and use it for our internal consumption again.

So As a, as a simple initiative, we have gone with the heavy water board, and we, hope that we can continue, to get back these precious metals and melt the new grades again with this recovered metals. That is the long-term strategy.

**Abhishek Jain - Analyst, KRIIS PMS**
And so, sir, in this quarter or the first half How was the scrap versus virgin materials proportion and how would be mixed in the coming quarter or FY '28 onwards?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, normally, okay, it depends on customer requirement. Some of the customers say like Gaganyaan and all for Department of Space, they want 100% virgin because of their requirement. But for normally we use about 30% scrap approximately, I am telling you ratio of virgin metal to scrap. We add about 30% of scrap, 30% to 50% depending on the specification and the permission from the end user. So this is the graded scrap or plant rewards, whatever I am telling. But the

machining scrap, we want to recover some precious metals from there.

So there is a distinction between these two.

**Abhishek Jain - Analyst, KRIIS PMS**
Got it. And my last question on that, the metal bank Because of the metal bank availability of the critical raw materials has improved, especially for the nickel, cobalt, and the tungsten and titanium. So just wanted to understand what kind of the growth we're looking at the top line. Is it because of the commodity inflation or is it because of the improvement on the raw materials availability? And how do you see the revenue growth in the coming quarter, coming year because of this? Setup of the metal banks?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
The metal bank is a concept that was conceived because of these supply chain constraints. Sometimes some of these critical raw materials, whatever we are required for manufacturing of these alloys what MIDHANI is producing, we are importing from multiple countries and there are some supply chain constraints. So in order to have assured supply of these materials, this metal bank is created, and it's only during some difficult period or some supply chain is disrupted only we'll be using. And it is a permanent bank that is created and will be replenishing.

It has nothing to do with the, the, yeah, revenues or growth. It is only as a safeguard. In fact, if you see, other countries also are putting up such banks. You can see very top countries are also having investing lot of money in the metal bank. Okay, our strategic mineral resources like that. So this is an initiative towards that to get assured supply of raw materials so that we will not have, in the event of any eventuality, will not have any disruption in the supply to our critical customers, strategic customers.

They need assured supply of material, so it is only for that purpose.

**Abhishek Jain - Analyst, KRIIS PMS**
Got it, sir. Thank you, sir. That's all from my side.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Thank you, thank you.

**Operator**
Thank you. Our next question comes from the line of Arya Shah with Whitestone PMS. Please go ahead.

**Arya Shah - Analyst, Whitestone PMS**
Hi sir, thank you for the opportunity and congratulations on a good set of numbers. So I have a couple of questions. So I just wondered, could you provide me the update for the 3D powder printer plant? What revenue? And, has the facility started?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, see, the 3D printing, as we are seeing, no, there is a lot of shift in the way the strategic things are getting manufactured. If you look at the strategic customers like the launch vehicle customers or some missile customers, they are going from conventional manufacturing to additive manufacturing. And India also is a part of that, and we are also shifting towards additive manufacturing for many of the components. Advantage is that you can realize a component in very short time and at a

reasonable competitive cost, and more to do with the lesser number of weld joints and integration of the components and all these things.

There are many advantages, but the unfortunate part of it is even though we are having machines, the many of the powders are imported, and this powder making technology is a very niche technology, and These powders have to be handled carefully. They get easily oxidized because of the surface area, and these have to be maintained to the strictest of the purity with respect to chemical composition and gas content. So we are not having powder manufacturers in the country, even though there you can see hundreds of printers.

And printers- that printer manufacturers also insist on using their own powder. So just like on the lines of our printer cartridges, Once you sell a printer, okay, cartridge is assured one. So like that, these powders are being imported from the original equipment manufacturers and we are spending huge amount of money. And in India, we don't have quality additive manufacturing printing powders and we don't have absolutely 100% of the titanium powders are imported. MIDHANI is having 40 years of experience in melting titanium alloy and we felt one of the reasons why we cannot take up, and we have started this initiative on powder manufacturing unit.

So we have put a purchase order with the company and we have got preliminary BAFA license. It got delayed because the technology is the dual-use one. So now we are working with them and, probably in the coming one year we will be able to establish this facility. It is something like a INR40 crore facility and we should be able to get because we got preliminary license and Our party also is working towards supplying the equipment currently.

