MIDHANI

MDN/CS/COMPLIANCE/2026-27 August 22, 2026

To,

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

National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East),
Mumbai – 400051
Trading Symbol: MIDHANI

Sub: Transcript of the Analysts and Investors Meet/Conference Call held on August 17, 2026

Dear Sir/Madam,

1. Further to our letter dated August 17, 2026 intimating you about the audio recording of Analysts and Investors Meet/ Conference Call on Q1 – FY27 Results, held on August 17, 2026, please find below the transcript of the aforesaid Conference Call.

2. The transcript of the call is also made available on the Company's website.

This is for your information and record.

Thanking you,

Yours faithfully,
For Mishra Dhatu Nigam Limited
PAUL ANTONY
Digitally signed by PAUL ANTONY
Date: 2026.08.22 09:55:18 +05'30'
Paul Antony
Company Secretary & Compliance officer
company.secretary@midhani-india.in

Encl: As above

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"Mishra Dhatu Nigam Limited Q1 FY '27 Earnings Conference Call"

August 17, 2026

MANAGEMENT:	**DR. S.V.S. NARAYANA MURTY – CHAIRMAN AND MANAGING DIRECTOR, MISHRA DHATU NIGAM LIMITED** **MRS. MADHUBALA KALLURI – DIRECTOR (FINANCE) AND CHIEF FINANCIAL OFFICER, MISHRA DHATU NIGAM LIMITED** **MR. PADAVITTAN BABU – DIRECTOR (PRODUCTION & MARKETING), MISHRA DHATU NIGAM LIMITED**
MODERATOR:	**MR. VIKAS SINGH – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the MIDHANI Limited Q1 FY '27 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Vikas Singh: Thank you, Steve. Good morning, everyone. A very warm welcome to everyone on Q1 FY '27 MIDHANI Mishra Dhatu Nigam Limited conference call.

We would like to thank the management to give us the opportunity to host them. From the management side, we have with us Dr. S.V.S. Narayana Murty – Chairman and Managing Director, Mrs. Madhubala Kalluri – Director (Finance) and Mr. Padavittan Babu – Director (Production and Marketing).

Without taking any much time, I hand it over to Murthy sir for his opening remarks. Over to you, sir.

S.V.S. Narayana Murty: Thank you very much and good morning, everyone, to all our respected investors, colleagues. I am joined here by Director (Finance), Director (Production and Marketing), GM (Finance) and Company Secretary.

We are pleased to welcome to this Investor Conference Call. The detailed financial results for Q1 of FY '26-'27 have already been disclosed and are available with all of you. So, I will not be going in detail 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 marked an important step forward for MIDHANI.

To begin with, Q1 of FY '26-'27 has been particularly significant. We have achieved a turnover of Rs. 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 Rs. 260.36 crore with a growth of 7.9% against the corresponding quarter of previous year.

We are also encouraged by the profitability numbers of Q1. PBT rose by 25.89% to Rs. 23.92 crore, while profit after tax increased by 27.42% to Rs. 16.31 crore over the corresponding quarter of the previous year.

The EBITDA for the quarter stood at Rs. 46.6 crore, showing a healthy growth of 12.89% and our [profit after tax 00:02:40] for the year rose by 27.42% to Rs. 16.31 crore. Our order book position as on 1st July 2026 stood at Rs. 2,329 crore, providing good visibility for the coming quarter.

I just want 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 13th August, MIDHANI has received S400 certification from General Electric USA for testing of mechanical, chemical and metallography of test specimens. With this, MIDHANI can do testing for all our customers, including ours own, whatever material we are supplying.

This marks a very major significant step for MIDHANI. And we have also qualified our non-destructive testing personnel for NAS410. This particular certification is essential for obtaining Nadcap certificate in non-destructive testing. So, by the end of this financial year, we are planning to have this certificate and we are in the process of obtaining the same.

We are also looking for two more important certificates. One is called ISO 27001 for Information Security Management and another is ISO 50001 Energy Management System. So, we would like to have these two certificates in this financial year.

We have also conducted one seminar on artificial intelligence because we know that artificial intelligence is going in a big way and how AI can be used in metallurgical processing industries, particularly for a specialized super alloy and titanium alloy plant like MIDHANI. So, we have conducted a seminar on this AI in metallurgical industry on 17th of July, and we have got very good response, and we have exchanged a lot of information from a lot of professors from IITs and we are in the process of implementing some of those interesting things.

Another interesting thing that I would like to share is isothermal forging for fighter aircraft program. So, one of the nickel-based super alloy that is there in fighter aircraft engine, we have successfully isothermally forged in 6,000 ton press that MIDHANI has and we have initiated, we have got orders for four grades of super alloys and three grades of titanium alloys, which we will be taking up in this financial year.

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

And another point that I would like to highlight is one of the technologies that we have taken from DRDO, IIT Delhi that is called a bullet proof jacket, its name is ABHED. The technology was taken and we already fabricated jackets and jackets are under testing and hope we will be ready with all the test certificates by next quarter.

So, this is another thing, and the spring plant that we have in our campus, we have started working. And we have received sample order from BEML and we hope to book many more orders in this financial year.

