

Mishra Dhatu Nigam

17 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Mishra Dhatu Nigam Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Vikas Singh from ICICI Securities. Thank you, and over to you, sir.

Vikas Singh – ICICI Securities: Thank you, Steve. Good morning, everyone. A very warm welcome to everyone on the Q1 FY27 Midhani—Mishra Dhatu Nigam Limited conference call. We would like to thank the management for giving us the opportunity to host them. From the management side, we have with us Dr. S.V.S. Narayana Murthy, Chairman and Managing Director; Mrs. Madhubala Kalluri, Director Finance; and Mr. Paddavittan Babu, Director Production and Marketing. Without taking much time, I hand it over to Murthy sir for his opening remarks. Over to you, sir.

Dr. S.V.S. Narayana Murthy – CMD: Thank you very much, and good morning, everyone, including all our respected investors and colleagues. I am joined here by the Director Finance, Director Production and Marketing, GM Finance, and Company Secretary. We are pleased to welcome you to this investor conference call. The detailed financial results for Q1 FY27 have already been disclosed and are available with all of you, so I will not be going through them line by line. However, I would like to take a few minutes to highlight some of the key operational and strategic milestones achieved during the first quarter, which we believe marks an important step forward for Midhani.

To begin with, Q1 FY27 has been particularly significant. We achieved a turnover of 239.49 crore during the quarter, registering a growth of 40.46% over the same quarter last year. More importantly, the value of production during the quarter stood at 260.36 crore, with a growth of 7.9% against the corresponding quarter of the previous year. We are also encouraged by the profitability numbers for Q1. PBT rose by 25.89% to 23.92 crore, while profit after tax increased by 27.42% to 16.31 crore over the corresponding quarter of the previous year. EBITDA for the quarter stood at 46.6 crore, showing a healthy growth of 12.89%, and our PAT for the year rose by 27.42% to 16.31 crore. Our order book position as of July 1, 2026, stood at 2,329 crore, providing good visibility for the coming quarters.

I would like to share some of the interesting things that we have done in this particular quarter. Most importantly, we are very happy to share that on August 13, Midhani received S400 certification from General Electric, USA, for testing the mechanical, chemical, and metallographic properties of test specimens. With this, Midhani can conduct testing for all our customers, including our own testing requirements, for whatever material we are supplying. This marks a very major and significant step for Midhani.

We have also qualified our non-destructive testing personnel for NAS 410. This particular certification is essential for obtaining the NADCAP certificate in non-destructive testing. By the end of this financial year, we are planning to have this certificate, and we are in the process of obtaining it. We are also seeking two more important certificates. One is ISO 27001 for information security management, and another is ISO 50001 for an energy management system. We would like to have these two certificates during this financial year.

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We have also conducted a seminar on artificial intelligence because we know that artificial intelligence is progressing significantly, and we wanted to understand how AI can be used in metallurgical processing industries, particularly for a specialized superalloy and titanium alloy plant like Midhani. We conducted a seminar on AI in the metallurgical industry on July 17, received a very good response, and exchanged a lot of information with professors from various IITs. We are in the process of implementing some of those interesting ideas.

Another interesting development that I would like to share is isothermal forging for a fighter aircraft program. One of the nickel-based superalloys used in a fighter aircraft engine has been successfully forged isothermally in the 6,000-ton press that Midhani has. We have received orders for four grades of superalloys and three grades of titanium alloys, which we will be taking up during this financial year.

I would also like to tell you that Midhani has successfully rolled 7000-series aluminium alloy for one of the PSUs. This is the first commercial order that we have booked for rolling aluminium. Normally, we do not process aluminium within Midhani, but we have a wide plate mill. The ingot supplied by our customer was rolled to a significant length and width, and we supplied it successfully. It is meeting all the requirements.

Another point that I would like to highlight is one of the technologies that we took from DRDO and IIT Delhi, called the bulletproof jacket. Its name is Abhed. The technology was taken, and we have already fabricated the jacket. The jackets are under testing, and we hope that we will be ready with all the test certificates by the next quarter. This is yet another development.

The spring plant that we have on our campus has started working, and we have received a sample order from BEML. We hope to book many more orders during this financial year. We were also seeking a preliminary licence from BAFA, the German export licence clearance agency, for metal powder. The preliminary licence has been obtained, and we hope that this particular equipment will be on our campus, possibly by next year.

These are some of the interesting things that I thought I would share with all of you. In closing, I want to sincerely thank all our investors and stakeholders for their continued trust and support. With that, I think I will now open the floor for your questions, and we will be happy to take questions along with my colleagues here. Thank you very much for giving us this opportunity.

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Ajinkya Jadhav with Crisp Portfolio. Please go ahead.

