



# “Mazagon Dock Shipbuilders Limited Q4 FY’24 Earnings Conference Call”

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**MANAGEMENT:** **MR. SANJEEV SINGHAL – CHAIRMAN AND MANAGING DIRECTOR, ADDITIONAL CHARGE, DIRECTOR FINANCE – MAZAGON DOCK SHIPBUILDERS LIMITED**  
**MR. BIJU GEORGE – DIRECTOR SHIPBUILDING – MAZAGON DOCK SHIPBUILDERS LIMITED**  
**COMMANDER VASUDEV PURANIK – DIRECTOR CORPORATE PLANNING AND PERSONNEL – MAZAGON DOCK SHIPBUILDERS LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Mazagon Dock Shipyard's Q4 and FY24 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participants' 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 touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Dixit from ICICI Securities Limited. Thank you and over to you, sir.

**Amit Dixit:** Thanks, Neha. Good evening, everyone and welcome to the call today. At the outset, I would like to thank the management for giving us an opportunity to host this call.

From the management, we have today Shri Sanjeev Singhal, Chairman and Managing Director Additional Charge and Director Finance, Shri Biju George, Director Shipbuilding, and Commander Vasudev Puranik, Director Corporate Planning and Personnel. Without much ado, I would invite Shri Singhal for opening remarks, post which we will open the floor for an interactive Q&A. Thanks and over to you, sir.

**Sanjeev Singhal:** Good afternoon everybody, and welcome to all the participants for this meeting. As far as Mazagon Dock Shipbuilders is concerned, I think the results are already available with you and it has been a good performance. In fact, the best ever performance since inception. Incidentally, this was our 250th year. So on 14th of May, 2024, we have celebrated our 251st Foundation Day. This has been a long and phenomenal journey, starting from a small dry dock in 1774 and today, reaching to these heights, when our revenue from operations is significantly higher than \$1 billion. So this has been a quite interesting and exciting journey for all of us, and I believe for the investors also. Without taking much time, we can straight away go to the question and answers. Whatever clarifications the participants are looking at, we will be more than happy to satisfy their queries.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit from Aditya Birla Sun Life Insurance, please go ahead.

**Rohit:** Thank you for this opportunity. My first question is more to do with the liquidated damages provision write back that we have been doing for almost the last few years. Is this come to an end? And what is the status here, sir? Is there any more additional write backs we are expected to do in FY25? And the margin, do we expect it to normalize to, say, 7.5%? I'm talking about the EBITDA margin.

**Sanjeev Singhal:** With respect to the LD, we have total supplied 5 boats, i.e., 5 submarines to the Indian Navy till date. We have received LD refund corresponding to 1 submarine in 2022-23 and corresponding to 2 submarines in 2023-24. So as such, for balance 2 submarines, which have been already supplied to the Indian Navy, the cases are still under examination. And at least one of the cases, I believe, has come to a maturity stage. So that LD refund should be coming any time soon. And with respect to one last boat, it is still under analysis. Difficult to commit the timelines.