And one of the preliminary licenses that we were looking from BAFA, that is German Export License Clearing Agency for metal powder, preliminary license has been obtained and we hope that this particular equipment will be in our campus maybe by next year.

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

Moderator: Thank you, sir. We will now begin the question-and-answer session. Our first question comes from the line of Ajinkya Jadhav with KRIIS Portfolio. Please go ahead.

Ajinkya Jadhav: My first question is regarding the approval that we got from the GE for the S400. So, if you can clarify like what is the nature of this certification, how it will benefit MIDHANI in terms of you explained that the testing, so how it will benefit actually?

S.V.S. Narayana Murty: So, thank you. Actually, this particular certificate it is called S400 and this is given by General Electric and basically as a part of testing any of the material that companies make, GE demands mechanical testing that is mechanical property evaluation, room temperature, elevated temperature and stress structure and chemical composition analysis and metallography that microstructure and grain size, these things are essential. And this particular certificate enables MIDHANI to test the specimens under these three categories of mechanical, chemical and metallography of our customers.

So, anybody in India who are making materials, we can, ours is an authorized lab and we are the only lab for both room temperature, high temperature, chemical analysis and metallography. So, lot of demand is there. Now exports are going and lot of people are supplying materials and with our expertise and with this approval, we will be able to generate revenue from all our customers who are interested.

Earlier, people used to go for abroad, they used to spend specimens abroad and get it tested. Now, it can be done within the country. So, it is a very good opportunity to MIDHANI to generate revenue.

Ajinkya Jadhav: So, here do we have to share some revenue with the GE for that?

S.V.S. Narayana Murty: No, not required. We will be advertising our rates for this S400 certificate. Anybody who wants, not only within India, we are now approved. So, even from abroad, specimens can come here and we can test and we can give the certificate.

Ajinkya Jadhav: My second question is regarding like for the top line, our growth was phenomenal, but it is really quite the gross margin, there was a good amount of a compression. So, like any reason for that? Like was that related to some RM price hike or anything else?

Madhubala Kalluri: Apart from raw material prices, this quarter we were hit by fuel prices. LPG because of crisis of war, war crisis, LPG prices were increased almost doubled. That is one major factor for the reduction in percentage of profit.

Ajinkya Jadhav: So, can we expect like this margin compression to get normalized in the Q2 and subsequent quarters?

Madhubala Kalluri: Q2 may be little bit hit will be there, but Q3 we have hope that we will be coming to normal state.

S.V.S. Narayana Murty: Just to add to what Director of Finance has told, our furnaces are LPG-fired, our reheating and [reheating 00:10:52] furnaces are LPG-fired and as you identified, this particular top line growth is there, whereas bottom line growth will be little lower. It is because it is attributed to this LPG crisis in the first quarter. Maybe, it may be little into the second quarter, we will be, I mean, we hope that the situation will normalize in the third quarter onwards.

Ajinkya Jadhav: And the last question from mine is, how much do we realize from the scrap sale in the first quarter? How much is the sellable and non-sellable scrap inventory that is with us and how much of it we can recycle?

Madhubala Kalluri: In this first quarter, we made considerable reduction in the scrap value and we hope that we will continue same tempo like last time. Around Rs. 17 crores we reduced inventory, scrap inventory.

Ajinkya Jadhav: I will join back the queue.

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

Abhishek Jain: Sir, my first question on the key raw material prices, such as the titanium, nickel and the cobalt, how has that impacted your margin because of the volatility in the recent months, particularly on the fixed price defense contract?

So, my first question on that raw material prices, so given the recent volatility and the key RMs like titanium, nickel and the cobalt, how has this impacted your margin, particularly on the fixed price defense contract? And to what extent can the proposed metal bank provide a fusion against raw materials price volatility and protect your margin?

Madhubala Kalluri: This raw material prices like nickel, moly and tungsten, majority items increased very abnormally. It is impacted as in the first quarter around Rs. 13 crores in terms of price variance, adverse price variance.

And with regards to metal bank, we are already in the advanced stage of procurement of raw materials with respect to one customer. Metals customers, it is in progress. And hopefully by second quarter, end of second quarter, we will get further clarity and further procurements of metal bank stocks.

Abhishek Jain: And sir, the supply of the key raw materials was the key constraint of your growth as that you have also proposed for the metal bank. So that will also sort out these issues related with the supply of the raw materials. So, I just wanted to understand what kind of the growth you are looking after these steps, after setting up the metal bank.

S.V.S. Narayana Murty: There are two points. Basically, one is availability, second is cost, whether raw materials are available in the market or not, or whether there are delays in the procurement. Second thing is the cost.

As madam has told, Director of Finance, the cost has increased particularly with moly, tungsten and nickel, and little in cobalt also. But the thing is we are able to get the materials, but metal bank will certainly help in taking care of these delayed supplies as well as abnormally high cost.

Abhishek Jain: So, sir, in this quarter, we have seen a very significant growth of around 40% Y-on-Y. And so just wanted to understand what kind of the growth you are looking in the FY '27 because of that this supply issue are sorted out.