Ajinkya Jadhav – Crisp Portfolio: Thank you for the opportunity, and congratulations to the management on the strong top-line growth. My first question is regarding the approval we received from GE for the S400. Could you clarify the nature of this certification? You explained that it relates to testing, but how will it actually benefit Midhani?

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Dr. S.V.S. Narayana Murthy – CMD: Thank you. This particular certificate is called S400, and it is given by General Electric. As part of testing, for any material that companies manufacture, GE requires mechanical testing, which includes mechanical property evaluation at room temperature and elevated temperature, stress rupture, chemical composition analysis, and metallography, including microstructure and grain size. These things are essential.

Management: This particular certificate enables Midhani to test specimens under these three categories—mechanical, chemical, and metallographic testing—for our customers. Anybody in India who is making materials can use our authorised laboratory, and we are the only laboratory for room-temperature and high-temperature testing, chemical analysis, and metallography. There is a significant demand. Exports are increasing, and many people are supplying materials. With our expertise and this approval, we will be able to generate revenue from all our customers who are interested.

Earlier, people had to go abroad and send specimens overseas for testing. Now the testing can be done within the country. Therefore, this is a very good opportunity for Midhani to generate revenue.

Ajinkya Jadhav – Crisp Portfolio: Understood. Do we have to share any revenue with GE for this?

Management: No, that is not required. We will advertise our rates for this {? S400 ?} certificate. Anybody who wants to use it—not only those within India, because we are now approved—can send specimens from abroad as well, and we can test them and issue the certificate.

Ajinkya Jadhav – Crisp Portfolio: Understood. My second question is regarding the top line. Our growth was phenomenal, but if we look at the gross margin, there was a significant amount of compression. Was that related to an increase in raw material prices or something else?

Management: Apart from raw material prices, we were affected by fuel prices during this quarter. LPG prices increased because of the war and almost doubled. That was one major factor behind the reduction in profitability.

Ajinkya Jadhav – Crisp Portfolio: Can we expect this margin compression to normalise in Q2 and the subsequent quarters?

Management: There may be a slight impact in Q2, but in Q3 we hope that we will return to the normal stage.

Management: To add to what the Director Finance has said, our furnaces are LPG-fired. Our reheating and heat-treatment furnaces are LPG-fired. As you identified, there is top-line growth, whereas bottom-line growth is somewhat lower because it is attributable to the LPG crisis in the first quarter. The impact may continue to some extent into the second quarter. We hope that the situation will normalise from the third quarter onwards.

Ajinkya Jadhav – Crisp Portfolio: My last question is about how much we realised from scrap sales in the first quarter. How much sellable and non-sellable scrap inventory do we have, and how much of it can we recycle?

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Management: In the first quarter, we made a considerable reduction in scrap cost and scrap value, and we hope to continue at the same pace as last year. We reduced the scrap inventory by around 17%.

Ajinkya Jadhav – Crisp Portfolio: Thank you. I will join the queue again.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Abhishek Jain with KRIS PMS. Please go ahead.

Abhishek Jain – KRIS PMS: Thank you for the opportunity, and congratulations on the strong set of numbers. My first question is on the prices of key raw materials such as titanium, nickel, and cobalt. How have these affected your margins because of the volatility in recent months, particularly in fixed-price defence contracts?

Operator: Sorry to interrupt, Mr. Abhishek. Could you please use your handset and speak a little louder?

Abhishek Jain – KRIS PMS: Hello? Yes. My first question is about raw material prices. Given the recent volatility in key raw materials such as titanium, nickel, and cobalt, how has this affected your margins, particularly in fixed-price defence contracts? To what extent can the proposed Metal Bank provide a cushion against raw material price volatility and protect your margins?

Management: The prices of raw materials such as nickel, molybdenum, and tungsten increased very abnormally. This affected us by around 13 crores in the first quarter in terms of adverse price variance. With respect to the Metal Bank, we are already at an advanced stage of procuring raw material for one customer. For the remaining customers, the process is in progress, and we are hopeful that by the end of the second quarter, we will have further clarity on the procurement of Metal Bank stocks.

Abhishek Jain – KRIS PMS: Understood. The supply of key raw materials was a key constraint on your growth. Since you have also proposed the Metal Bank, will that resolve the issue relating to the supply of raw materials? I wanted to understand what kind of growth you are expecting after setting up the Metal Bank.

Management: There are basically two points. One is availability, and the second is cost. We need to consider whether raw materials are available in the market and whether there are delays in procurement. The second point is cost. As the Director Finance has said, the cost has increased, particularly for molybdenum, tungsten, and nickel, and to a lesser extent for cobalt. We are able to obtain the materials, but the Metal Bank will certainly help address delayed supplies as well as abnormally high costs.

Abhishek Jain – KRIS PMS: Understood. In this quarter, we saw significant growth of around 40% year-on-year. I wanted to understand what kind of growth you are expecting in FY27 once this supply issue is resolved.