**Arya Shah - Analyst, Whitestone PMS**
Okay, and could you also provide me the update on the Vande Bharat and the BEML springs which were in the approval stage? Do we have any orders currently for that too?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
We are now- our spring manufacturing plant is operation and we are getting the licenses and all. Okay, directly we don't have any order with Vande Bharat, okay, but we are having a couple of orders with smaller orders and we are in the process of getting certification.

**Arya Shah - Analyst, Whitestone PMS**
Okay, and on the bulletproof side, what kind of orders do we have now?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
We are expecting order. We have taken a technology from IIT Delhi DRDO Center of Excellence and it is called ABHED. It is one of the lightest weight jackets and We have already processed some jackets and we are anticipating orders. Currently we don't have orders for ABHED as such, so, but we are participating in wherever some tenders are there and we expect that we'll be able to book some, orders.

**Arya Shah - Analyst, Whitestone PMS**
And also, could you give me the split of the order book currently?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Currently we have INR2,164 crore open order book.

**Arya Shah - Analyst, Whitestone PMS**
Right, could you give me the split in the value terms for defense? How many orders do we have or something like that? Okay, the numbers. Yeah, yeah, yeah,

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah. So we have 35% from, aero sector, 22% from space sector, 14% from naval sector, 10% from missile sector, and 8% from energy sector. And balance is others.

**Arya Shah - Analyst, Whitestone PMS**
Okay. And so with the aeronautical industry picking up in the country, can we expect a 20% growth with a 25% kind of margins from next year or something like that?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, that is what it was told. Like margins last year, it was 23%, our EBITDA, and we hope we'll only improve on that. okay and the end of the year no will be able to match and beat the figures that is what is our expectation

**Arya Shah - Analyst, Whitestone PMS**
Answer on the top line can we expect a 20% growth cost from the last three quarters you are seeing a better growth from that is our employees

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Or that is

**Arya Shah - Analyst, Whitestone PMS**
Naval side, so basically the new, I think new, new tenders have come out, so any big orders come, or

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
We have participated in the tender, we are in the discussion stage, for the new recently whatever news is there in the open sources, so we are a part of participating in do

**Arya Shah - Analyst, Whitestone PMS**
What kind of orders? At the

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
End of the day, what is the order that we are likely to get? How many people are participating? It is yet to be opened. So, but we have participated in the tender. We hopefully Q3 con call time we'll be able to give better information.

**Arya Shah - Analyst, Whitestone PMS**
No, no, I'm just saying that what kind of orders can we get for these specialized alloys? So basically it's a forty fifty crore order or it's smaller in size? Could you explain?

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
No, that is based on the other competitor what they are putting and how it is going to happen. It will be known only in the coming days. At present,

**Arya Shah - Analyst, Whitestone PMS**
Okay, sir, I get back in the queue. Thank you and all the best.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Thank you, thank you so much.

**Operator**
Thank you. Next question comes from the line of Ajinkya Jadhav with KRIIS Portfolio PMS. Please go ahead.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Yeah, thanks for the opportunity and first of all, congratulations to everyone for a great set of numbers. My first question is regarding the metal bank, which we were supposed to start at the end of Q2. So have we started with any customer or have we procured any materials? If yes, like what, what percent of our total inventory, we have procured in the record?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, we have total five customers for metal bank, out of which one customer we have almost completed. Second customer, because these are all purchase orders to be released and procurement processing is going on. Probably by this financial year we'll be able to, I mean, get all the metal bank fully. It will be- that reserve will be in place.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Okay. My, second, question is, regarding the margin. So a few con calls before, you told that structurally your margins will be around 17% to 20% EBITDA margin. But, today you are telling that, for H2 at least you can surpass the last year margins of 23%. So on FY '20, FY '29 or onwards, can we get 23%? Or what gives you that confidence that, the earlier guidance has been revised in terms of the margins?