S.V.S. Narayana Murty: So, we will be maintaining the FY '25-'26 growth and we'll be looking for higher only. In spite of whatever this LPG and raw material things are there, we expect it to be higher than what we have achieved last financial year.

Abhishek Jain: So, can we expect that around 40% kind of the run rate that will continue in the coming quarter as well and margin will start to improve from the second half onwards?

Padavittan Babu: 40% like what we achieved in Q1 level at the year level, that is not practicable. But however, definitely as CMD sir has said that we are working out and definitely it will be better than the last year. That is what we are expecting.

Abhishek Jain: And sir, as you are replacing legacy manual equipment from the 1980s with the advanced automated machinery, so just wanted to understand how this will benefit and what type of the improvement can we expect after this?

S.V.S. Narayana Murty: Little, I mean, the question was not clear. Can you repeat it, please?

Abhishek Jain: Sir, just you are replacing legacy manual equipment from the 1980s with the advanced automated machinery. Once this modernization projects are fully implemented, what level of the yield improvement do we expect? And how much EBITDA margin expansion could be because of these initiatives? Just wanted to understand on the top line growth and the EBITDA margin expansion because of the replacing your machines with the advanced automated machines.

S.V.S. Narayana Murty: Yes, it is very much required. Actually, the old machines, anyway, it is not as of now old. Most of the things keep on we are updating, but it is not exactly the new one what is available in the market, it is not matching. So still there is a lot of things to be changed. Instead of that, there may be a new machine will give better what you said that yield and time reducing. And with that, the revenue will sure it will go up. So, we are on the job now.

Abhishek Jain: And sir, on the titanium side, you doubled your production around 700 tons. So, just wanted to understand what would be the contribution from the titanium over the next two, three years and what kind of the benefit we can see in the margin terms?

S.V.S. Narayana Murty: Yes, one is titanium. Last year, we have inaugurated a new titanium melting facility where we have increased the production capacity. And we have currently, last year we made around 750 tons of melting and we expect it to grow.

And titanium, lot of orders are there currently also maybe worth about Rs. 600 crores worth of orders are there, and we expect it to increase only. So, we have planned to fully utilize the additional capacity as well as the existing capacity whatever we have already having and it will be increasing significantly. We also have participated in other orders related to titanium and there is significant interest.

Abhishek Jain: And what is the difference in the margin of the titanium versus other alloys?

Padavittan Babu: No, titanium and super alloy will be little higher compared to special steel. So that is the difference. Yes, will be maybe if you see even last financial year also means slowly we are growing our contribution coming from super alloy and titanium is higher compared to earlier the low light steel or stainless steel those things.

So, now, we expect means of course the processing time and the availability of material all those things challenges are also there. Still we are working on to ensure more from this titanium and super alloy.

Abhishek Jain: And my last question on the CapEx side. So, just you are planning to Rs. 1,000 crores of CapEx for the next three years. So, what would be the EBITDA can we expect from these CapEx at the full realization level?

Madhubala Kalluri: The CapEx immediately may not turn into reality because the project what we are expecting is having a little bit long lead time of supply as well as installation. Post that definitely we will achieve the improvement in the top line.

Abhishek Jain: So, can you quantify some numbers on that how much if we are doing around Rs. 1,000 crore of the CapEx, what would be the asset turn from that?

Padavittan Babu: No, this Rs. 1,000 crore not exactly additional facility we are going to put means whatever existing we are getting revenue plus that one will come. Actually, this will be like a combination. The existing one something we may be means keeping it idle and it may be using the new one.

So, whatever now presently we are telling compared to last year will be improving. In that way only coming two, three years it will go. The real thing will come after four or five years once it is stabilized. So, at present it is difficult to say any number.

Moderator: The next question comes from the line of Nishita with Sapphire Capital. Please go ahead.

Nishita: I had a few questions. One is on the margin. So, you mentioned that from Q3 we can go back to the normalized margin. So, can we expect that from Q3 we can get back to the 20%-21% of EBITDA margin?

S.V.S. Narayana Murty: Yes, we can expect. Only because of these little raw material and LPG issues only that was little lower bottom line. Otherwise, from Q3 we will get stabilized, and we hope that we will be achieving the same margin.

Nishita: And my next question is on our order books. If you can quantify what is our current order book, that would be great.

Padavittan Babu: Now we are having around Rs. 2,300 crore order book.

Nishita: And can you bifurcate the order book, like you mentioned Rs. 600 crores of order from titanium.

Padavittan Babu: Around defense 66%.

Nishita: Sorry.

Padavittan Babu: Defense. Defense sector. Whatever we order got from defense.

Nishita: Defense is 66%.

Padavittan Babu: Yes. Then space, ISRO, that is 21%. And the energy is 9%. And others 4%.

Nishita: And my next question is like you mentioned that the bulletproof jackets, we have already fabricated the jackets, and they are under trial and that the sale will start by next quarter. So, if you could give some sort of sense on what kind of revenues we can expect from the bulletproof jackets in FY '27.