Management: We will maintain the FY26 growth and look for higher growth. In spite of the LPG and raw material issues, we expect growth to be higher than what we achieved in the last financial year.

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Abhishek Jain – KRIS PMS: Can we expect a run rate of around 40% to continue in the coming quarters as well, with margins starting to improve from the second half onwards?

Management: Achieving the 40% growth seen in Q1 at the full-year level is not practicable. However, as the CMD has said, we are working on it, and we definitely expect performance to be better than last year.

Abhishek Jain – KRIS PMS: As you are replacing legacy manual equipment from the 1980s with advanced automated machinery, I wanted to understand how this will benefit the business and what type of yield improvement we can expect.

Management: Could you repeat the question? It was not entirely clear.

Abhishek Jain – KRIS PMS: You are replacing legacy manual equipment from the 1980s with advanced automated machinery. Once this brownfield modernisation process is fully implemented, what level of yield improvement do you expect, and how much EBITDA margin expansion could result from this initiative? I wanted to understand the impact on top-line growth and EBITDA margin expansion from replacing the machines with advanced automated machinery.

Management: It is very much required. The old machines are not necessarily old as of now because we keep updating most of the equipment, but they are not exactly the new machines available in the market that match our requirements. There are still many things that need to be changed. A new machine may provide the better yield you mentioned and reduce the time required. With that, revenue will certainly increase. We are working on it now.

Abhishek Jain – KRIS PMS: Understood. On the titanium side, you doubled production to around 700 metric tons. What would be the contribution from titanium over the next 2–3 years, and what kind of margin benefit can we expect?

Management: Last year, we inaugurated a new titanium melting facility, where we increased our production capacity. During the last year, we produced around 700 metric tons through melting, and we expect this to grow. There are currently many orders for titanium, possibly worth about 600 crores, and we expect these orders to increase. We plan to fully utilise the additional capacity as well as the existing capacity that we already have, and this will increase significantly. We have also participated in other orders related to titanium, and there is significant interest.

Abhishek Jain – KRIS PMS: What is the difference between the margins on titanium and those on other alloys?

Management: Titanium and superalloys have somewhat higher margins compared with special steel. That is the difference. If you look at the last financial year, our contribution from superalloys and titanium has gradually increased compared with the earlier contribution from low-alloy steel or stainless steel. We now expect that, although processing time and material availability also present challenges, we will continue working to generate more business from titanium and superalloys.

Abhishek Jain – KRIS PMS: Understood. My last question is on capex. You are planning capex of 1,000 crore over the next 3 years. What incremental revenue and EBITDA can we expect from this capex at full utilisation?

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Management: This capex may not immediately become operational because the project we are considering has a somewhat long lead time for supply and installation. After that, we will definitely achieve an improvement in the top line.

Abhishek Jain – KRIS PMS: Can you quantify the numbers? If we incur capex of around 1,000 crore, what would be the asset turnover from it?

Management: This 1,000 crore is not for putting up an entirely additional facility. It will be a combination with the revenue we are already generating. Some of the existing facilities may be kept idle, and the new facilities may be used instead. Compared with last year, we expect improvement over the coming 2–3 years. The real impact will come after 4–5 years, once the facilities stabilise. At present, it is difficult to provide any numbers.

Abhishek Jain – KRIS PMS: Thank you. Understood.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. The next question comes from the line of Nishita with Sapphire Capital. Please go ahead.

Nishita – Sapphire Capital: Am I audible?

Management: Yes.

Nishita – Sapphire Capital: I have a few questions. One is on margins. You mentioned that from Q3 we can return to normalised margins. Can we expect to get back to an EBITDA margin of 20%–21% from Q3?

Management: Yes, we can expect that. The bottom line was slightly lower only because of the raw material and LPG issues. Otherwise, from Q3 we will stabilise, and we hope to achieve the same margins.

Nishita – Sapphire Capital: My next question is on our order book. Could you quantify our current order book?

Management: We are currently at an order book of around 2,300 crore.

Nishita – Sapphire Capital: Can you bifurcate the order book? You mentioned 600 crore of orders for titanium.

Management: The defence sector accounts for 66%.

Nishita – Sapphire Capital: Sorry?

Management: The defence sector accounts for 66% of the orders we received from defence. Space, including ISRO, accounts for 21%. Energy accounts for 9%, and others account for 4%.

Nishita – Sapphire Capital: I understand. My next question is about the bulletproof jacket. You mentioned that you fabricated the jacket and that it is under trial, with sales starting next quarter. Could you share your thoughts on the revenue we can expect from bulletproof jackets in FY27?

