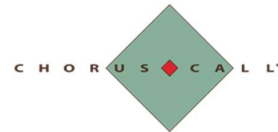




“Mazagon Dock Shipbuilders Limited
Q2 FY '25 Earnings Conference Call”

November 05, 2024



MANAGEMENT: **MR. SANJEEV SINGHAL – CHAIRMAN AND MANAGING DIRECTOR, ADDITIONAL CHARGE AND DIRECTOR FINANCE – MAZAGON DOCK SHIPBUILDERS LIMITED**
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MODERATOR: **MS. JYOTI GUPTA – NIRMAL BANG EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Mazagon Dock Shipbuilders Limited Q2 FY '25 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jyoti Gupta, Research Analyst from Nirmal Bang Equities. Thank you and over to you ma'am.

Jyoti Gupta: Thank you, Riddhi. Good evening, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to the Quarter 2 FY '25 Earnings Conference Call with Mazagon Dock Shipbuilders Limited Management. We have with us Shri Sanjeev Singhal, Chairman and Managing Director, Additional Charge and Director Finance, Shri Biju George, Director, Shipbuilding, Commander Vasudev Puranik IN(Retd) Director, Corporate Planning and Personnel .

Without further ado, I request Shri Sanjeev Singhal to start with the opening comments after which we can open the floor for questions-and-answers. Thank you and over to you, sir.

Sanjeev Singhal: Good afternoon and I welcome all the participants to this call and wish you all a very, very happy Diwali which is just over. The results we have published have been consistent with our recent performance in the past two years. We are open to all queries which the investors and the participants may have. We can start the conference, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Hi, good evening, everyone and congratulations for a good set of numbers. I have two questions. The first one is that, is there any element of reversal of liquidated damages in this quarter?

Sanjeev Singhal: As far as this quarter is concerned, there is no reversal of any liquidated damages.

Amit Dixit: And when we are expecting this reversal to happen, in next quarter?

Sanjeev Singhal: Two of our requests for submarine number one and submarine number five, they are still being evaluated by the Ministry and the Indian Navy. These two decisions are pending. The timelines would be difficult to assign. But we were hopeful that this would happen in the second quarter. It has not happened in the second quarter. We are hopeful that at least one of them should get settled in the third quarter.

Amit Dixit: And the total quantum would be around INR 400 crores?

Sanjeev Singhal: Max. around INR 300 crores.

Amit Dixit: Okay, that is great, sir.

- Sanjeev Singhal:** INR 300 crores is the max depending upon what is considered attributable to MDL. Minus that would be the reversal.
- Amit Dixit:** Okay, got it, sir. Got it. The second question is, is it possible to just outline the delivery schedule of destroyers, frigates, and submarines for FY '25, '26, and '27 may be?
- Sanjeev Singhal:** Right now, three projects are being executed. That is P-75 Scorpène submarines. We have already delivered five. The sixth one is on the final stages of delivery. We were targeting October. Certain issues have cropped up. So, we are addressing those issues. We expect the delivery any time before 31st December. Similarly, for Project-15 Bravo, out of four destroyers, we have delivered three. The fourth destroyer again was targeted for second quarter, but some last-minute issues are being addressed. So, this also, we are targeting delivery before 31st December. And first ship of 17 Alpha, again, we are trying to deliver it by 31st December this year. So, next, we will be left with three large vessels, that is 17 Alpha three frigates, which would be successfully delivered in 2025-26 and 2026-27.
- Amit Dixit:** Thank you so much, sir. That's it from my side and all the best.
- Moderator:** Thank you very much. The next question is from the line of Atul Tiwari from JP Morgan. Please go ahead.
- Atul Tiwari:** Yes, thanks a lot for this opportunity and congratulations on good set of numbers. So, my question is on that, now that we are very close to finishing the delivery of the submarines and the destroyer, could you outline for us the potential order pipeline over next two to three years? I mean, which are in the pipeline and what is the rough quantum where you know, we are in the fray?
- Sanjeev Singhal:** I would request my Director Shipbuilding to outline with respect to the shipbuilding projects and Director Corporate Planning with respect to the submarine projects. So, over to Director Shipbuilding, Mr. Biju George.
- Biju George:** So, we have quoted for certain projects like the next generation Corvette. And Navy is also right now looking at the next generation destroyers, which will take time, even it has not gone to the AON. So, these are the two projects which are there. Then, there are small naval auxiliaries. 17 Bravo is also a possibility, but it is not yet crystallized. That is a repeat order of Project-17A we are right now building. So, next generation destroyers, 17 Bravo would be the big-ticket items, which we are looking forward, may be in the next two to three years as you see, that is in the horizon, which is there. But right now, as far as the yard is concerned, we have not got any firm commitment from the Navy that is going to come to us. But Navy is considering this and they will be processing it at the naval headquarters.
- Atul Tiwari:** I just wanted some idea about the size also, if you could share, I know the size can change, you know, but roughly, I mean, what is the quantum we are talking about here?
- Sanjeev Singhal:** What we can discuss is as far as the destroyer order is concerned, the destroyer order which we are executing currently of four destroyers, this is 2011 order, this was INR 34,000 crores. So, based on this, you can estimate what would be the size of the order for next generation