**Rohit:** If you could quantify that number, how much is the LD provision write back earmarked so far?

- Sanjeev Singhal:** The total LD approximately deducted against these 2 boats, which is pending, would be around approximately INR300 crores. What would be the refund? It would depend upon the decision finally taken by the Indian Navy with respect to the delay attributable to MDL and what is not attributable to MDL.
- Rohit:** My second question is more to do with the P-75 add-on submarines, where you were at the cost benchmarking stage last time when we had the discussion. What is the stage at which they are now?
- Sanjeev Singhal:** The cost discussions are still going on, not yet finalized. It would take some more time. But I think it is likely to be finalized soon.
- Rohit:** Further, any update on 75I technical completion?
- Sanjeev Singhal:** 75I, as far as the field evaluation trials are concerned, corresponding to the bid submitted by MDL in collaboration with TKMS, we understand that the field evaluation trials have been successful. With respect to the other bid submitted by L&T along with Navantia, we are not aware with respect to the status of the field evaluation trials as of now.
- Rohit:** Thank you, sir. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Sagar Gandhi from Invesco Mutual Fund. Please go ahead.
- Sagar Gandhi:** Sir, my question is a follow-up question on the three add-on submarines with AIP. Sir, possibly, will it close in FY25?
- Sanjeev Singhal:** Yes, we very much believe so.
- Sagar Gandhi:** And the P75 I project will be FY'26 or FY'27?
- Sanjeev Singhal:** FY'26. In the normal course, it should be in FY'26. If it goes beyond, then we feel it is delayed.
- Sagar Gandhi:** And sir, our pending execution of the Destroyer project is close to INR32,000 crores.
- Sanjeev Singhal:** No, pending execution is INR11,216 crores. The order value was INR32,081 crores. We have already delivered three.
- Sagar Gandhi:** Yes, I am sorry. INR11,216 crores. So, because this is likely to get delivered in FY'25, a substantial portion of this will be booked in this year only. Is that understanding correct or wrong?
- Biju George:** It will move to the next year also, partly, because at delivery, our warranty obligations are not getting fully liquidated. And B&D spares, that is, base and depot spares also need to be procured and handed over to the Navy. So, there are various kinds of expenditure which go beyond delivery period also. So, the entire thing will not get liquidated at delivery.

- Sagar Gandhi:** And sir, regarding the Destroyer project, which was, I think, roughly INR34,000 crores, INR36,000 crores, that will be post FY'27 only. Is that understanding correct?
- Biju George:** Yes. So, that right now it is at a very preliminary stage. In the Navy, the naval side also, it is not crystallized fully. So, at this point in time, we cannot draw any conclusions as to when we are likely to get an order. We are in preliminary discussions with the Navy. Navy also intends to take it forward.
- Sagar Gandhi:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pranav Furia from Antique Stock Broking. Please go ahead.
- Pranav Furia:** Sir. I just wanted to confirm, like, have we booked any liquidated damages write back in this quarter particularly, Q4?
- Sanjeev Singhal:** Yes, Q4, we have booked liquidated damages write back corresponding to one submarine.
- Pranav Furia:** Sir, could you quantify the amount, sir?
- Sanjeev Singhal:** Approximately INR141 crores.
- Pranav Furia:** Okay, sir. That would be very helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Yash from Stallion Asset. Please go ahead.
- Yash:** So, my first question is that, so, you have given the pending execution for your destroyer. If you can just tell, what is the pending execution for one of the first, the 17A frigates, which is going to be delivered in FY'25? I think that is a INR27,000 crores project.
- Sanjeev Singhal:** Yes, we are targeting delivery of the first frigate during this financial year. If they are going as per plan, then maybe two frigates within this financial year. Otherwise, one this financial year and subsequently one more in next financial year.
- Yash:** And so, approximately how much revenue would we be booking out of that, of the two of the frigates then?
- Sanjeev Singhal:** When we are delivering, the ships are not fully complete. They are accepted by the Navy with certain riders and certain deficiencies, which are completed during the course of time. Assigning a figure right now, that may not be feasible with respect to revenues.
- Yash:** So, because I am just trying to understand, because we have got so much execution going on, in FY'25 with so many deliveries. So, do you believe that overall, broadly, we will see a large revenue recognition in FY'25, broadly INR14 crores, INR15,000 crores? Because we have already got the destroyer, in this year. Then we have got the first of the frigates this year. And this is apart from your other, export orders and everything. So, what would you believe about FY'25, revenue guidance?

**Sanjeev Singhal:** Without assigning any figures, I can only say that by 2022, 2023, 2024, our revenues have been increasing every year. And we believe that the same trend is likely to continue for FY'25. But right now, we have not made a deeper analysis with respect to the concrete figures. So, I would not be assigning any numbers right now.

**Yash:** And so, in FY'25, what would be the order book at the end of this year, given the execution that you are, planning and the new order bids that you have submitted? So, broadly, you think we will have about INR40,000 crores, INR50,000 crores of order book by the end of this year or the number can be much higher?