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Management: We are currently in the testing process because it involves very severe testing. We have to fabricate the jacket, take it for testing, and fire bullets at it. The certificate is very important, and we expect the testing to be completed during this quarter. Orders will come periodically from the services, the CRPF, the BSF, or even the state police. We will participate once this jacket is qualified. We will provide sample jackets to interested parties and request orders. It will depend on how many orders are placed, how many tenders are floated, our participation, and our ability to compete successfully under competitive bidding.

Nishita – Sapphire Capital: Understood. My last question is on capex. A previous participant mentioned that we have planned around 1,000 crore of capex. Could you explain over how many years we are going to use this 1,000 crore of capex?

Management: This capex is expected to be incurred over around 2–3 years, and after that, any plant requires a stabilisation period. As we already mentioned in the previous call, the results or fruits of this investment can be expected from the fourth year.

Nishita – Sapphire Capital: What is the total capex amount we are spending in FY27?

Management: FY27 capex will be lower. The Board has considered the proposal, and we have to work on it. The 1,000 crore will not be incurred in FY27. For FY27, our capex may be around the same amount as last year, approximately 50–60 crores of normal capex, because this project—

Nishita – Sapphire Capital: This will primarily be maintenance capex, correct?

Management: The majority will be like that.

Nishita – Sapphire Capital: Understood. Thank you very much.

Operator: Thank you. The next question comes from the line of Sheetal Shah, an individual investor. Please go ahead.

Operator: Sheetal Shah, your line has been unmuted. Please go ahead with your question.

Sheetal Shah – Individual Investor: Am I audible?

Management: Yes, please speak a little louder.

Sheetal Shah – Individual Investor: Good morning, sir.

Management: Good morning.

Sheetal Shah – Individual Investor: Two or three conference calls ago, a participant highlighted that India would require at least {? times ?} the current size of Midhani. We are in such a niche segment, and the total addressable market is very large. At that time, you said that we would require significant capex to break through our normal revenue growth target of 10%–15% or 15%–20%. You would need Board approval, or the government would also send some proposal for that. Is there any progress on that?

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Management: The basic point is that we are replacing some ageing equipment so that our yield and productivity will improve, and we will also become more competitive. This idea has emerged, and we have proposed it to the Ministry. We are in the process of getting it evaluated, and soon we will come back to you with news. At present, I am not in a position to provide details, but we will get back to you regarding our capex proposal.

Sheetal Shah – Individual Investor: Is there any timeline? Do you expect this to happen within this financial year?

Management: The formal process of placing the proposal before the Board and obtaining approval will take place. Once the process is complete, we will come back to you. At present, I am not able to provide a timeline, but we will get back to you.

Sheetal Shah – Individual Investor: We will wait for that very eagerly. The {? land bank ?}—the Metal Bank you introduced—was very good. The two main points are the Metal Bank and the capex. Both will help us achieve a very high level of growth.

Management: Sheetal, I can tell you that these two initiatives were conceived in anticipation of the need for raw material stability, productivity improvement, and yield improvement. We are already implementing one of them, and by the next quarter we will be implementing the Metal Bank. We should soon come back to you with some news about the other initiative as well. It requires proper approval, and once that process is complete, we will share the details.

Sheetal Shah – Individual Investor: We shareholders will eagerly wait for that. Thank you very much. I have one more question. Regarding the recent approval we received, can you tell us the total addressable market for it, in what way it will help, and what type of revenue growth you expect from it? Is it NABL {? 400 ?}?

Management: NABL {? 17025 ?} is a certification. First of all, we are very proud that Midhani has received this certificate. All our customers require these testing services. The type of testing is very critical, and the facilities required for conducting this testing are also highly specialised. Midhani has all those facilities.

If you ask me how much money we will generate from it, we have to see how many people approach us. From today onwards, we can conduct these tests. If somebody approaches us, all our facilities are available, and we will be able to conduct the tests and issue certification, for which we will charge. We do not need anybody else's approval; Midhani itself can issue the certificate.

Sheetal Shah – Individual Investor: Thank you very much, sir. It is good to hear that.

Management: Thank you very much.

Operator: Thank you. The next question comes from the line of Ranjit Shivaram with Mahindra Manulife Mutual Fund. Please go ahead.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: Hello, sir. Congratulations on the good growth. Am I audible?

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Management: Yes.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: Congratulations on the good growth. I wanted to ask about the AMCA development work that you mentioned last time. What kind of opportunity will the AMCA development provide for us as a company?

Management: With respect to AMCA, there are some development orders from the agency, ADA, which is developing the program. We are developing these materials because they are all new materials, and the grades have to be established. They have to be established in the forms and shapes that will actually be used in the program. They have given us some development orders. We are anticipating production orders from them. We have already completed some of the work, while some activities are ongoing.

These are special titanium alloys of a certain thickness, where achieving the required properties is very difficult. They have given us the orders, and once we develop and supply these materials according to their specifications, we expect bulk orders. That is the opportunity.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: What could be the likely size of this opportunity?