destroyers, which are bound to be larger and after a period of almost 15 years. Similarly, 17 Alpha project, as far as MDL portion is concerned, four number of frigates in 2015, this was INR 27,000 crores. So, a similar or more advanced frigates, similar number today, what would be the value? This is we leave it to your estimate.

Atul Tiwari: Okay, that's helpful.

Sanjeev Singhal: With regard to the submarines, Commander Puranik would intervene.

Vasudev Puranik: We have two, three things that are happening. One is the project for additional submarines, wherein we are likely to get an order for three submarines as follow on of this program. We are nominated for this follow on Scorpene submarine. Then we have the 75I, which is in a competition. We have collaborated with the German designer TKMS, and we have submitted our bid. We have been declared as qualified for the tender, but we are awaiting the government direction on that. And then after that, we have got couple of other things which are in the pipeline. We have also submitted our quote, and we will get an order for constructing the air-independent propulsion plugs, which are to be retrofitted on the Scorpene Submarine. And one likely, which is just in thought process as of now, is the refits of the Scorpene program. These are the things which can happen.

Atul Tiwari: Okay, sir. And sir, if I could check for these three additional Scorpene submarines for which you are nominated, what is the rough quantum of order size that we are looking at?

Sanjeev Singhal: The AON value for this is 27,000, but this AON was obtained in 2018. So this would definitely have an element of escalation by the time the -- and depending upon if there is, what is the gap between the specifications as per RFP and finally frozen, and what the specifications were at the time of AON.

Atul Tiwari: Okay. And sir, my last one on this is that, you know, obviously these are very large and complicated orders. So they could take may be a few quarters to come to us. So in the meantime, do you foresee a period where the current large projects kind of run over and we have a slightly lesser quantum of order book to work with for two, three, four quarters? Is that a possibility or do you see a smooth handover from current set of projects to the new set of projects so that our revenue keeps on growing without any kind of fall in between?

Biju George: Yes. So that's a good question. So between these two large programs, we have already taken three orders from the Indian Coast Guard and also one export order. Put this together, we are executing 31 ships.

Sanjeev Singhal: So this is basically a filler for the time during which a large order may take some time to mature, for which production has already commenced. And in addition, we are also having the offshore projects from ONGC. Approximately INR 7,000 crores-INR8,000 crores worth of projects have already been approved and orders placed on us. So these are some of the initiatives which are going on parallelly.

- Atul Tiwari:** Okay. So you don't foresee a situation where the revenue may notice even a small dip over the next couple of years? You think that the current level of revenue will be maintained and probably even in the interim, we will have some growth on this base?
- Biju George:** Yes. Because the offshore projects and the ICG projects and the export order put together will be able to sustain the -- almost sustain this kind of revenues.
- Vasudev Puranik:** There might be a dip, but very small. It will not be a big dip.
- Atul Tiwari:** Okay. Good to know, sir. Sir, I will come back in the queue. I have asked quite a bit of questions. I will come back in the queue. Thanks.
- Moderator:** Thank you very much. The next question is from the line of Rahul from Aditya Birla Sun Life. Please go ahead.
- Rohit:** Yes, this is Rohit from Aditya Birla Sun Life. My first question has got to do with the capex plans, the big expansion plans that we have on cards. Is there any color to what exactly the capacity we are looking to add, what kind of vessels will we wish to manufacture in future? Any color on those aspects?
- Biju George:** Yes. So we have already appointed consultants for two major capex initiatives. One is, recently we had acquired 15 acres of land adjunct to our existing yard. That will be developed into a shipbuilding cum ship repair facility. So there we are intending to have a graving dry dock and other ancillary facilities which can double up for both shipbuilding and ship repairs, where the envisaged dock size is approximately 180 meters by around 60 meters of width.
- Now we also have a land parcel very close to Nhava Sheva region near JNPT, which is approximately 40 acres of land. That area also we have appointed the consultant for development of that area into with a graving dry dock, hard stands, etc, where we can build very large vessels, because there also we are envisaging a very long dry dock of a very huge capacity.
- Rohit:** Sir, if I understand it in a very -- from the way we understand it, like the number of platforms you could concurrently work is 21 currently. Once this capex happens, how many platforms you can work concurrently?
- Biju George:** So, this capex will come to fruition, it will -- because there is environmental clearance, there is civil works, it will take a minimum of four to five years from now for making it operational. Then once it is becoming operational, we will be able to build very large size vessels. For example, the hard stands will be there, where we can take around eight vessels simultaneously. And this dry docking can be used for ship repairs, which can turn around a number of ships for repair and refit. That would be the kind of operations that we are envisaging.
- Sanjeev Singh:** Right now, with the existing yard capacity, we can handle 11 submarines and 10 warships at various stages of construction. So with the additional capex, the capacity would be practically doubling, not only doubling in terms of numbers, in terms of size of the vessels also, much larger vessels we will be able to handle.