**Sanjeev Singhal:** It depends upon the materialization of the orders. Smaller orders, we do seek, but they don't make much of a difference. Additional submarine is one order, one big order, which we are eyeing at and believing that if this gets finalized during this financial year, the order book should see a substantial increase. Post execution, of course, some liquidation would be there during the year, but there should be a big addition.

**Yash:** Could you, sir, quantify, like, how much, when you say big, you think 25%-30% jump on the existing order book broadly?

**Sanjeev Singhal:** We have submitted our price, which is currently under discussion. So, I will not be able to elaborate it further on this.

**Yash:** Okay. Got it, sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Swechha Jain from Whitestone Financial Advisors. Please go ahead.

**Swechha Jain:** Hi, sir. Thanks for giving this opportunity. So, I just had a follow-up. I just wanted to understand on the current order book. You know, first of all, the current order book, if we execute, you know, over the next two or three years. And so, I wanted to understand, you know, which year is it likely for us to reach, like, a peak revenue, you know, because some of the deliveries will, you know, coincide in the same year, right, for frigate and for destroyer.

So, you know, having that, if you could just give a broad sense as to, will FY25 will be the year where we are going to reach the peak revenue on the current order book or FY26, or you think it can be FY27 also?

**Sanjeev Singhal:** As far as the current order book is concerned, FY25, clearly we are poised for the, maybe the highest revenue. Yeah, we will be delivering one frigate and one destroyer. Because we are targeting three deliveries during this year, one destroyer, one frigate, as well as one submarine. With the addition of the fresh orders, in future also higher revenues can be very much there.

**Swechha Jain:** Right, right, right. But on the current order book, FY25 will likely be our peak revenue, right? Okay. And so, just another follow up was this additional submarine order that we are, you know, trying to get. Could you quantify the order book size for it and how many submarines, sir? I think I may have missed that number somewhere.

- Sanjeev Singhal:** Additional submarines, we are in discussion for three additional submarines.
- Swechha Jain:** Okay, and what would be the order book, sir, like the order value for this?
- Sanjeev Singhal:** I just said we have submitted the prices, which are under discussion. Beyond this, we will not be able to discuss on this right now.
- Swechha Jain:** Okay, okay. And so, just one last question. In terms of our bidding pipeline, is there any other, you know, ships that we are planning to bid for apart from these additional submarines? And, you know, what kind of bidding pipeline do you already have in terms of value?
- Sanjeev Singhal:** We have under discussion the next generation destroyers. We also have under discussion the follow on frigates for under Project 17 Bravo. So, there are projects which are under discussion at various stages apart from P-751, six submarines. So, these are the projects which are at various stages of discussion and maturity. So, they would be taking certain time, but I believe considering the geopolitical situation, the projects need to be finalized by Indian Navy.
- Swechha Jain:** Okay, okay. And so, would you able to even give a broadly sense that what this three together would quantify into order book if we get these?
- Sanjeev Singhal:** I can only say as far as 751 is concerned, what is available in public domain, that is the AON cost, which is INR43,000 crores, which was published in 2018. So, it is six years dated cost. So, as on date, maybe you can add certain escalations on that.
- With respect to destroyers, our existing destroyer order is INR34,000 crores approximately for four destroyers, which was 2011 order. So, that is approximately INR8,500 crores per destroyer in 2011. So, any next generation destroyer, which is likely to be a significantly larger and more complex, more weapon intensive and with the escalations. So, maybe you can take a view with respect to the magnitude in terms of costs.
- Swechha Jain:** Okay, okay. Okay, sir. That is it from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Viraj Patel from JK Global's LLP. Please go ahead.
- Viraj Patel:** Okay. My question is, what is the status on the order of three submarines worth INR20,000 crores by the government that you were waiting for approval?
- Sanjeev Singhal:** As I said, it is with respect to the additional three number submarines, which is under discussion?
- Viraj Patel:** That you have mentioned earlier in the con call?
- Sanjeev Singhal:** Yeah, we have submitted some prices and which are being examined and are under discussion currently. As informed during my previous reply in today's con call itself, we expect that the order is likely to be finalized during this financial year.
- Viraj Patel:** Okay. Thank you.