Management: The opportunity depends entirely on the program and its approval. Once the program is approved, we expect to receive orders because it has been developed using our facilities. It depends on the program timelines.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: We hear a lot about nuclear and SMRs. There has also been discussion that you might try to develop an alternative involving molten salt, which requires specialised ceramic tubing and related products. What is the opportunity that we can address in this area?

Management: There are different types of reactors, and molten salt is one of the types. With respect to the nuclear program, Midhani is the leading supplier of materials for all nuclear power plants. We have supplied a number of items, including items for the recently commissioned prototype fast breeder reactor, which has achieved criticality. We expect many more orders because it has achieved criticality.

In addition, the government's push towards 100 gigawatts of energy by 2047 also gives us confidence that we will receive many orders. We are currently executing orders for steam generator tubes, and we will continue doing so because all the relevant grades have been developed at Midhani. We expect all the nuclear power grades to come to us.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: Will this molten-salt ceramic tube piping also come under our scope?

Management: Any metallic material that goes into the nuclear reactor will be made by us, but not the ceramic components. If it is a tubular product, we will supply the raw material required to make the tubes. Most likely, if NFC is taking the material, we will supply the ingot, which is called the mother hollow. We will make those mother hollows here and supply them, or the ingots for making the tubing will come from us.

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Ranjit Shivaram – Mahindra Manulife Mutual Fund: There has recently been news regarding the RIL–Rolls–Royce joint venture. Is there any specific opportunity for Midhani in that?

Management: That is a very good initiative. As the lead supplier of strategic materials in this country, we believe Midhani will have an opportunity to supply 100% of the materials. Whoever manufactures the equipment, we expect the metallic material supply to come from Midhani. We will certainly work on it.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: Lastly, with this Metal Bank, how much of our working capital can be released?

Management: This is not in Midhani's books. It is operated by Midhani but owned by the customer, so it does not come into our books at all.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: So it will not release or otherwise affect our working capital?

Management: It will not affect us at all. We are simply storing their material on our campus for melting.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: We have a large inventory of titanium scrap. What is our plan to dispose of it, release the inventory, and liquidate it? Is there any specific plan?

Management: Technically speaking, this is not scrap; it is a gold mine. Scrap is a gold mine because scrap is needed for melting and is part of our process. A certain amount of scrap is always used for melting any material, unless it is an extreme case such as Gaganyaan, where customers ask for 100% virgin material.

Unless we are sure that the scrap is not useful, we can sell it. Since Midhani makes a large number of grades, scrap of different types is available. Wherever we feel that a certain quantity or critical level has been exceeded, we will sell it. Last year also, we sold scrap and reduced our scrap inventory by 75 crores. We want to bring it down and maintain it at an optimal level.

It is our decision whether to sell the scrap or keep it, depending on the orders we are likely to receive. Suppose we are likely to receive an order for which a good amount of scrap is available; that is beneficial for us because we can melt it and convert it into raw material. You know the kind of interest being created under the National Critical Minerals Mission. Raw materials are becoming difficult to obtain, and scrap is the gold mine.

This is our policy: wherever necessary, we will sell the scrap; otherwise, we will try to use it in our production process. We will arrive at an optimal level that is the minimum required for perhaps one production cycle or something similar.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: The industry is developing EB–SCR, which will use titanium scrap to process titanium. Could that provide an opportunity for us to liquidate some of our titanium scrap because they will need it?

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Management: Midhani manufactures more than 20 types of titanium grades; it is not limited to one or two grades. If you need to melt the material, you actually need a larger quantity. For every engine or aircraft program, there are different grades, and the quantity required for each grade is very small. That is how we maintain the scrap. It is not a commercial situation where we manufacture only Grade 5, which would allow that type of input to be melted.

Ranjit Shivaram – Mahindra Manulife Mutual Fund: Thank you, and all the very best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Amitabh Vatsya with Saffron Ventures LLP. Please go ahead.

Amitabh Vatsya – Saffron Ventures LLP: Thank you for the opportunity. I hope I am audible.

Management: Yes.

Amitabh Vatsya – Saffron Ventures LLP: First of all, congratulations on the good growth in the bottom line.

Management: Thank you.

Amitabh Vatsya – Saffron Ventures LLP: My question is related to the breakthrough we achieved in metallurgy with the single-crystal blade for superalloy. What are our plans? As we develop this, can it also be used for titanium? How is the superalloy market positioned in terms of where this would be used? Are we developing it for AMCA or for indigenous development? I wanted to understand the business prospects of this development and whether further development is possible on the titanium side as well.

Management: If you look at any aero engine, it needs blades. Every aero engine has multiple stages, and each stage has a disc with blades. It does not matter whether we are making them for AMCA, an existing fighter aircraft, or any other engine.