S.V.S. Narayana Murty: Currently we are in the process of testing because it involves very, very severe testing. So, we have to fabricate and take it to testing and fire bullets and that certificate is very important. And we expect that to be completed in this quarter, testing to be completed and the orders will be coming periodically from services, CRPF or BSF, these people or even state police and we will be participating. Once the jacket is qualified, we will be giving sample jackets to the interested people and we will be requesting for orders. So, it depends on how many orders will be put. Tenders will be floated and our participation and getting competitive and under competitive bidding.

Nishita: And my last question is on the CapEx. So, a previous participant mentioned that we have planned around Rs. 1,000 crore of CapEx. Can you say over the years how many years over like are we going to use the Rs. 1,000 crore CapEx?

Padavittan Babu: CapEx is expected around 2 to 3 years, and after that it takes any plant like the stabilization period. As DPM has already mentioned in the previous call, the results, the proofs of these investments can be expected from year 4.

Nishita: And what is the total CapEx amount we are spending in FY '27?

Padavittan Babu: FY '27 will be less because, see, actually what happens that now the Board has considered the proposal and we have to work on that.

Padavittan Babu: No, this one, this year '27.

S.V.S. Narayana Murty: Yes, that is what this Rs. 1,000 crores will not turn into the top line.

Padavittan Babu: No, no, 1,000 not there. What we are going to do CapEx in '27?

Madhubala Kalluri: We may be around, we may incur CapEx like last year amount only around Rs. 50 crores to Rs. 60 crores normal CapEx only because this process [**Inaudible** 00:24:56].

Nishita: This will be majorly for the maintenance CapEx, right?

Madhubala Kalluri: Majority is like that only.

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

Sheetal Shah: Sir, 2-3 con call back, sir, some participants have highlighted that for India we will require at least 4-5 types of MIDHANI. We are in such a niche segment and the total addressable market is so huge. At that time, sir, you had told that we will require CapEx for that, a huge CapEx to break our normal revenue target of 10% to 15% or 15% to 20%. You will need a Board approval or government will also send some paper for that. So, any progress on that side, sir?

S.V.S. Narayana Murty: Yes, actually, okay, the point is basically replacing some aging equipment so that our yield and productivity will improve, and we will also be more, I mean, competitive. So, a thought has come, and we have proposed it to ministry, and we are in the process of getting evaluated and soon we will be coming back to you with a news. And now I am not in a position to tell, but we will get back to you with respect of our CapEx proposal.

Sheetal Shah: That is the thing most urgent for us, sir.

S.V.S. Narayana Murty: Yes, I agree with you and as you told, it will give a very strong push for us. So, our ministry also is pushing, and we are also very keen, and soon we should be coming back with good news.

Sheetal Shah: Sir, any timeline, sir, within this financial year, any timeline, sir, do you expect?

S.V.S. Narayana Murty: No, you know the formal process of putting the Board and getting approval, all these things will be there. So, once things are through, then we will come back I think now I am not able to tell you, but we will get back to you.

Sheetal Shah: We will wait for that, sir, very eagerly.

S.V.S. Narayana Murty: Yes, we are also eagerly waiting to tell.

Sheetal Shah: Yes, sir, because that is a very much needed, sir. If we want to go to the next level of our journey, high growth journey, without that bank which metal bank you did, that was good, very good. Two points are the main thing, metal bank and the CapEx. Both will help us to go in a, we will go in a very high type of growth, sir.

S.V.S. Narayana Murty: Sheetalji, I can tell you that anticipating the kind of stability for raw materials as well as improving our productivity and improving the yield, only these two things were conceived and already one we are implementing. By next quarter we will be implementing the metal bank and soon we should get back to you with some news about this one which needs proper approval. So, once we are through, we will share.

Sheetal Shah: We shareholder will eagerly wait for that, sir. Thank you very much, sir. And one more question, sir. The recent approval which we got, sir, can you tell what is the time for it, total addressable market of that and in which way and how much, what type of revenue growth do you expect from this?

S.V.S. Narayana Murty: S400, it is a certification, and it is first of all we are very proud that this certificate has been received by MIDHANI and all our customers like normally, these testing charges are very, I mean, testing time is very critical and the facilities required for doing that kind of testing are also very innovative. So, MIDHANI has all those facilities.

If you ask me what kind of money we will generate out of that, I think we have to see how much, how many people will approach us. So, probably a couple of quarters later now we will be knowing how much revenue we will be generating. So, for the time being, today onwards we can do testing for the information. If somebody is approaching, all our facilities are open, and we will be able to conduct the test and give certification for which we will be charging. We do not need anybody else approval. MIDHANI itself can issue a certificate.

Sheetal Shah: Nice to hear from you.

Moderator: The next question comes from the line of Renjith Sivaram with Mahindra Manulife Mutual Fund. Please go ahead.

Renjith Sivaram: Sir. Just wanted to get your sense on this last thing you mentioned regarding this AMCA development work. So, what kind of opportunity will that provide for us as a company with AMCA development?

S.V.S. Narayana Murty: Yes, with respect to AMCA, there are some development orders from the agency, which is now developing. That is ADA. Because these are all new materials, these grades have to be established. They have to be established to the forms and shapes, whatever are going to be actually used in the program. So, they have given some developmental orders.