- Rohit:** So just to understand, 10 plus 11, 10 is warships, 11 submarines, and additional ships only, nothing on the submarine front.
- Sanjeev Singhal:** Whatever infrastructure is being created further, this is being created for large size ships. And as per the requirement, whatever submarines are required, that can be handled with the same infrastructure, because submarines are smaller in dimension.
- Rohit:** Got it. Sir, my question is to do with P-75 add-on, sir, the submarine, we are in the cross-marking stage where we have submitted the cost to I believe the Indian Navy. What exactly is the further progress over there?
- Moderator:** I'm sorry to interrupt, Mr. Rohit, but your voice is breaking.
- Rohit:** So, my question is more on the cost bench marking stage of the P-75, the three add-on submarines. We have submitted the, I believe, the quote on the cost bench marking parameters to the Indian Navy. What exactly the stage are we currently? I mean, when do you expect this to see a final conclusion of our order?
- Sanjeev Singhal:** This can happen anytime. We don't have any official intimation with regard to completion of costing committee approvals. They do not come to us. It is internal to the ministry. So, it can happen anytime. It's not happened till now.
- Rohit:** Got it, sir. Thank you very much. That's it from my side.
- Moderator:** Thank you very much. The next question is from the line of Atul Tiwari from JP Morgan. Please go ahead.
- Atul Tiwari:** Yes, sir. Thanks a lot for the opportunity again. So, my question is on, obviously, you have been doing quite well on margins. So, the current full year margin, say, on a trailing 12-month basis, do you expect to maintain it over the next couple of years? Because these margins are anyways on the higher side. So, can these margins be maintained, or we are looking at some kind of decline from here?
- Sanjeev Singhal:** Normalized margin for our industry would be something around 12% to 15%.
- Atul Tiwari:** So, you mean at the EBITDA level or at the PBT level?
- Sanjeev Singhal:** At PBT.
- Atul Tiwari:** 12% to 15% PBT level. And would you be able to comment on the EBITDA level margin? Is that something you kind of mentioned or tried?
- Sanjeev Singhal:** Primarily, we are focused on the PBT.
- Atul Tiwari:** Okay. But the PBT would also include some other income that you earn on your cash balance. So, these margins are including that, you mean?
- Sanjeev Singhal:** Yes.