**Madhubala Kalluri - Director, Finance and Chief Financial Officer, Mishra Dhatu Nigam Limited**
Yeah, we will- FY '27 will certainly be crossing that last year figure of 22.8%. We are confident in that because the sales- when the sales volumes increases, obviously the margins will increase. Actually, even in the first six months also, we got 20%, EBITDA margin, even though the sales- because we know that we discussed in the first LPG prices increase, that impacts are there. Besides that, we got 20%. So with this now, and also the raw material prices have also gone up, and we have fixed price contract Right, so after absorbing all these additional costs, we got 20%, and we are confident that we will be crossing that last year's figure, last year's percentage of 22.8%.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
So for the FY '28 and onwards as well, we can maintain those kind of margins year-on-year?

**Madhubala Kalluri - Director, Finance and Chief Financial Officer, Mishra Dhatu Nigam Limited**
Then that obviously that we are expecting the sales increase. When the sales volumes goes up, the margins will proportionately increases. So that because the fixed cost remains same almost. So obviously it will have a positive impact on the margins.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Yeah, great, to hear that. And, the next question is, regarding the, capex. You said like you got the approval, like approval is from the board or the Ministry of Defense, and the financial approval is pending. Is that related to the government or the board itself?

**Unidentified Speaker - Executive, Mishra Dhatu Nigam Limited**
We are in the final phase of taking approvals from the appropriate authorities. Maybe technical specifications is under the final stage of finalization. Most likely by next quarter we will get more clarity, and likely investment will take two to three to four years, minimum three years.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Yeah, I was asking the approvals, is it related to the company board or the Government of India? Because we were following up with the government for funding of the capex, right? so

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
[Board power only, depending on the project cost, yes. but we are envisaging it [Foreign Speech] powers of board

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Only. good. good. in principle

**Madhubala Kalluri - Director, Finance and Chief Financial Officer, Mishra Dhatu Nigam Limited**
Approval from the board and we are working on the other modalities. we'll be able to provide the a

**Ajinkya Jadhav - Analyst, Chris Portfolio**
How much scrap inventory do we have and like how much was sold in the season? So how, like, how it will move on that

**Madhubala Kalluri - Director, Finance and Chief Financial Officer, Mishra Dhatu Nigam Limited**
In first six months? Like, if you see that around INR39 crores worth of scrap we have, I mean, we reduced the scrap point original opening quantities. That means the scrap usage has improved. Okay, so that is the one thing. And scrap values also, inventory size scrap values have come down drastically. Like, we started in the year at 392 and all, now we are at 353 something. So these are all usable scrap, INR350 crores around roughly, so that we'll be using it. Maybe as sir has already mentioned that it has to be- it all depends on the orders.

There are certain orders where we have to use pure 100% virgin materials and On an average, you can say that 70% to 30%- 70% virgin and 30% scrap, we can use it on an average.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Got It.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
And one more point I would like to add, that is scrap is continuously degenerated, and net scrap, I mean, is low is a really good thing in that sense, because when you are processing material, there are end cuts, there are many during manufacturing, there are There is scrap generation, so net scrap reduction is a positive thing.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Yeah, and, the raw materials which are currently at an elevated level, so do you foresee them to continue at this level, or, you feel that there will be a normalization, maybe in the short or near-term?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yes, raw material prices depend on the geopolitical situation, so when supply chains are uninterrupted. I think they should cool down now in the current situation. We all have to see because

the situations are dynamically changing. So now little cooling off is being seen. So hopefully it will continue.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Got it, got it. Yeah, thanks for answering my questions and all the best for- yeah,

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Thank you.

**Operator**
Thank you. Our next question comes from the line of Henil Bagadia with Equicorp. Please go ahead.

**Hanil Bagadia - Analyst, Equicorp**
So thank you for the opportunity. I hope I'm audible.

**Ajinkya Jadhav - Analyst, Chris Portfolio**
Yeah, audible.

**Hanil Bagadia - Analyst, Equicorp**
So with respect to the hot plate mill capex that we're actually doing, we are investing about INR400 crores as part of a INR1,000 crore plan. So what kind of asset turns do you expect here, and what kind of capability will actually add up here, and which sector exposure would you increase among defense, aerospace, aero engines, and thermal side?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, this what you are referring is wide plate mill, okay? And this is a very unique facility in the country where we can roll up to 3.2 meter width. And, not only that, not only the width, these very high strength steels can be rolled. Actually, this plate mill is a strategic investment, and we- the output of this mill is plate, okay? The plates are supplied to ISRO for their rocket motor casings and other missile casings. Okay, so they are used in multiple strategic applications, and all flat products from MIDHANI are coming from this.