Only thing is, production orders we will be anticipating from them. So, already we have completed some of the work. Some things are going on. These are all special titanium alloys of certain thicknesses where properties are very difficult. So they have given order. And once they are through with this, once we develop and supply these materials as per their specification, we expect bulk orders. So, that is one. And that is the question no? Yes.

Renjith Sivaram: So, what can be the likely size of this opportunity? If you can put a number.

S.V.S. Narayana Murty: Opportunity, it all depends on the program and its approval. So, once their program is approved, we will be getting. Because it has been developed with our facilities, we expect the order to be given to us. So, it depends on program timelines.

Renjith Sivaram: And sir, we get to hear a lot regarding nuclear and SMR. And even there is being talk that we might also try to do something like a molten salt kind of an alternative which requires specialized ceramic tubing and all. In that, what is the kind of opportunity we address?

S.V.S. Narayana Murty: There are different types of reactors and molten salt is one of the types. But to mention to you with respect to the nuclear program, MIDHANI stands first in the supply of materials for all the nuclear power plants. And we supplied number of things including the one recently that prototype fast builder reactor which has undergone critical. We are expecting many more orders because that now it has attained criticality, we expect more orders.

Not only that. Government's pushed towards the 100 Gigawatt of energy by 2047, that also we are expecting many orders. Currently, we are executing some orders for steam generator tubes and we continue to do because all their grades have been developed at MIDHANI. And we expect all the nuclear power grades to come to us.

Renjith Sivaram: So, this molten salt ceramic tube piping, that also will come under our.

S.V.S. Narayana Murty: Yes, any metallic material that goes into the nuclear reactor, not the ceramic components that we will be making. And I mean, what I say is, if it is a tubular product, the raw material required for making the tubes, we will be supplying most likely NSE if it is taking that we will be supplying the ingots. That is the mother hollows, it is called. So those mother hollows we will be making here and we will be giving or the ingots for making the tubing will be from us.

Renjith Sivaram: And this recently there is this news regarding RIL-Rolls-Royce JV. So, any opportunity in MIDHANI in that if it rectifies?

S.V.S. Narayana Murty: No, that is a very good initiative. And we only feel that as a lead supplier of strategic materials in this country, MIDHANI will have 100% opportunity for all materials. Whoever is making the materials, we expect the metallic material supply from MIDHANI. Certainly, we will work out.

Renjith Sivaram: And sir, lastly, with this banking of metals, how much of our working capital can get released?

S.V.S. Narayana Murty: Now this is not, there is no, it is not in MIDHANI books. Actually, it is a MIDHANI operated, customer owned. So, it doesn't come into our books at all.

Renjith Sivaram: So, it won't impact our, release our working capital.

S.V.S. Narayana Murty: It will not be impacting us at all. It is just we are storing their material in our campus for melting.

Renjith Sivaram: And we have a huge inventory of this scrap titanium. So, what is our plan to dispose this off and release those inventories and liquidate them? Any particular plan?

S.V.S. Narayana Murty: Yes, this is actually, if you technically speak, this is not a scrap. It is a gold mine. I should say that scrap is a gold mine. Because you need scrap for melting and scrap is a part of our process. So, a certain amount of scrap is always used for building of any material. Unless it is for extreme cases like Gaganyaan and all where customers ask for 100% of virgin material. So, unless we are sure that the scrap is not useful, we can sell.

And since MIDHANI is making large number of grades, so scraps of different types are available. So, wherever we feel that when a critical quantity is exceeded, we will sell. Last year also we sold. So, we reduced our scrap inventory by Rs. 75 crores. So, we want to bring it down and keep it an optimal level. So, it is our decision to sell or keep it depending on the likely orders to get.

Suppose we are likely to get some order where good amount of crap is there, that is good for us so that we can just melt that and convert into raw material. You know the kind of interest that is there under National Critical Minerals Mission. So, raw materials are becoming difficult and scrap is the gold mine. So, this is the policy. Where it is essential, we will sell. Otherwise, we will try to use it in our production process. So, we will arrive at some kind of an optimal level that is minimum to be maintained for maybe one production cycle or something.

Renjith Sivaram: And sir, industry is coming out with this EBCHR, which will be using scrap titanium to process titanium. So, will that be an opportunity for us to liquidate some of our scrap titanium? Because they will use that.

Padavittan Babu: No. What happened? MIDHANI manufactures more than 20 types of titanium grades. It is not one or two. If we need to melt there now you need more quantity actually. Here for every engine program or aircraft program, there are different type of grades. And each one is very small, small quantity. So, like that only we are maintaining. Actually, it is not a commercial only, like grade 5 only we are manufacturing means that type of input possible and can be melted.

Moderator: The next question comes from the line of Amitabh Vatsya with Southern Ventures LLP. Please go ahead.

Amitabh Vatsya: My question is related to one breakthrough which we achieved in a field of metallurgy with single piston blade for super alloy. Sir, what are our plans? And when we are developing this, do we intend to do the same for titanium also? And how super alloy market with respect to where this will be going to be used? Are we developing it for AMCA or Kaveri Engine? So, I just wanted to understand the business prospect of this development and for further development is possible into titanium side also. That is my question.