- Moderator:** The next question is from the line of Rohit from Aditya Birla Sun Life Insurance. Please go ahead.
- Rohit:** Thank you for this follow up. Sir, if I strip off this liquidated damages write back, your margin is actually still very high. So, how should we really appreciate the existing work or the pending work to be done? What kind of margins, excluding the provision write back, we can conclude at?
- Sanjeev Singhal:** There is also approximately INR400 crores of income on account of additional interest income during 2023-24 compared to 2022-23 on account of improved rates of interest and higher deposits. So, this also is a non-operating kind of an income, not related to production. Apart from this, what we have indicated earlier also, whenever we are in a position or when we deliver a platform ahead of schedule that has a very positive impact on the costs because the costs for the period are saved which is a very significant chunk.
- We did three deliveries, three destroyers during three years, one in '21, one in '22 and another in '23 calendar years. Destroyer which we delivered in '23, October '23, this was delivered almost five months ahead of schedule. The corresponding schedule was March '24, we delivered in October. So, this has a significant sobering effect on the costs which contributes to a better margin.
- Going ahead, as far as fourth destroyer is concerned, we are again targeting to deliver it significantly ahead of schedule. As per the contractual schedule, the delivery date is February '25. We would like to deliver it early. As far as frigate is concerned, this being the first of the class, first of the project 17 alpha, the endeavour is that we should be able to deliver it in time.
- This itself would be a big achievement. And going ahead, we can look for deliveries prior to the scheduled date of the contract. These have been, some of the factors which have been responsible for better margins, going ahead, it would always depend on the physical performance on ground.
- Rohit:** Got it, sir. That was really helpful. From a MOU, excellent with government rating perspective in FY'25, what would be your revenue target or margin target? Any colour on that?
- Sanjeev Singhal:** For excellent rating, the revenue target, I expect to be something around close to INR10,000 crores-INR10,500 crores.
- Rohit:** And any colour on margins, sir? PBT margins or something of that...
- Sanjeev Singhal:** Margins should remain in the similar range, maybe slight increase the government may propose.
- Rohit:** But this will be X of that liquidated damages write back and some cost increases or is it you maintain the same?
- Sanjeev Singhal:** Normally, the targets are not assigned with so much detailing. Targets are normally on gross level.

**Rohit:** Okay. Thank you, sir. That's it from my side.

**Moderator:** Thank you. The next question is from the line of Bhavesh an Individual Investor. Please go ahead.

**Bhavesh:** Good afternoon, sir. Congratulations on a great set of numbers. Just wanted to get an update on the ONGC pipeline order which was supposed to get executed this month. So, is it on track?

**Sanjeev Singhal:** Yeah, the order is still under discussion. We were expecting by May this will be finalized but I think some delay is there. So, un-likely by tomorrow. But the discussions are in place.

**Bhavesh:** So, it's still under discussion and it's not started yet?

**Sanjeev Singhal:** No.

**Bhavesh:** Because in your PPT, slide number 15, it says that project worth INR1142 crores are still pending. I thought that it is the ONGC order project but it's not, right? It's a different project.

**Sanjeev Singhal:** Are you referring to the...

**Bhavesh:** Slide number 15, order book. So, in that there is a section heavy engineering and in that there is a subsection of others. So, you have mentioned INR1142 crores as some...

**Sanjeev Singhal:** This is the order which we received in the month of December last year which is under execution currently.

**Bhavesh:** The ONGC one?

**Sanjeev Singhal:** It's ONGC. I thought you were discussing with regard to the second order which is under discussion.

**Bhavesh:** No, no. This is not in the public domain.

**Sanjeev Singhal:** So, there is a certain delay in that, likely to materialize anytime soon.

**Bhavesh:** Okay, but the first order...

**Sanjeev Singhal:** First order is under execution.

**Bhavesh:** So, it will get executed this month? Like you will get the money, like the money will be realized in this quarter, INR1100 crores?

**Sanjeev Singhal:** This financial year.

**Bhavesh:** This financial year, okay. Alright. And sir, you have cash around INR15,000 crores plus. So, how do you plan to utilize such a large amount? Like you are the second defense company which has more than 14,000. Like the first is HAL, then comes Mazgaon and the third is Bharat Electronics. So, you are positioning yourself on second in terms of cash and cash balances. How do you plan to utilize that cash?