And so it is a- it is overall, it is a reset to our organization because India need not improve. In fact, I can add one more thing. We have also rolled aluminum, even though it is originally intended for steel. We have executed an order for ordnance factory for their aluminium requirement. So currently India imports 100% of white plates of aluminium. So in due course of time, customers may come even for aluminium also, rolling aluminium, and subsequent downstream processing or other heat treatment and all can be done by them, which is for which they are having facilities.

So this is a truly national strategic asset.

**Hanil Bagadia - Analyst, Equicorp**
So we had a low utilization of white plate because of which I think so we also got aluminium. So what will be the current utilization rate in the white plate mills?

**Unidentified Speaker - Executive, Mishra Dhatu Nigam Limited**
Sorry, utilization depends on the order book only. And wherever earlier we used to do long processing of hot rolling, we are diverting those products to this high-quality port and we are supplying to energy sector also. It is an optimum utilization. It's not a continuous product, no, it

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Is not a like a continuous caster or something. Something where we can say, okay, 90%, 95%. It depends on order, okay? If order is there, we will use this mill, and all our flat sheet, flat products are coming from this. So it is- I mean, utilize- it is not utilized not because of it is not working, it is not utilized because orders are- whatever orders are there, we will execute in that.

**Hanil Bagadia - Analyst, Equicorp**
So with respect to the BARC and the Heavy Water Board, the MoU that we have actually signed sir, what kind of cost savings do you actually see? Because nickel and cobalt is actually in scarce cobalt especially because of DRC's bans on export. So A, what kind of savings do you actually see? And B, do we have to reassess all our customers with respect to the approvals that we've got to use increased recycled element from of nickel and cobalt? And do we also retain the process patents or the process patents belongs to BARC?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, actually it is like this. The first statement is that nickel and cobalt- India is not having any resources for this. We don't have any minerals from which where we can extract naturally, so we are importing for 100% of cobalt and nickel. Nickel and cobalt are two elements in the periodic table which are required for energy sector. All lithium-ion batteries will have these two elements, okay, required. These two elements are required. And of course, for strategic sector like this defense space and energy, these two elements are important for making any, of the alloy.

So keeping this in view, we have had long discussion, almost three to four years we have been discussing with Heavy Water Board. We wanted to recover this nickel and cobalt, which are very important elements which India is depending on exporting. So we are not looking at it very, business-wise. They have developed technology. It is a Government of India organization, Department of Atomic Energy. When they developed, they had initially had bench-level trials and the pilot plant trials, and they came out saying that, we can recover this nickel and cobalt.

So we have given- we have entered into an MoU where We want to see maybe for a year or so how this, the precious elements nickel and cobalt can be recovered from there. And we want to take again, use those in our melting and establish that recovered cobalt and nickel can be successfully used in realizing the aerospace or defense components. Now with that proposal, we will put up- once it is pure nickel and pure cobalt made meeting the requirements of MIDHANI, it- we don't really need- I mean, anybody agree it is not that customer permission we have to take?

It is as good as a material that is imported because the process for manufacture of nickel and cobalt is by electro-winning at the end, last stage. So the electro-winning step results in pure nickel and pure cobalt, and those metals must meet the raw materials that we are buying. The specification for the raw materials is same. So our understanding, our MoU also envisages that the recovered metals must meet the specifications which can be used as it is in our melting process. So obviously we will use, that is our idea, and we want to go not as a profit mode because in future also these raw materials are critical for the country.

Any supply chain bottleneck is going to have from everyone who is in this business. So as a strategic thing, we have gone for this and we want to work. And in future, when prices increase, this scrap recovery may become one of the primary sources of supply. And Government of India also is encouraging under National Critical Minerals Mission on the recovery of this nickel and cobalt. And this is an initiative from MIDHANI towards that.