S.V.S. Narayana Murty: Yes. If you look at any aero engine needs a blade. Every aero engine, it is having multiple stages. And each stage, each disk will have blades in the disk. So, it doesn't matter whether we are doing for any of the engines, AMCA or existing fighter aircraft or any engine.

And these blades are typically classified into two areas. One is a high temperature area, another is a low temperature area. High temperature area we use super alloys and low temperature area we use titanium alloys.

And the grades also vary differently. There are multiple grades of materials in both titanium and super alloys. And MIDHANI has capability to make the single crystal feedstock. So, this is a very, very complex step and where the chemistry of the blade material has to be controlled in very, very tight ranges and with controlled impurities and gas content.

And these things have very, very specialized elements like rhenium and ruthenium, which will give the high temperature properties. So, those grades MIDHANI has melted and already supplied. And probably, if you remember in the last quarter or previous quarters, we have already told that we have made for the first time some of the very, very novel grades of these materials for fighter aircraft program.

So, we will continue to work with our customers and we will see what kind of grades are in demand. And we are looking for such orders where both titanium and super alloy blade materials can be melted and supplied to our customers.

Amitabh Vatsya: So, just to rephrase my question with respect to the business potential, which program we are more aligned to, although we are capable to supply all kind of, but where we see a proper business possibility in the next two years, if you can?

S.V.S. Narayana Murty: It depends on the requirement end users put, capability exists. So, we look forward. We are also looking for AMCA type of things. Once it is approved and it is at the design stage, we will be ready to supply these materials.

Amitabh Vatsya: And in the second question with respect to titanium landscape, are we buying titanium from Russia route or where we get our raw material of titanium?

S.V.S. Narayana Murty: We import titanium from East European countries, our former Russian Federation. So, countries from where we preferably do because the quality and the system is aligned for melting from those titanium sponges and master alloy. So, we import from yes, those countries.

Amitabh Vatsya: So, we don't have any U.S. kind of U.S. risk in terms of if we source from Russia, then potentially USA can target us. Is that a possibility also for us since we are not into this supply chain, but is it politically possible that U.S. can dictate where to buy titanium from? Because they have dictated for their supply chain like Boeing and others.

S.V.S. Narayana Murty: We are not having any issue with titanium sponge import as on today. We can import freely. We don't have any supply chain constraints for importing from East Europe. And we can see, I mean, it all depends on, there are good titanium mills in U.S. also, but we don't have any issue currently with the import from the East Europe.

Amitabh Vatsya: So, one final question. Since we are developing so many things and too many developments are happening from management, my question is that where we are focusing on like top two, three things which are there in our mind. Because as an investor we sometimes lose track of what actually is going to matter for us for next two, three years. So, if you can guide us that where MIDHANI is looking at for those like metal bank is something which has recently come up. But this is the main agenda for the management to focus on.

S.V.S. Narayana Murty: If I understand your question correctly, from where you are importing your raw materials. Am I correct?

Amitabh Vatsya: No, my question is not on that. My question is that since we have been developing lot many tools, lot of many metals and alloys and different, different grades, so, as an investor my question is that where we are focusing on in terms of whether we are targeting titanium growth or growth will come from this metal bank or some other super alloy where we are focusing on. So, if you can categorize for us that this is the area where we are focused on for growth in next two, three years, then that would be helpful.

Padavittan Babu: Now actually, you know, there is a lot of programs are coming out from Ministry of Defense for like AMCA and many other engine program. There are a lot of things are there. All those program, now country is expecting the material will be made within the country. So, now first they see that MIDHANI is the one who can manufacture immediately super alloy and titanium with the involvement of airworthiness agencies.

So, presently, MIDHANI is concentrating on all those materials means super alloy and titanium only to manufacture, develop and supply to this program. Then maybe subsequently, we will take up OEMs and whoever people are coming, for them also will be supplied.

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

Abhishek Jain: Sir, my question is on export size. So, just wanted to understand how much the contribution of the export currently? And what kind of the demand and the order book you are looking in export business, if you can provide next two to three years' vision from the export, what is your plan?

S.V.S. Narayana Murty: With respect to exports, around 10% of our total turnover we wanted to export. Current year sales is Rs. 33 crores till now, and we have an open order book of about Rs. 25 crores, and certainly we will be making more exports than last year. That is our perception. We plan to export about 10% of total turnovers.

Abhishek Jain: And how much incremental revenue we can get from this S400 defense business?

S.V.S. Narayana Murty: S400 is only testing. If GE puts us order because we are also having testing thing, if they give order, definitely it will be more. We are in talks with multiple people and very conservatively I am putting 10%.

Abhishek Jain: 10%. And for the next three to four years, what is your target for export, sir?

S.V.S. Narayana Murty: We can increase at least 15% to 20% on 10%, yes, that Rs. 100 crore, Rs. 100 crore-Rs. 120 crore. It will be increasing at least at the rate of 10% to 15% in the coming three to four years.

Abhishek Jain: And on the RM mix, what was the mix for the virgin versus scrap materials in the first quarter versus the last quarter? And do you have any plan for the dedicated scrap processing or recycling plant improving the lost efficiency?