- Atul Tiwari:** Okay. And my last question is on your capacity expansion plan. This is a slightly futuristic question. So, as I can see, as of now, you are completing some of the very large projects right now. And obviously, a few large projects are in the pipeline, but they may come with some delay. So, you anyways have enough and probably more than enough capacity like 11 submarines being built simultaneously and 10 warships. So, I mean, does this capacity expansion plan indicate to us that you are expecting even more orders in the future beyond whatever you have outlined in your answers so far?
- Sanjeev Singhal:** Definitely. We are looking for export orders. We are looking for commercial. And we are looking for repairs of large vessels, which currently we are not in a position to undertake.
- Biju George:** So, there is domestic defense orders, then domestic commercial, export defense, and export commercial. These four segments will be there for new build as well as for repairs.
- Atul Tiwari:** Okay. But I believe that as of now, I mean, your non-defense work is pretty small, right? I mean, not too big in overall scheme of things, but you expect it to grow much faster from here onwards?
- Biju George:** We have the capability. If we have additional capacity, we can scale it up.
- Atul Tiwari:** Okay. But in terms of like tapping into that market, are you in an active discussion with clients or you are still in very initial stages? Could you comment on where we are in that journey? How quickly we could see some orders being won on non-defense side?
- Biju George:** On non-defense side, if we have to take right now, we have to outsource it completely because right now our capacity for commercial shipbuilding is almost full. So, once the new facilities come up, that is, as I told, may be four to five years down the line, then we will have captive capacity for taking these vessels and executing it on our own. Non-defense has offshore also. We have made good progress there.
- Atul Tiwari:** Okay, sir. Thank you.
- Moderator:** The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** First question is on the operating cash flow. I mean, if I look at the first half operating cash flow this year, it is negative, if I remember correctly, negative INR 180 odd crores versus a positive INR 300 odd or more crores in the same period last year. Can you elaborate on that?
- Sanjeev Singhal:** These are non-consequential. As far as the cash flows are concerned, by the end of the year, my debtors do not go up. So, these will even out. So, negative cash flows, we have a significant cash balance available. These are naval orders primarily, so there could be some delay, intermittent delays in realizing payments.
- Gagan Thareja:** All right. And sir, out of the total capacity of doing 21 platforms concurrently, how many are you currently executing? Is it possible to give some idea on that?
- Sanjeev Singhal:** Currently, we are executing six large platforms and some smaller vessels.

- Biju George:** So, 21 vessels for Indian Coast Guard and 10 vessels. So, right now, we have taken up six vessels for export orders.
- Gagan Thareja:** Okay. All right. Third one, Goa Shipyard has a very sizable increase in order flows. Their annual report talks of a good growth execution in the coming two, three years. Is it therefore a reasonable surmise to believe that your associate income that comes from Goa Shipyard will also grow at a very healthy clip in the next two, three years?
- Sanjeev Singhal:** We are not participating in the management of Goa Shipyard. Primarily, we receive the dividend. And as far as the consolidated accounts are concerned, yes, part of their profits is considered while consolidating the accounts. Yes, if Goa Shipyard performs good. Definitely, it has an impact on my consolidated accounts as well.
- Gagan Thareja:** And the final one, on the Project P75I, where you are bidding with TKMS, first part of the question, when do you see the final decision? I mean, any possible idea for the timeline to be given by you? And second one, I think, if I have understood it correctly from media articles, TKMS was able to demonstrate a functional AIP on their 212 platform, whereas Navantia and L&T have not been able to demonstrate a functional working AIP yet. Is that true? And if so, is it reasonably logical to believe that the TKMS platform has demonstrated requirements or ASQRs of the Navy better?
- Sanjeev Singhal:** We only have information that as far as MDL TKMS is concerned, this has been evaluated. And whatever evaluations were to be performed, all those have been successful. Regarding balance for any other thing, we are not privy to that information. We will not be able to comment on that, including the timelines.
- Gagan Thareja:** All right. And for the air-independent propulsion, which DRDO has designed and which is to be put on the existing submarine fleet, the existing diesel-electric submarine fleet, is there again any RFP or RFI in the works in the near future? Or is this something far ahead in the future from your perspective?
- Sanjeev Singhal:** This is expected any time. They have given the budget and RFP has been issued, the Navy is trying to introduce AIP during the first refit of the first submarine, which is expected in 2025. In case it does not happen in the first submarine, then definitely for the second submarine. So first submarine, a normal refit can be there without the AIP. Second submarine, along with AIP.
- Gagan Thareja:** A normal refit, if I go back to your statements of the last call, a normal refit on an average works up to a third of the initial order value of the submarine. With the addition of AIP, how much incremental value gets added to the refit?
- Sanjeev Singhal:** Another 30%-35%.
- Gagan Thareja:** Another 30%-35%. Okay. So basically, if a refit with an AIP comes in, it is reasonable to assume the total refit value would be around roughly 65%-70% of the original order value?
- Sanjeev Singhal:** We will take it at around 55%-60%.