- Sanjeev Singhal:** A substantial amount of this cash which is visible in our balance sheet belongs to Navy against the project. So, this is not free cash. Free cash which belongs to MDL would be around INR4000 crores. We have recently acquired a 15-acre piece of land adjacent to the existing premises of MDL where we would be incurring a significant amount of capex over next two-three years including we will also be incurring significant capex on the development of Nhava yard.
- So, these two areas would be making MDL future proof with respect to the infrastructure constraints whatever are there today. Although we have capacity to construct 11 submarines and 10 warships simultaneously at the existing premises but considering that the future platforms are likely to be larger in dimensions with a deeper draft, we would be investing significantly in capacity addition.
- Bhavesh:** Great, great. That's it sir from my side. All the best.
- Moderator:** Thank you. The next follow-up question is from the line of Sagar Gandhi from Invesco Mutual Fund. Please go ahead.
- Sagar Gandhi:** Yeah, so my question pertains to the order pipeline. You mentioned about P-17B project. So, this is what quantity, what number of frigates?
- Biju George:** P-17B is also likely to be like a repeat order, seven ships shared between maybe couple of yards. So, the total requirement is seven.
- Sagar Gandhi:** Okay, and the order value will also be, I mean last order value plus...
- Biju George:** So, that you can extrapolate because you know for four how much it was and when the order was placed.
- Sagar Gandhi:** No, no, I understood that. Instead for destroyers, what is the quantity that is likely to come?
- Biju George:** For the next generation destroyer?
- Sagar Gandhi:** Yes, yes. Yeah, so that is four.
- Sagar Gandhi:** So, that is four. And sir, apart from these two orders, ship repair pipeline and this additional order that you mentioned about ONGC. So, can you give us some colour about what is likely to come over the next 1-1.5 years?
- Sanjeev Singhal:** There would not be -- we are not privy to any plans regarding ONGC. So, whatever the requirements are there, they come out by way of a tender. So, only then we come to know what is the requirement. So it would be difficult to assign any kind of a number to that what would be their requirement in future.
- With respect to Navy, yes, they come out with their perspective plan what requirements are there. So based on this we have indicated the next generation destroyers is there in pipeline, 17 Bravo frigates are there, follow-on frigates are there, 75I submarines are there, additional submarines are there. In addition, there would be requirements which as and when they come

out requirements from other agencies like Coast Guard. And we are also scouting for the export orders.

So we are in discussion with various countries including Malaysia, Brazil, Indonesia, UAE. We have in fact we have invested considerable time, energies and resources in these areas over the past few years. So it takes time before these naval orders materialize. We expect some positive responses in future.

**Sagar Gandhi:** Yes so sir in this respect I am not asking you the type of vessel, but broadly will it be a large opportunity half a billion dollars or something like that?

**Sanjeev Singhal:** No, as far as the export orders are concerned it will be primarily commercial. We do not expect to be anywhere comparable to the destroyer or submarines or frigates. But at the same time this would be strategically important to establish our strong foothold in the export market also.

**Sagar Gandhi:** Okay. And, sir regarding our peak revenue in FY25, I mean, sir these three additional submarines that we are likely to get, their execution timelines will be lower than our previous experience of executing submarines.

**SanjeevSinghal:** Yes definitely.

**Sagar Gandhi:** Sir in that case say maybe one year there may be some dip in revenues, but post that again execution will start for the submarine then we can again...

**Sanjeev Singhal:** Yes overall timelines will definitely be lower, but granular breakup financial yearwise it will be difficult right now unless and until the order and the specifications are actually crystallized and received. What kind of preparation is involved, what kind of equipments, what is the indigenization content, how much is a repeat kind of a thing and how much is new and detailing and designing etc it would depend on that.