**Hanil Bagadia - Analyst, Equicorp**
Sir with respect to the aerospace side, I think the GE Aerospace announced that they actually want to double the supply spends in India between '25 and '30 and so does Airbus has actually put up a plant in Bengaluru on the technology and the procurement side. so if and are you actually seeing increasing exports as well as domestic supplies, to the vendors you actually, make sub-assemblies and export it, to the final, place out in Europe or US?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, I mean, if you see, majority of our customers are from the aerospace sector as of now. 35% of our products are given to aerospace. And as you told, there is a lot of interest, okay? Many of the people are, they want to procure more and more from Indian sources because of their own supply difficulties from, Europe and other places. And as sector is also growing, we are also looking forward. And probably that may be the reason why our aero sector percentage also in open order book is increasing.

But we are looking for much bigger things, okay? In coming days, we expect our contribution to aero sector to be much higher. Based on the claims that are going on about the sourcing of materials from Indian market. And we are the lead suppliers for all aerospace, be it super alloys, titanium alloys, or special steels. MIDHANI is the leader in this area. So we don't have any doubt that we will be approached once it comes.

**Hanil Bagadia - Analyst, Equicorp**
Okay. So lastly, with respect to the DAP-26 draft that was actually tabled in the Parliament, When do you actually see it actually being effective? And I think so they had proposed a 10% evaluation on the pricing side and also 50% minimum indigenous content. So with respect to this, I think so a few years back there was a parliamentary discussion of about INR8,000-odd-crore that is actually imported alloys, and we are at about close to- we would probably reach about close to INR2,000 crore by 2030 based on the current trajectory.

So how does this actually increase the procurement from Indian players? And how does actually- how would we actually benefit significantly from the indigenization or the procurement from our

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Company? This, okay, probably the policy may be getting affected in due course of time, but we, our regular customers, we supply materials and we have our own standard protocols. You are talking about defence acquisition protocols, sir?

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Yeah, now that all pressure would be on the equipment. Now whoever is buying, whether it depends or here, all those people. So government is giving pressure to them that you have to buy from the indigenous source only. So in that case, like MIDHANI companies and many will be benefited.

**Hanil Bagadia - Analyst, Equicorp**
Okay, so thanks a lot for the opportunity and wish the team all the very best. Thank you.

**Operator**
Thank you. Next question comes from the line of Arya Shah with Whitestone PMS. Please go ahead.

**Arya Shah - Analyst, Whitestone PMS**
Hi sir, thank you for the opportunity once again. So I have two questions on the aerospace sector side. So now AMCA commissioning, so do we have any orders? Because I think we have, we have already empaneled in the Rolls-Royce thing, so could you

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
It is like this, AMCA, during developmental projects, we are executing some of the titanium orders. Okay, this is basically a- when it is in design stage, some of the new materials that they want to introduce into AMCA program, they approached us because we are working on titanium alloys. So some of the new grades of titanium alloys, we got order for, some very special kind of grades, with the specifications, no, little tighter specifications which have never been made earlier. Those grades we are working on them for, AMCA program currently.

Okay, so formally production order, nothing of that sort has come, but we are waiting. Once we are successfully able to execute some new grades that they have asked, we are currently in the process. Once we make them to these specifications, we should get production orders. But on trial orders, we got some titanium alloys to execute.

**Arya Shah - Analyst, Whitestone PMS**
And sir, in value term, can you just explain with the certification what kind of aerospace-grade orders we can get from the export side? So what- so if you could give an industry brief, like, because there are only few manufacturers of aero grids, and with the Nadcap certification, what kind of orders you can get now?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
The Nadcap is a process- is a certification for process, process control. So we have for heat treatment, we have, and we are currently in the process of getting for non-destructive testing. The advantage is that original manufacturers can directly source looking at the Nadcap certification because the processes are very established and they have been certified. And with respect to OEMs buying from that, they'll be buying, placing orders based on the clearances or audits, so which is currently in progress.

So they have suggested some things and we are in the process of implementation, and we have to wait till we get OEM orders for these projects,

**Arya Shah - Analyst, Whitestone PMS**
Right? But sir, in the value terms, what kind of orders are these, just on the industry base? So basically they are INR500 crore, INR600 crore of order, or there's smaller orders? If you couldn't just explain.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, it can go in a particular way. Like for example, when they are putting order initially, they may give some non-critical things, okay? Or they may start with- I mean, normal tendency is whenever a new party is included, because these are all very niche customers, they try to give some non-critical ones or sales, then go to gradually to critical or semi-critical, and finally critical. That is the way they give because they want to get confidence. And second thing is normally they go with so not so advanced alloys.