- Gagan Thareja:** Okay. All right, sir. And again, going back to your...
- Sanjeev Singhal:** These are very rough estimates. This would depend.
- Gagan Thareja:** I completely understand that.
- Sanjeev Singhal:** This would be a very dynamic figure.
- Gagan Thareja:** Yes. Agreed. And on your statements in the previous calls or previous couple of calls that as and when orders come closer to their final deliveries, you get a better and a more clearer view of your costs. And therefore, like you did in 1Q, there was, as you indicated, costs came in lower than what you had originally budgeted and led to a margin expansion. Have you seen something of that sort in 2Q as well? And is it expected in the second half also?
- Sanjeev Singhal:** Depends upon... We have a delivery planned. Two deliveries are planned this year. Once the deliveries are done, at that point of time only we will be able to take a stock of the situation how it has planned out.
- Gagan Thareja:** All right. All right. Okay, sir. That's all from my side. And one final one is on commercial shipbuilding. There is a lot of policy emphasis on building commercial ships under the India flag with incentives, current set of incentives being extended further down the line with additional incentives also in the works in the pipeline. And there's also a lot of work emphasis on green shipping or hybrid shipping both in Europe as well as India. Do you therefore see yourself actively participating? Is that a large addressable market for you and one where you would be interested in participating in a big way?
- Biju George:** Yes. See, the order which we are right now having with a European client, with a Denmark client, is already a hybrid. So the financial assistance is now getting revised. That benefit also in the future. For example, if it's a fully green, there is a 30% incentive which the government is going to give. So this green market, short-sea shipping market is well alive in Europe. And they are looking to this side of the world also. A lot of shipyards already have received orders from Europe in the country.
- Gagan Thareja:** I understand that, sir. But from your perspective, specifically from Mazagaon perspective, are these being material-sized opportunities and one where you would want to participate?
- Biju George:** Yes, sir. Because most of the clients would like the prices that would be viable for them. So if it becomes a profitable proposition for us, we will definitely look at it.
- Gagan Thareja:** As per your peer, they are very profitable. Cochin Shipyard seems to indicate the profitability on those is actually better?
- Sanjeev Singhal:** But not all clients are inclined to give like that.
- Gagan Thareja:** Okay. All right. I'll get back in the queue for more. Thanks for taking my questions.
- Moderator:** Thank you very much. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

- Abhishek Poddar:** Yes. Hi. Thanks for taking my question. Sir, first regarding the PBT margin that you guided of 12% to 15%, just trying to understand it a little more. So if I look at FY22, you know, this number comes to 13% and 23 was 18%. But 24 was 26%. And I think you had some LD re funds in 24. First half also has been very impressive, sir. It has been about 32%. So just trying to understand how to think about the margins from here.
- Sanjeev Singhal:** We have already discussed this in quite detail in the last conference call also. And we still maintain that normal project margin would be around 12% to 15%. Whatever margins you are looking at right now, these are on the completion of projects where we have been able to complete the projects at costs lower than what was envisaged at the time of getting the project.
- So these, certain efficiencies, the learning curves which we have traversed, certain efficiencies, process changes which we have done over the years, so these would be taken into consideration definitely by the customer also when we negotiate for future projects. But it will always be a game. Depending upon what improvements we bring in further, there could be certain positives. In case we are not able to execute it with the same efficiency, there could be slight negative also.
- Abhishek Poddar:** So sir, these are after the settlement with customers or certain provisions which we made in the books and we reversed it based upon our understanding of the project now.
- Sanjeev Singhal:** Yes, depending upon the completion of the project if the costs are not incurred then they add up to our profit as and when the ship's Guarantee Defect Period and D448 liabilities are done.
- Abhishek Poddar:** Understood. And, sir, how do you foresee this, let's say, in the second half of this year and 26 some more benefit could come in or these benefits are mostly realized and we will see normalized margin now?
- Sanjeev Singhal:** I said in my previous reply just now that we are targeting two deliveries. So, based on the deliveries we will be able to assess when the deliveries actually take place and what kind of D448 liabilities are pending at the time of delivery. So, with that we would be in a better position to assess that what kind of a cost the project is finally going to end at.
- Abhishek Poddar:** Understood. Sir, second is regarding the three submarines you mentioned which were the AON is approved. Sir, once we get the order, if you can please highlight how the execution will be over how many years and how the revenue booking will happen?
- Sanjeev Singhal:** The project timelines are 6 years for the first submarine and then one submarine each year. So, this is roughly around 8 to 9 years.
- Abhishek Poddar:** And should we assume a linear revenue booking or it will be more backhanded revenue booking, sir?
- Sanjeev Singhal:** No, it is always an S-curve. During the initial stages of the project, financial as well as the physical progress is a bit slow. Then it is pretty steep and towards the end of the project, again, it tapers out.