These blades are typically classified into two areas. One is the high-temperature area, and the other is the low-temperature area. In the high-temperature area, we use superalloys, while in the low-temperature area, we use titanium alloys. The grades also vary significantly. There are multiple grades of materials in both titanium and superalloys, and Midhani has the capability to make the single-crystal feedstock.

This is a very complex process in which the chemistry of the blade material has to be controlled within very tight ranges, with controlled impurities and gas content. These materials also contain highly specialised elements such as rhenium and ruthenium, which provide the high-temperature properties.

Midhani has melted and already supplied these grades. If you remember, in the last quarter or previous quarters, we had already said that, for the first time, we had made some very novel grades of these materials for a fighter aircraft program. We will continue to work with our customers and see what grades are in demand. We are looking for orders where both titanium and superalloy blade

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materials can be melted and supplied to our customers.

Amitabh Vatsya – Saffron Ventures LLP: I want to {? recreate ?} the question with respect to the business potential. Which program are we most aligned with? Although we are capable of supplying all kinds of materials, where do we see a clear business possibility over the next few years?

Management: It depends on the end user's requirement. The capability exists, and we are also looking at AMCA-type opportunities. Once the program is approved, and since it is currently at the design stage, we will be ready to supply these materials.

Amitabh Vatsya – Saffron Ventures LLP: Regarding the titanium landscape, are we buying titanium through the Russian route, or where do we obtain our titanium raw material?

Management: We import titanium from Eastern European countries or the former Russian Federation. We prefer to procure from those countries because the quality and the system are aligned for melting titanium sponges and master alloys. Therefore, we import from those countries.

Amitabh Vatsya – Saffron Ventures LLP: If we source titanium from Russia, could the US potentially target us? Is there such a possibility? Since we are not part of Boeing's supply chain, is it politically possible for the US to dictate where we buy titanium, given that Boeing and others are also part of their supply chain?

Management: We do not have any issue with titanium sponge imports as of today. We can import freely, and we have not faced any supply chain constraints in importing from Eastern Europe. There are also good titanium mills in the US, but currently we have no issue importing from Eastern Europe.

Amitabh Vatsya – Saffron Ventures LLP: Since we are developing many things and many developments are taking place, I want to understand the top 2 or 3 areas on which management is focused. As investors, we sometimes lose track of what is actually going to happen over the next 2–3 years. Could you guide us on where Midhani is looking for growth? The Metal Bank is something that has recently come up, but is it the main agenda for management?

Management: If I understand your question correctly, you are asking where we import our raw materials from. Am I correct?

Amitabh Vatsya – Saffron Ventures LLP: No, my question is not about that. Since we have been developing many tools, metals, alloys, and different grades, my question as an investor is where we are focusing in terms of growth. Are we targeting growth from titanium, from the Metal Bank, or from some other superalloy? Could you categorise the areas that we are focusing on for growth over the next 2–3 years?

Management: We understand the question. There are many programs coming from the Ministry of Defence, such as AMCA and several other engine programs. There are many opportunities. The country now expects the materials for all these programs to be manufactured within India.

The first consideration is that Midhani is the company that can immediately manufacture superalloys and titanium with the involvement of the airworthiness agency. Therefore, Midhani is

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currently concentrating on all these materials, particularly superalloys and titanium, to manufacture, develop, and supply them for these programs. Subsequently, we may take up OEMs and overseas customers as well, and we will supply to them.

Amitabh Vatsya – Saffron Ventures LLP: Thank you, sir.

Management: Thank you.

Operator: The next question comes from the line of Abhishek Jain with KRIS PMS. Please go ahead.

Abhishek Jain – KRIS PMS: Thank you for the opportunity again. My question is on the export side. How much is the current contribution from exports, and what kind of demand and order book are you seeing in the export business? Could you provide a 2–3-year vision for exports and explain your plan?

Management: With respect to exports, we want exports to account for around 10% of our total turnover. Current-year sales are 33 crores so far, and we have an open order book of about 25 crores. We will certainly make more exports than last year. We plan to export about 10% of our total turnover.

Abhishek Jain – KRIS PMS: How much incremental revenue can we generate from this S-400 defence business?

Management: S-400 relates only to testing. If GE places an order with us, since we also have testing capabilities, it will definitely add more revenue. We are in discussions with multiple parties, and very conservatively, I am estimating 10%.

Abhishek Jain – KRIS PMS: 10%. What is your export target for the next 3–4 years?

Management: We can increase exports by at least 15%–20% from the current 10%. That would be 100 crore to 120 crore. Exports will increase at least at a rate of 10%–15% over the coming 3–4 years.

Abhishek Jain – KRIS PMS: Understood. Regarding the raw material mix, what was the mix between virgin and scrap materials in the first quarter compared with the previous quarter? Do you have any plans for a dedicated scrap-processing or recycling plant to improve cost efficiency?