So that process they will decide, okay, so I approve this plant for this purpose looking at the facilities

and our execution capability. So we cannot tell, but we expect it to be in tens of crores at least initially.

**Arya Shah - Analyst, Whitestone PMS**
Okay, and so my last question is on the inventory side. So what kind of liquidation we are expecting this year? So now can the- with metal banks coming in and now we can use scrap material, so can we expect a 20-25% of inventory liquidating year-on-year from next year or something like

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
That? Now you are talking about WIP or you are talking about, the scrap actually?

**Arya Shah - Analyst, Whitestone PMS**
The scrap? Because I, think few years ago we had the problem because of the scrap. So one of, one

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Of the reasons is we execute large number of grades, and that grades scrap is graded as per the- I mean, when you are getting an extra order, normally orders come once in two years, three years, not so regular grades. Some grades are there where you get continuously, you get orders for those grades. Since MIDHANI operates large number of grades, scrap from those not too frequent grades will be there. But when that grade order is booked, we have to use that scrap. Okay, that's that opportunity. So it's not actually- this scrap is not a- I mean, it appears to be in books as an inventory, but this is essential to start a new melt.

Scrap is essential. So we maintain certain amount of scrap. Okay, and some scrap which is not so frequently used or where large quantity, we sell it Our plant rebuts are never sold. They because they are very very useful things, so they it gets cycled. So this is a continuous process and new scrap is always added whenever you are executing order. New scrap also will get generated.

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
So we

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Want to maintain some optimum level of this scrap. Okay, so not beyond a particular level. And now with the current kind of thing on recovery, you see many. initiatives are there and recovery of metals and all, but it is the best to remelt the scrap register recover because it becomes an additional cost to recover also. so we our long-term priorities okay you reduce the cycle time, get new orders and use the scrap content

**Arya Shah - Analyst, Whitestone PMS**
Always heavier than the first half, right, in executing? Yeah, that is

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
The usual tendency.

**Arya Shah - Analyst, Whitestone PMS**
Okay, sir, that's, it from my end. Thank you so much for answering all the questions.

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Thank you.

**Operator**
Thank you. Our next question comes from the line of Rushabh with RBSA Investment Managers. Please go ahead.

**Rushabh Shah - Analyst, RBSA Investment Managers**
Thank you for the opportunity. I just had a couple of questions. Firstly, sir, given that we are in the process of adding a lot of global aerospace and aero engine companies. I just want to understand what is the nature of contract in terms of currently most of our contracts are fixed price. So is it that we have 100% price variation contracts with them going forward? How will the nature of contract change?

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
No, this- whatever we are now discussing, auditing is going on maybe last one, 1.5 years. Maybe another one year we are going to have a contract with them So those are long-term contract with the price variation class only. So they take care everything, there will not be a fixed one. And means the schedule will be there, means every month so-and-so component, this many number of pieces you have to supply. And that type of confirmation we are getting from them.

**Rushabh Shah - Analyst, RBSA Investment Managers**
Okay. And so also you mentioned about titanium and super alloys. So we are expecting that the aerospace contribution in revenues will increase. So gradually we should be having higher contribution from titanium and superalloys also. So that's ultimately the margin. Last one

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Year, whatever we have done, the special steel and other alloys have come down because the quantity is more. But you can understand that whatever equipment we are having, whether melting, forging, or rolling, everything we are using the same equipment. Equipment. So in the event we have more order of titanium superalloy, why to spend time on special steel and other things? So our concentration last- you can see last sixth quarter also there is a gradual increase. And even last year we declared that highest ever titanium alloy we have done.

Even this year also we are going to surpass that superalloy. Also, if we compare more than five years back and presently what we are doing, more than 5-6 times more we are doing. So means mainly we'll be concentrating on superalloy and titanium alloys. There the quantity is less, the value will be more. And remaining, wherever the complicated or maybe stringent the customer need more quality product of marine steel or special steel, those will be attending. May not be a lower value and high volume item.

**Rushabh Shah - Analyst, RBSA Investment Managers**
In titanium and superalloys, in the capability-wise, is there anything pending from us, or we are there to match whatever the customer asks us to do?