**Sagar Gandhi:** Okay. But you believe 5 years is a reasonable timeline for execution for submarine?

**SanjeevSinghal:** 5 years to 7 years. They are depending upon the requirements. Okay. If there is a significant change in the requirements it may entail a higher timeline, but if it is a plain repeat order then yes 5 years is good enough.

**Sagar Gandhi:** Okay. And sir my last question is on capex that you highlighted. So capex plan will be for how much rupees and over how many years?

**Sanjeev Singhal:** We expect INR3,000 crores over next 3 years to 4 years.

**Sagar Gandhi:** INR3,000 crores?

**Sanjeev Singhal:** Yes INR2,500 to INR3,000 crores.

**Sagar Gandhi:** Okay. Initially sir when during the IPO time we had mentioned that NhavaShevaYard which we are likely to develop that will entail a capex of INR1,000 crores. So you are saying additional INR1,500 crores over...

- Sanjeev Singhal:** For the additional land which has been acquired recently 15 acres we would be developing that plot also.
- Sagar Gandhi:** And that will have capacity to...
- Moderator:** Sorry to interrupt you sir. I request you to come back for a follow-up question.
- Sagar Gandhi:** Sure I'll do that. Thank you.
- Moderator:** Thank you. The next question is from the line of GaganThareja from ASK Investments Manager. Please go ahead.
- GaganThareja:** Yes. Good evening. Am I audible?
- Sanjeev Singhal:** Yes. Please go ahead.
- GaganThareja:** Yes. Sir regarding the deliveries for next year you indicated that warranties and certain spares the revenue booking will spill over in the year after FY25. Generally what is the proportion of warranties and spares on an average in any order for delivery?
- Biju George:** Yes. So this is not the absolute value.
- GaganThareja:** I am looking at a percentage of generally as a percentage of any order?
- Biju George:** Yes. So for example in a INR27,000 crores order INR3,500 would be spares.
- GaganThareja:** And warranties would be how much?
- Biju George:** Yes see we are unable to quantify. I'll put the thing in perspective. For example post-delivery during the warranty period these ships are deployed in, for example, in the Red Sea. We do not know what would be our liabilities. So that is why the future expenditure is also there.
- GaganThareja:** I get that sir, but Red Sea is like an exceptional event. I am saying in the normal course of your history, deployment, post-deployment what has been your experience on average warranty costs?
- Biju George:** Yes. So we have two kinds of warranties. One is the warranty getting extended with the firm up during the guarantee period. Then it's during the guarantee period of the platform all the equipment and systems certain things we are not covering warranty, but it will be like on need basis. So that is how we cover the warranty for the equipment and systems.
- So it has not been a uniform kind of warranty requirement because as you know system A may be absolutely all right in the first ship. Second ship, it is another system which will be demanding a warranty attention. Third ship, it is a different set of equipment. So there is no uniform kind of statistics available.
- GaganThareja:** Yes, but there would be a median. I know that it will vary, but there will be a median and average. If the variability is too high perhaps you could give a median rather than a mean.

- Biju George:** Yes. So definitely there is a mean, but it has been fluctuating. That's what I was...
- GaganThareja:** Yes, but would it be possible for you to enumerate or give the numerical value of the mean?
- Biju George:** That I have not calculated this thing what will be the percentage of the total value, etc.
- GaganThareja:** And on the P751, will the orders be given to -- will the orders be split between the two bidding entities or will it go to one entity as a whole?
- VasudevPuranik:** One entity as a whole.
- GaganThareja:** Ok Alright Sir And regarding the sizable capexes that you are undertaking, if you could help us understand give us more context into are these for ship building, are you expanding capacity for submarines also? You signed a master repair agreement with US Navy. Are you therefore looking at building up ship repair facilities also? It would help to understand where exactly all of this capex is going into.
- Biju George:** Yes, so we have our expansion plans as regards to the capex in two locations, as CMD mentioned. One is in the adjacent land which we have recently acquired, as well as in our NhavaSheva facility. Both these facilities will have a cross-functional kind of arrangement where one can act as a feeder to the other and vice versa also.
- And it is for ship building and ship repair so that we are primarily looking. Submarines we are able to handle with the existing facility for the future workload. So, with this expansion, we will be able to take higher vessels of larger dimensions and we also will be able to repair bigger vessels both from the naval assets as well as commercial vessels.
- GaganThareja:** Thank you, sir. I will get back in the queue. Thanks for taking my questions.
- Moderator:** Thank you. The next question is from the line of ParimalMithani from Credential Investments. Please go ahead.
- ParimalMithani:** Hello. Good evening, sir. Thank you for the opportunity. All my questions are answered. And congratulations for a wonderful set of numbers . Thank you.
- Sanjeev Singhal:** Yes, please continue.
- Moderator:** Yes, thank you. The next follow-up question is from the line of Swechha Jain from Whitestone Financial Advisors. Please go ahead.
- Swechha Jain:** Hi, sir. I just have a couple of follow-ups. So, one, I wanted to know, once we complete this capex on both the two facilities if you could give some sense, I know you did mention in the earlier answer that we will be able to take bigger vessels both on the ship building and the repair side. But if you could give some sense once both of this capex are done how many ships can we build at the same time or how many can we repair parallely including these two facilities?