Management: The percentage of scrap versus virgin raw material depends on the grade and the customer. For some customers, such as human spaceflight programs and certain highly critical engine parts, we are not allowed to use scrap and are required to supply virgin material. Therefore, scrap addition is not possible as per the customer's requirements.

If the customer's specification allows scrap to be used, we are ready to melt using 100% scrap. However, in the aerospace sector and among the customers we serve, we are rarely allowed to use more than 50%. Therefore, 50%–60% is the normal percentage of scrap that can be used, and pricing is determined accordingly.

With respect to scrap, whatever materials we produce and whatever scrap is generated will be segregated, cleaned, and stored. Sometimes we also melt and store it so that its identity is preserved. We have a very good scrap management policy and a robust method for segregating,

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identifying, and storing the scrap with complete tagging. This is the policy that we have been following.

Abhishek Jain – KRIS PMS: Do you have a scrap recycling plant, or are you considering one?

Management: We are considering a scrap recycling plant, but there are also some ideas for recovering metals from scrap, which we are working on with academic institutes such as NFTDC. However, this is not yet at the commercial stage. The amount of scrap generated is high because we produce a lot of material. We have to assess whether converting scrap back into metal is really worthwhile and how the economics work.

Separately, we have an MOU with NFTDC to identify and extract pure elements from scrap.

Abhishek Jain – KRIS PMS: In an earlier conference call, you mentioned that titanium alloys, superalloys, and steel worth around 8,000 crores are imported. What are the biggest barriers to replacing these imports? Is it price, quality certification, capacity, or customer qualification? What is your plan to leverage this opportunity and expand your market share?

Management: The import data comes from EXIM data available in the public domain. There are imports because there may be technology transfers, and the end customer may be required to buy material from approved sources. That is how these materials may be entering the Indian market.

Almost all the grades included in the 8,000 crore figure are in Midhani's portfolio, and Midhani is capable of manufacturing all these materials with the available resources. However, customers may not approach us because they are required to procure from approved sources, particularly in the aerospace industry.

We are therefore seeking these certifications. Once we obtain certifications from premium or top-tier aerospace companies, domestic importers can come to Midhani and procure the material from us instead of importing it. That is the overall idea.

The purpose of obtaining the certifications I mentioned, including the NADCAP certification we received and the AS 9100 certification that we are currently obtaining, is to secure approvals from aerospace manufacturers. This will enable us to ask domestic suppliers to place orders with Midhani and procure material directly from us rather than import it.

Abhishek Jain – KRIS PMS: That is a great insight. My last question is on margins. Before FY24, we used to see margins in the range of 24%–26%. Over the last couple of years, we have seen some decline. When can we start achieving margins of around 25%–28% again? As you said, the mix is beginning to improve, particularly on the titanium side, where you have increased production. What are the key constraints currently, and when can we expect margins of around 22%–25%?

Management: Margins depend on the order book and on the type of material we sell in a quarter. Midhani manufactures strategic steels, superalloys, and titanium alloys. We essentially have three product categories, and margins vary depending on the category we are operating in.

For example, margins in superalloys may be somewhat higher, and margins in titanium alloys may also be somewhat higher. When we execute orders in one particular quarter or financial year,

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margins may appear higher. When we execute steel orders, margins may be somewhat lower, but we have to execute all the orders. Therefore, margins vary from time to time.

At the same time, in Q1 FY27, we faced issues from both the increase in raw material prices because of the Middle East crisis and the LPG crisis. There will be some impact from these factors. Excluding these issues, the margin percentages depend on the product mix that we manufacture in that particular quarter.

Abhishek Jain – KRIS PMS: Has the increase in freight costs had any impact? Since you import most of the raw materials, are you able to pass freight costs on to the end user?

Management: Regarding freight costs, sometimes we operate under {? fixed ?} terms. Occasionally, freight costs become high, but because these are fixed-price contracts, we cannot expect the customer to pay. Sometimes we are forced to absorb the cost, but overall, we have to assess the impact.

Abhishek Jain – KRIS PMS: Understood. That is {? all ?} from my side. Thank you.

Management: Thank you.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Ajinkya Jadhav with Crisp Portfolio. Please go ahead.

Ajinkya Jadhav – Crisp Portfolio: Thank you for taking the follow-up. Our previous order book was more tilted towards the space sector, whereas currently it is more focused on the defence sector. Of the current order book of 2,300 crore, how much is nomination-based? What has been the trend in the nomination-based proportion of the total order book?

Management: To answer your question, we are not receiving anything on a nomination basis. Earlier, that used to be the trend. Now everything is obtained through competition, and we are receiving orders through competitive processes only.

Ajinkya Jadhav – Crisp Portfolio: Is that the reason margins, which used to be around 25% earlier, will be around 20% going forward?