- Abhishek Poddar:** Okay. Understood sir. And, sir, just one last question on P75I, any clarity sir, whether it will go to one bidder only or is there a possibility of consideration of the second bidder also in the same contract?
- Sanjeev Singhal:** Whosoever gets the order he gets the complete order for six submarines.
- Abhishek Poddar:** Okay. Thanks, sir. Thanks a lot for taking my questions.
- Moderator:** Thank you very much. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** Thanks for taking my question again, sir. Continuing on the P75I, while the TKMS has been able to meet all technical parameters, I presume there was some concern raised on their financial situation.
- Sanjeev Singhal:** Concern based on?
- Gagan Thareja:** On TKMS's financial situation at least in some media articles. Do you see that as a matter of concern or if at all there has been a concern around that? Has that been addressed?
- Sanjeev Singhal:** We are not aware of this and as of now the collaboration is fully on track.
- Gagan Thareja:** All right. And on the delivery schedules you have been indicating that for frigates you are targeting one and possibly two. Now that you have moved into the second half of the year, is there more clarity on whether two is a possibility to deliver this year?
- Sanjeev Singhal:** Second is doubtful. Second may spill over the next financial year.
- Gagan Thareja:** Okay. Thanks, sir. I will get back in the queue.
- Moderator:** Thank you very much. The next question is from the line of Atul Tiwari from JP Morgan. Please go ahead.
- Atul Tiwari:** Yes, sir. Thanks for the opportunity again. So, sir, on these three submarine orders for which you have been nominated, just trying to understand the revenue recognition in a little bit detail. So, actual revenue recognition that you do, it is kind of percentage of completion because these are very long execution time projects or you have to deliver the submarine and then only you book revenue. How does it happen as execution progresses?
- Sanjeev Singhal:** Percentage completion.
- Atul Tiwari:** Percentage completion. Okay. And is there a cutoff of completion before which you do not recognize any profit on the project? Is there some kind of cutoff or you start recognizing the profit on the project from the very beginning?
- Sanjeev Singhal:** Yes, we start recognizing the profit right from the beginning itself depending upon what is the cost of completion, estimated cost of completion.

- Atul Tiwari:** Okay. And the percentage completion you follow in all your ship building and submarine building project. There is no other revenue recognition?
- Sanjeev Singhal:** Considering the gestation period unless and until it is a small repair project, that is different. But for any new build programs, new build programs are fairly long.
- Atul Tiwari:** Great, sir. Thank you. Thanks a lot, sir, for your answers.
- Moderator:** Thank you very much. The next question is on the line of Amit Dixit from ICICI Securities. Please go ahead.
- Amit Dixit:** Yes, thanks for taking my question again, sir. Just one follow-up. We have three deliveries scheduled by end of December. Is it possible to highlight whether these are ahead of schedule or as per schedule?
- Sanjeev Singhal:** As far as submarine is concerned, submarine is as per the schedule. As far as 15 Bravo destroyer is concerned, 15 Bravo destroyer if it happens prior to 31st December, this would be ahead of schedule. 17 Alpha, slight delay is there which is beyond control. We are already in discussion with the Indian Navy. Once the delivery is made, then we will be requesting Navy to revisit the timelines and seek concession or extension of the time.
- Amit Dixit:** Okay. So, this destroyer is how many months ahead of schedule if it happens before 31st December?
- Sanjeev Singhal:** Roughly two months.
- Amit Dixit:** Sorry?
- Sanjeev Singhal:** Roughly 2 months.
- Amit Dixit:** Okay. Great. Thank you so much.
- Moderator:** Thank you very much. The next question is on the line of Jyoti Gupta from Nirmal Bang Equities. Please go ahead.
- Jyoti Gupta:** Thank you so much for the opportunity, sir. My question is these three deliveries that are going to happen, how much percentage of the revenue has already been realized? Is it 90% so which means only 10% will now be reflected in the next two quarters or is it 75% till now that the company has realized?
- Sanjeev Singhal:** Basically, it is not dependent on the ship only.
- Biju George:** Yes, we have post-delivery, we have warranty of ships, then the spares also have to be procured and given. Warranty obligations are there. The ship will join the fleet immediately after commissioning. So, during the operation of the ship, during the guarantee period, if something wears off, tears off, we need to replace it, repair it, replenish it. All these liabilities are also there. So, we have got modules.

So, then during the - before completion of our guarantee obligation, we have to dry-dock the ship once and inspect all the machinery, propulsion systems, etc. and make good of any deficiency if it is there, observed deficiency if it is there. So, all this has to be factored in while booking the entire revenues. Basically, what I meant to say that at delivery the entire revenue will not get exhausted. There is further expenditure also which is involved.