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
We are fully means equipped and we able to match all the customers requirement of superalloy and titanium, whatever form they are asking. Even you can see the number of indigenized item every quarter-wise also increased. Earlier comparatively it was very less, but now here nowadays even 15 to 20 grades per new grade we are adding. On that, more than 70-80% is superalloy titanium only. Special steel and other are very less.

**Rushabh Shah - Analyst, RBSA Investment Managers**
Okay, so just to sum it up, for the next 2-3 years, given that, overall ordering flow, we will see increasing share of variable price contracts, and plus we are also moving up to retain MROs, so the margin band should also move up and the volatility of margins are also improved. So that is the correct understanding, I believe?

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Yes, no, one thing you can understand, one side we are telling that there is a growth expected, but the capex, whatever we are telling, three years minimum it will take. With the confidence of this getting into more of super alloy titanium only, we are telling this 20% increase all going to come. Otherwise there is a stagnation. Whatever equipment available with this, beyond this INR1,500 crore it is not possible actually. If once those INR1,000 crore is infused and all those equipments are available, then only we can able to think of whether it is INR2,000 crore or beyond that.

**Rushabh Shah - Analyst, RBSA Investment Managers**
And sir, any significant orders that you said the currently mentioned customers are into auditing audit phase? So when can I expect major orders from there? You are aware that

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Earlier also in many forum there is available data, a lot of import is happening. So there are new entrants also coming. For MIDHANI, there are lot of things to be done. The whatever import is happening, those orders to grab, we should have enough infrastructure and facilities to cater to that. So once this facility is available, immediately we'll meet those requirements. So now present the question is the execution, not about the order booking. So order booking, we book it even 3 times, 4 times, it will get into the delayed and penalty classes will be there.

That is not a good sign of means customer will wait and they will be behind us. So presently we are balancing with the whatever available capacity and able to supply, not getting into any LD all. This is the way we are planning and going at it.

**Operator**
Okay, thank you, Praveesh. All the best. Thank you. Our next question comes from the line of Henil Bagadia with Equicorp. Please go ahead.

**Hanil Bagadia - Analyst, Equicorp**
So thank you for the opportunity again. Sir with respect to, the aerospace- with respect to the space side, so if you could give some understanding, because there are a few private players actually who have entered into the space and actually are also getting approvals with respect to the Gaganyaan or SSLV orders. [Foreign Speech] even other launch vehicle orders so what is the, what is the special, what is the certain date MIDHANI will keep, will maintain its monopoly in and do you see some of the other competitions [Foreign Speech] Jindal [Foreign Speech] Raghu Vamsi [Foreign Speech] probably any other players actually taking [PTC any other

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
For example, if you look at the GSLV currently what is there, or PSLV, we supply for all the four stages or all the three stages of PSLV or GSLV. So we make, for example, margin steel plates we supply, and this is the only mill that is available where you can roll margin steel. Okay, so we, have established over so many, I mean, nearly four decades of processing and all. And this is a niche

product from MIDHANI. Similarly, the ring products that we supply from maraging steels, our super alloy products, they are all our titanium alloy products for the propellant tanks and gas bottles.

These are all products that have been traditionally developed with technologies developed in MIDHANI. Now competition is coming. Yes, there may be some orders where people may execute from steel side, some stainless steels and all. And yeah, there are some investments that people are- news coming that people are investing in manufacturing possibilities. There are possibilities and we have to compete with them in getting the orders. Yes, that- and the cake is big for everyone to eat and India still imports a lot of materials, and maybe the all this additional infrastructure also will be useful for meeting the domestic demand.

So overall, it will be a win-win situation for everyone. I don't see the space will be will be going from MIDHANI. I don't see that kind of scenario.

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
No, but Niger is a launch vehicle. There the ring plate all no. It will take lot of time for anyone to. Established. ISRO has put a lot of effort and establishing the facility at MIDHANI means whatever we are manufacturing, they are supported. If someone to start again, it will be a longer period to get qualified.