Management: It could be. The 20% margin in Q1 was due to the two reasons discussed. Even despite the 14 crore impact from raw materials and around 5 crore from LPG, our EBITDA increased in absolute terms. The percentage relative to sales declined slightly and is at the 20% EBITDA level, compared with the expected 23%. The difference is nominal, and we are confident that we will recover it in Q2 and Q3.

Ajinkya Jadhav – Crisp Portfolio: Understood. My next question is related to the fact that earlier we were occupied with domestic orders from the government's strategic sectors. Do we have the appetite and ambition to serve global OEMs, as we are doing with GE? Are we taking strong steps in that direction? How much time will it take for us to serve global OEMs such as Rolls-Royce, Boeing, and Airbus?

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Management: The certification process of the OEMs you mentioned is time-consuming. We have been working with them. These companies visit the plant multiple times, audit our facilities, audit our records, suggest modifications, and we are working with them to obtain export orders. We will certainly share the news once we receive orders from global OEMs.

Ajinkya Jadhav – Crisp Portfolio: How much time could it take? Perhaps 3–4 years to onboard them?

Management: We should receive orders before that. We may be able to obtain some export approvals within a year or so. We are in the process, and we are positive.

Ajinkya Jadhav – Crisp Portfolio: My last question is regarding the aluminium plant. Earlier, we said that we had shelved the plan for the aluminium plant under the joint venture, which involved capex of more than 1,000 crore. Is that plan still alive, or have we completely shut it down?

Management: That proposal has been recommended for closure by both the Midhani and NALCO boards. It is now in the process of being closed because certain approvals are required from the Ministry. Our plant will not be coming up. Formal approval needs to be obtained so that we can share the news, but we are not proceeding with that plant.

Ajinkya Jadhav – Crisp Portfolio: In today's conference call, you mentioned rolling the first aluminium alloy. How does that fit in?

Management: I would like to clarify this. There are two separate matters. The plant that we were supposed to establish at Nellore under Utkarsh Aluminium Dhatu Nigam Limited is the one I said is going to be closed.

What I said is that Midhani has a wide plate mill. Aluminium wide plates are being imported into the country. If you look at 2000-series or 7000-series aluminium plates used by aircraft programs or launch vehicle programs of ISRO, they are all imported. There is a demand to indigenise these products, particularly because of the supply chain constraints.

One idea is to use our wide plate mill for rolling. There are facilities within the country for casting ingots, and there are companies making direct-chill-cast billets. Those billets were supplied to us, and using our facilities and wide plate mill, we forged and rolled them to produce rolled products.

This is an alternative method. It does not mean that we are going to melt, roll, and undertake all the other processes through an elaborate plant at Nellore. We are only trying to convert the cast ingot into a plate, which can subsequently be used by customers. This is what we have done, and this is what I was referring to when I mentioned the first commercial order for rolling aluminium.

Ajinkya Jadhav – Crisp Portfolio: Understood. My final question is that we are seeing a significant push from the government for indigenisation in the aerospace sector. Even IndiGo is asking engine manufacturers to set up their MRO facilities in India. In your view, what incentive or push will the government provide to indigenise materials? Could you explain this?

Management: Midhani is capable of manufacturing superalloys, titanium, and steel, because there are also certain steel parts in aircraft engines. All three materials, or all three groups of materials,

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can be manufactured at Midhani.

Second, as you said, there is a significant push towards indigenisation. Under the offset policy, companies will be required to buy from India because they now have to source materials from India. Midhani is at the forefront and is first in the queue. We will receive orders. Inevitably, they have to come to us because we are the leading supplier of aerospace materials. It is only a matter of moving from concept to reality. We are ready to take up the orders, our capacities are available, and we are looking forward to receiving and executing these orders.

Ajinkya Jadhav – Crisp Portfolio: Does that mean that private players in India operating in the aerospace sector and supplying to the government, perhaps the Ministry of Defence or the aerospace sector, will be required to buy a certain proportion from Midhani of what is currently being imported?

Management: We do not know the details, but we are definitely looking for very good customers, very good volumes, and very good prices. We hope to receive a significant part of the opportunity we are envisaging.

Ajinkya Jadhav – Crisp Portfolio: Best wishes, Murthy sir. Thank you for answering the questions.

Management: Thank you.

Operator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing remarks.

Management: Thank you. We had multiple questions and answers, and we are happy to share the data with you. Excluding the supply chain disruptions relating to LPG and raw materials, we believe that the situation will stabilise in the coming quarter. We will return to normalcy in this respect and continue to grow at a good rate.

We will be very happy to take new orders. As I shared in my introductory remarks, we are also pursuing a good number of certifications. All these initiatives should help us execute orders in a healthy manner, and we are also looking to increase our order book. When we meet during the next quarter, we will probably have very good information to share. Thank you very much for this opportunity.

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

Management: Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.