Jyoti Gupta: So, my next question is then the expenditure that we have had. I mean, we've seen that since the costing was based on 2011 -- based on 2011, and the new upcoming ones will be in 2016, of course, the escalation for a 27 could become to 32. My next question is when the raw material cost, obviously, since you are looking at a horizon of six years, and the cost that we would have, apart from revenue, we would have also allocated some cost escalation as well. So, and with indigenization as well, don't you think that your cost of material will actually go down for the next projects?

Sanjeev Singhal: Whatever factors you are discussing, these factors are known to the customer also. So, the value which is negotiated, that would be taking these aspects into consideration.

Jyoti Gupta: And so, there is this buildup of some procurement of base and depot, and I also see some other expenses which are project related, which are specifically seen happens only in the second quarter of every year. What kind of these expenses are, are these preliminary or something to do with evaluation or survey related? Could you please explain this?

Sanjeev Singhal: I'm not really very sure what expenditure you are talking about, which happens only in second quarter, because we are not aware of any specific expenditure, which is happening specifically in second quarter every year. I don't think any such expenditure is there.

Jyoti Gupta: Sir, there are expenses -- other expenses which are project related. What projects are we talking about here?

Sanjeev Singhal: It is for all the projects. Each of these is a project. P-75 Scorpene, this is a project. 15 Bravo destroyer, this is a project. 17 Alpha, this is a project. All these are project, project related expenditure. This may be the heading in the accounts. Granularity basis, this would be assigned to different projects. Any of these projects would have utilized certain expenditures, but by design there is nothing in a particular quarter every year, some particular expenditure is happening. Nothing by design.

Jyoti Gupta: Okay. Thank you so much. I'll come back in the queue.

Moderator: The next question is from the line of Kayvan Shah, who is an Individual Investor.

Kayvan Shah: Yes. So, I have a follow-up question on someone who just talked about the incentive schemes and all which the government has launched. So, I needed to know that if these schemes are beneficial and have you till now received any reimbursement or incentives or any financial assistance for the same?

Biju George: So, these incentives, first of all, are not applicable for platforms which are having weapons. Now, big ticket orders are all having weapons. These are all combat platforms. So, this financial

assistance or that incentives are not applicable to us per se. Now, when it comes to the commercial ships, at this moment of time, our order value is significantly much lower in comparison to the major warship and submarine projects which we are handling. So, not only that, this assistance will be available to us only on successful completion of the project, that too within the time frame of three years. So, we have not reached there. So, right now, that is not going to make any significant difference to either our top line nor to the bottom line.

- Kayvan Shah:** Thank you so much.
- Moderator:** Thank you very much. The next question is from the line of Rau Thakur from NVS Brokerage.
- Rau Thakur:** Sir, you have mentioned that the normal margin in this business is 12% to 15%. But for the quarter, you have posted higher margins. So, sir, for H2, do we go with 12% to 15% or do we go with the margins you have posted, sir? Because since higher value added products, you post better margins.
- Sanjeev Singhal:** What is your core query for future?
- Rau Thakur:** Sir, for H2, you had mentioned for normal value products, the PBT margin is 12% to 15%. But you have higher margins. So, for the second half, sir, do we go with the H1 margins you have posted or better margins?
- Sanjeev Singhal:** As far as H2 is concerned, H2 would be similar to H1 only. We don't expect a significant change because this is based on the current projects.
- Rau Thakur:** So, 12% to 15% margin is applicable to what?
- Sanjeev Singhal:** For new projects.
- Rau Thakur:** Okay, for new projects. So, whatever you have been doing, H2, you will be able to do the same thing. But going forward, then we will have to see that whether the margins could be similar or it could be tapering off 12% to 15% as you have suggested.
- Sanjeev Singhal:** Margins can be different because the project mix would be different. Right now, I am executing three projects, 75, 15 Bravo and 17 Alpha. Next financial year, it will be 17 Alpha only. So, we have to consider that. The project mix would be different.
- Rau Thakur:** All right. Understood, sir. Thank you. Thank you very much.
- Moderator:** Thank you very much. The next question is from the line of Shivam Parag from ValueWise Management.
- Shivam Parag:** Hi, sir. Thanks for the opportunity. I wanted to know the split between our cash and cash equivalents, that is the free cash and the advance. And second question was of the estimated revenue outlook, if you could provide some numbers on the revenue front for the year, financial year '24-'25.