S.V.S. Narayana Murty: See, the percentage of scrap versus virgin raw material depends on the grade and customer. For some of the customers, like human space flight and some very, very critical engine parts, we are not allowed, I mean, we are supposed to supply with virgin material, where there scrap addition is not possible as per customer requirement. If customer specification says that scrap can be used, we are ready to melt with 100% scrap. But rarely in aerospace and the kind of customers we service, we are allowed to use more than 50%. So, 50 to 60 is the normal percentage of scrap that can be done. So, accordingly, pricing will be done.

With respect to scrap, yes, whatever materials we produce and whatever scrap is generated we will be segregating, cleaning and keeping it. Sometimes we melt and keep it also so that identity and all will be preserved. So, we have a very good scrap management policy. We have very good method by which we can segregate and identify and keep it with all the tagging. So, this is the policy that we have been following up.

Abhishek Jain: So, do you have any scrap recycling plant? Are you looking for that?

S.V.S. Narayana Murty: No, scrap recycling plant, we are looking, but there are some idea on recovery of some metals from scrap which we are working with some academic institutes like NFTDC. But it is, I mean not to that commercial level. The amount of scrap generated is high because we produce lot of materials. We have to see how it is whether it is really worth converting from scrap to metal. How economics work we have to see. But otherwise, we are having some MOU with NFTDC to extract the pure elements from scrap.

Abhishek Jain: And sir, in last con call you had mentioned that around Rs. 8,000 crores worth of titanium alloy, super alloys and the steels are still imported. So, just wanted to understand what are the barriers to replacing these imports. Is it price or quality certification, capacity, or customer qualification? I just wanted to understand what is your plan to leverage this opportunity and your market share?

S.V.S. Narayana Murty: Yes, people import. I mean, this is whatever data is shared is from EXIM data that is available in open source. So, there are imports. Basically, imports are coming because there may be some technology transfers and the end customer may be compelled to buy material from the approved sources. So, that is how materials may be entering Indian market.

So, almost all these grades whatever I mentioned that Rs. 8,000 crore are in the portfolio of MIDHANI. And MIDHANI is capable of making all these materials with the resources available. But sometimes the customers may not be coming to us because they are supposed to their approval because these are aerospace company and all. So, we are looking for this certification only for that purpose.

Once we have these certifications from premium or top tier aerospace companies, instead of importing, our domestic importers can come to MIDHANI and take the material. So, that is the whole idea. So, the idea of getting this certificate, whatever I told Nadcap certification, what we have got, whatever we are currently making NAS410, that certification of our teams is basically to get the approvals from those Nadcap certification, RS400 certifications for other aerospace manufacturer so that we can ask for domestic suppliers to give orders for MIDHANI, procure material from us directly rather than import.

Abhishek Jain: Great insight, sir. My last question is on that margin. If you see that in before FY '24, you are doing a margin of around in the range of 24% to 26%. In last couple of years we have seen the decline in the margin. So, just wanted to understand when can we start to secure 25% to 28% kind of the margin again because as you said that mix started to improve from here on, especially on the titanium side. You have increased your production also. So, just wanted to understand what are the key constraints right now and when can we expect a margin of around 22% to 25%.

S.V.S. Narayana Murty: See, it all depends on the margins depend on order book. Margins depend on what kind of material we are selling in a quarter. MIDHANI books high strength steels, that strategic steels, super alloys and titanium alloys. Basically we are having three product categories and margins vary depending on the kind of category we are currently operating.

So, for example, the margins in super alloys may be little higher or titanium alloys may be little higher. So, when we are executing in one particular quarter or a financial year, margins may be looking higher. So, when we are executing steel, it may be little lower, but we have to do all the order. So, this margin varies from time to time.

But at the same time in this particular quarter Q1 of '26-'27, we had issues with both raw material hike because of these Mid East crisis and LPG crisis. So, there will be some differences. But barring these things, that percentages depend on the product mix that we are manufacturing in that particular quarter.

Abhishek Jain: Is there any impact of the increase in the freight cost? Because you import most of the raw materials, so are you able to pass the freight cost to the [customers 00:52:25]?

S.V.S. Narayana Murty: Freight cost, we are booking in fixed term. Sometimes, occasionally it happens that freight cost was high. But these things being fixed contract prices, we cannot expect my, I mean, customer to pay. But sometimes we are forced to absorb. But overall, we have to see.

Abhishek Jain: That's it from my side.

Moderator: The next question comes from the line of Ajinkya Jadhav with KRIIS Portfolio. Please go ahead.

Ajinkya Jadhav: Thanks for the follow up. So, if we look at our previous order book, it was more tilted towards the space sector and currently more on the defense sector. So, wanted to know like of the 2,300 order book currently that we have, how much of that is nomination based? Like what has been the trend of the nomination based order as a total order book?

S.V.S. Narayana Murty: I think to answer your question, we are not getting anything on nomination. The earlier way it used to be the trend. Now everything is competition only. We are getting in competition mode only.

Ajinkya Jadhav: So, that is the reason like the margins, the early participant asked, like used to be about 25% and now it will be around 20% going ahead.

S.V.S. Narayana Murty: Yes, it could be.