**Hanil Bagadia - Analyst, Equicorp**
Okay, Sir with respect to the aerospace side, we recently in August or September, we recently got the S-100 approval from GE Aerospace, and we also have the Nadcap, process approvals. What more approvals or audits is pending in this space, for from any of the other customers? Such as Boeing, Airbus, or any of the other engine manufacturers like Rolls-Royce, safran, CFM, etc. And how do you actually see the orders ramping up, and how do we actually also see us going up in the supplier list of procurement?

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Now you see, MIDHANI is more than 50 years old company. From melting to the final wire, many shops and plants and a lot of things are there. And again, superalloys titanium special steel cladding building electrodes many items [Foreign Speech] very coming new entrant they are putting a new shop [Foreign Speech] maybe one-two area only they are entering so for them it is easy to show the layout [Foreign Speech] manufacturing facility [Foreign Speech] documents And another one, there are many products they want to together approve it.

It's not one product. So in that angle, now whatever the name you have taken, most of the people already visited, the talks are going on. So maybe one by one in coming year we'll see that their qualification will be there and they will be placing order, will be executing.

**Hanil Bagadia - Analyst, Equicorp**
Okay. So lastly, with respect to the defense testing infra that we've invested as a part of the consortium with HAL, BDL, TTC, and us, We've got about 20% stake. So if you get some understanding, has this testing actually started? And do we actually plan to do some testing out here on a commercial basis and actually generate revenues, from this particular place? Or is it just going to be internalized between the four or five companies that, that have been a part of the consortium?

**S.V.S. Narayana Murty - Chairman and Managing Director, Mishra Dhatu Nigam Limited**
Yeah, the objective of putting AMTDC is to facilitate the private sector people and newcomers,

startups and all, to use this facility so that they need not establish the standard testing process, testing labs. It is a common testing facility which is intended for people, and it is there- one is there in Tamil Nadu, another is there in UP. So people from nearby areas, new startups and small companies, they can use this facility. It is not intended for these five people. It is- they also can use, but intended for others, because all these five people are well-established people.

They have their own testing facilities. Facilities, HAL and all. I mean, BDL, they have their own specific requirements for MIDHANI, and it is intended for people from nearby areas, that industrial corridor. And we hope that it will be a very successful thing because we are putting so much of effort in that. Those

**Padavittan Babu - Director, Production and Marketing, Mishra Dhatu Nigam Limited**
Are the main two corridors. One is that UP corridor, another is Tamil Nadu. Both the places, lot of defense, this MSME and the many manufacturers are now comment for them they cannot go to individual one places to getting it tested so this will be supporting them that is the

**Operator**
Main idea thank you ladies and gentlemen due to the time constraint we will take the last question from Neha Garg with Zenfellow Finance Private Limited. Please go ahead, Neha. You may please proceed ahead with the question. Neha, you may please unmute yourself and speak. Thank you.

**Neha Garg - Analyst, Zenfellow Finance Private Limited**
Yeah, am I audible?

**Operator**
Yeah. Yes, you are.

**Neha Garg - Analyst, Zenfellow Finance Private Limited**
Okay, okay. Good morning, sir. Thanks for the opportunity. It's regarding the AMCA development orders that are already under execution for the specialized titanium grades. So when do you expect the first production order, and what is the MIDHANI's material content per aircraft? And are you the only qualified source for those grades? Hello?

**Operator**
Ladies and gentlemen, the management number got disconnected. Please stay connected while we reconnect them. Thank you. Ladies and gentlemen, we have management back. Thank you, and over to you, management. Neha you may please proceed with the question.

**Neha Garg - Analyst, Zenfellow Finance Private Limited**
Yeah, okay. Good morning sir, thanks for the opportunity. It's regarding AMCA development orders. Are this orders are already under execution for the specialized titanium grades. So when you expect the first production order and w

**Operator**
Hello, I'm audible.

**Vikas Singh - Analyst, ICICI Securities**
Hello operator yes

**Operator**
Vikas sir, Vikas sir, can you hear us, can

**Vikas Singh - Analyst, ICICI Securities**
You can you call at mobile Paul's mobile and take this as a last question

**Operator**
[Foreign Speech] Hi Neha, would you mind sending an email to ICICI Securities?

**Neha Garg - Analyst, Zenfellow Finance Private Limited**
Okay, question, no issue. Yeah, yeah, definitely. Yeah,

**Operator**
[Operator Closing Remarks]