- Sanjeev Singhal:** We had indicated -- we are looking at a growth of around 10% to 12% over last year as far as the top line is concerned. And as far as the cash is concerned, we are having our own cash around INR 4,000 crores.
- Shivam Parag:** And sir, the advances from the Indian Navy?
- Sanjeev Singhal:** Balance whatever is reflected in the accounts is pertaining to Indian Navy.
- Shivam Parag:** Okay. So, sir, around INR 4,000 crores of free cash is with the company. So, the company has a profitable business. So, the free cash will be generated year-over-year. So, does the company foresee any special dividend or any bonus in future?
- Sanjeev Singhal:** Capex plans. We propose to invest around INR 5,000 crores over next couple of years we have already placed the orders for the consultancy for these large capex plans. We are gainfully utilizing this cash balance for capacity enhancement.
- Shivam Parag:** Thank you, sir. Thanks for addressing my queries.
- Moderator:** Thank you very much. The next question is from the line of Sachin Maniar from 3P Investment Managers.
- Sachin Maniar:** Hi, sir. Good evening. So, just one clarification I need on this ONGC order of INR 6,000 crores to INR 7,000 crores you referred to. What will be the timeline for this order for execution?
- Vasudev Puranik :** Two years.
- Sachin Maniar:** So, you will be booking almost INR 3,000 crores over the next two years for 2025-2026?
- Vasudev Puranik:** Yes.
- Sachin Maniar:** Okay. And how will be the margins on this product? You said 12% to 15%. Will it be similar to that or will it be lower in this account?
- Sanjeev Singhal:** It will also depend upon the mix because these are three different projects. Each one of them has a different margin. But definitely, yes, something around 10% to 12%.
- Sachin Maniar:** Okay. 10% to 12%. Thanks, sir. That's it from me side.
- Moderator:** Thank you very much.
- Sanjeev Singhal:** Yes. I think we are done.
- Moderator:** The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead..
- Gagan Thareja:** Thanks Sir, I just want to confirm when you indicated on schedule and delays, were you referring to Destroyer is ahead of schedule in deliveries currently and frigates are delayed or is it the reverse? I am sorry, I didn't follow that.

- Sanjeev Singhal:** Ahead of schedule. Destroyer is ahead of schedule.
- Gagan Thareja:** Destroyer is ahead of schedule. Right. And, sir, in terms of margins, I think apart from the revision in costs towards the final delivery of projects, you also indicated that if you are able to deliver ahead of schedule that also creates certain cost deficiencies. So, potentially, between LDs, one possible delivery ahead of schedule and also some potential cost revisions, is it therefore reasonable to assume that you have enough margin levers to perhaps sustain the kind of margins you have demonstrated in the first half of the year?
- Sanjeev Singhal:** Perhaps yes.
- Gagan Thareja:** Okay. Sir.
- Moderator:** Thank you very much. The next question is from the line of Rakesh, who is an Individual Investor. Please go ahead.
- Rakesh:** Hello. Thank you for the opportunity...
- Moderator:** I am sorry to interrupt, sir, but your voice is not audible.
- Rakesh:** Sir, thanks for the opportunity. In terms of the expense, the cost of material and also the procurement, the material which is costing now, that can be used only for this quarter or that can be, say, material can be used for the different quarter also? Because what I see is that procurement-based and the deferred spare cost, it's gone high, right, in this quarter? That's the question.
- Sanjeev Singhal:** Basically, whatever cost booking is there, it is all based on consumption. So, whatever activities are carried out during a quarter, only those costs are booked. With regard to procurement, the majority of the equipment's for these projects have already been procured. So, not much of an impact with respect to any change or fluctuation in the prices in the market.
- Rakesh:** Okay, sir. Thanks for the clarification.
- Moderator:** Thank you very much. The next question is from the line of Anirudh Murarka from Continental AG. Please go ahead.
- Anirudh Murarka:** I wanted to just inquire that the cash balance remaining with the company cash on books, how we are currently using it with some sort of fixed deposits and how much interest is being fetched right now?
- Sanjeev Singhal:** Right now, it is fixed deposits.
- Anirudh Murarka:** What rate of interest, sir? It's long-term deposits or it's a liquid deposit?
- Sanjeev Singhal:** Liquid deposits. 1-year max maturity, 1 year.
- Anirudh Murarka:** Thank you, sir. Congratulations once again for a beautiful set of numbers.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to Ms. Jyoti Gupta for closing comments. Thank you and over to you, ma'am.

Jyoti Gupta: Thank you, Riddhi. On behalf of Nirmal Bang Institutional Equities, I would like to thank the management of Mazagon Dock Shipbuilders Limited for the call and many thanks to the participants for joining the call. Riddhi, you may now close the call. Thank you so much, sir, for your time.

Moderator: Thank you. On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.