Padavittan Babu: Yes. 20% margin is, Q1 is just because of these two reasons which are discussed. But otherwise, even despite the hit from the raw materials at Rs. 14 crore and the LPG at around Rs. 5 crore also on absolute terms the EBITDA is increased. The percentage with respect to the sales is slightly dropped and it is at 20% EBITDA level as against 23% which are expected, which is very nominal. And we are sure that we will be covering that in Q2 and Q3.

Ajinkya Jadhav: The other question is related to the fact that earlier we were occupied with the domestic orders from the strategic sectors, from the government and do we have the appetite and ambition to serve the global OEMs as we got for the GE? So, are we taking any strong steps in that direction, like how much time it will take for us to serve the global OEMs like Rolls-Royce, Boeing, Airbus?

S.V.S. Narayana Murty: Yes, see, the certification process by those OEMs which you have mentioned, it is a time taking process. We have been working with them though multiple times these people come and visit the plant, they will audit our facilities, they will audit our records and they suggest some modifications. And we are working with them to get orders for exports. Certainly, we will be sharing news once we get orders with global OEMs.

Ajinkya Jadhav: So, like, how much time? Maybe say three, four years to onboard?

S.V.S. Narayana Murty: No, within that, we should get before that. Maybe a year or so we should be able to get some approvals from exports. We are in the process. So, we are positive.

Ajinkya Jadhav: And the last question is regarding the aluminum plant. So, earlier we said that we have shelved the plan for the aluminum plant which was with the JV, some more than Rs. 1,000 crore CapEx. So, is that still alive or like we have completely shut that plan?

S.V.S. Narayana Murty: No, that particular proposal has been recommended to be closed by both MIDHANI and NALCO boards. And now it is in the process of closing because certain approvals are required from Ministry. Our plant will not be coming up. So, formal approval needs to be taken so that we can share that news. But we are not going ahead with that plant.

Ajinkya Jadhav: In the today's con call, we mentioned about rolling out the first aluminum alloy. So, like, is it…

S.V.S. Narayana Murty: I got it. So, I just wanted to clarify. See, there are two things. The plant that we were supposed to put at Nellore under the Utkarsha Aluminium Dhatu Nigam Limited, that is what I told, it is going to be closed.

But what I told is, MIDHANI is having a wide plate mill. And country wide plates are being imported. If you look at the aluminum plates of 2000 series or 7000 series which are used by the aircraft program or launch vehicle program by ISRO, they are all imported. So, there is a demand that we should indigenize because now you are seeing the supply chain constraints.

So, one of the idea is why not use our wide plate mill for rolling. So, there are facilities for casting the ingots. Within the country there are companies which are making directly chilled cast billets. So, those billets were supplied to us. And using our facilities, using our wide plate mill we have forged and rolled in that mill to give rolled products.

So, this is an alternate method. It is not that we are going to melt, roll and do. That is an elaborate plant at Nelore. We are only trying to do, convert the material, convert the cast ingot into a plate, which can be subsequently used by people. So, this is what we have done. And that is what I was mentioning about the first commercial order for rolling of aluminum.

Ajinkya Jadhav: The final question from my end is that we are seeing a huge push from the government for the aerospace sector indigenization, even the Indigo asking the engine manufacturers to put up their MRA shop in India. So, particularly for you, what will be the, you can say, the incentive or the push given from the government to, you can say, indigenize the materials, if you can explain?

S.V.S. Narayana Murty: See, MIDHANI, as you know, is capable of making any of the super alloy and titanium, and as well as steel. There are certain steel parts also in aircraft engine. So, all three material, all three grades of materials or groups of materials can be made in MIDHANI, point number one.

Second thing is, as you told, that a lot of push is there for indigenization. As an offset policy, companies will be forced to buy from India because they have to source materials from India now. So, MIDHANI is in the front. I mean, we are in the queue in the first place. So, we will be getting orders.

Inevitably they have to come to us because we are the leading aerospace manufacturer supplies. So, it is only the matter of from concept to reality. So, we are ready to take up orders. We are ready. Our capacities are available and we are also looking as eagerly as you and we are also looking for orders to execute.

Ajinkya Jadhav: So, does that mean the private players in India which are operating in the aerospace sector and supplying to government, maybe say MoD or Aerospace, so, will they be forced to buy a certain proportion from MIDHANI which is currently imported?

S.V.S. Narayana Murty: No, we do not know. But definitely we are looking for very good customers, very good volumes at very good price. And we hope we will be able to get a significant part of the cake that we are envisaging.

Ajinkya Jadhav: Best wishes, Murty sir. Thank you for answering my question.

Moderator: 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 comments.

S.V.S. Narayana Murty: So, thank you. I think we had multiple question-answers and we are only happy to share the data with you. Barring certain supply chain disruptions with respect to LPG and raw materials, we think the situation will stabilize in the coming quarter, and we will be coming back to normalcy with respect to that, and we will continue to grow in good numbers and we will be very happy to take new orders.

And as I shared in my introductory thing, we are going to for good number of certifications also. All these things should help us a very healthy execution of orders. And we are also looking for increasing our order book. So, probably when we meet during next quarter, I think we will have very good information. And thank you very much for this opportunity.

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