- Biju George:** Now, we will be giving, so we have a broad definition in place. And based on that, we will be appointing a consultant who will be assessing the facility, looking at the businesses that is in the horizon and map that to the infrastructure development.
- Swechha Jain:** Okay. And if you could give some sense as to...
- Biju George:** It depends on what is the size of the ship and what is the number of ships will come in an order and what is the delivery timelines. So, there is an inter-ship gap between two ships, what is the gap available. So, we would have at least doubled our capacity when the three facilities are in place.
- Swechha Jain:** Okay. And sir, in terms of ship repair revenue some broader sense as to say after four or five years down the line, what percentage do we envisage our ship repair revenue to be as a part of the total revenue?
- Biju George:** Yes, that will be very miniscule, in the next four years, only the infrastructure will be -- For development of the infrastructure itself, it will take three to four years -- Revenue from ship repair, it's maybe 6%, 5% to 7%.
- Sanjeev Singhal:** Actually, in spite of repairs having a shorter cycle, primarily we are a yard for new build. So, this is -- Our focus area remains on the new build. We don't expect a revenue share of more than 5% to 7% from the repair segment. And we have only one dock in which we are undertaking repairs now.
- Swechha Jain:** Okay. And sir, my last follow-up is the bidding pipeline that we talked about the next-gen destroyer, follow-up P-17 and the P-75I. Just wanted a clarification that we have not bid for these, right? We will be bidding for these going ahead?
- Sanjeev Singhal:** The tenders for the next-generation destroyers or 17 Bravo are still not out. 17 Bravo, we expect a repeat order kind of a thing, quite possible on nomination. And next-generation destroyers also, depending upon the capability and capacities of the existing yards, so that contours are still not known whether it will be on nomination basis or multi-yard or on a purely competitive basis. The tenders are still not out but the discussions are there. With respect to the requirement.
- Swechha Jain:** Okay. And for P-75I?
- Sanjeev Singhal:** P-75I, we have already submitted the bids. Last year, August, we have submitted the bids. Currently, it is under evaluation. The field evaluation trials with respect to MDL, TKMS combined have been successful. The field evaluation trials with respect to Navantia and L&T, we understand, are underway. It will take some time for the evaluation and other things to be crystallized.
- Swechha Jain:** Okay. And so what I understand is you said that this will be...
- Moderator:** I request you to come back for a follow-up question. Thank you. The next follow-up question is from the line of Sagar Gandhi from Invesco Mutual Fund. Please go ahead.

- Sagar Gandhi:** Sir, the new capex that you mentioned to accommodate larger vessels, will it also accommodate aircraft carriers?
- Sanjeev Singhal:** We are floating a tender to assess the total land area and the sea area available and what kind of water depth is available. So, the consultant will be coming out with a full plan with what kind of vessels, what max dimensions, what max draft can be accommodated. So, that would provide a better clarity.
- Sagar Gandhi:** Okay. Thank you. That is it from my side.
- Moderator:** Thank you. The next follow-up question is from the line of Viraj Patel from G K Globas LLP. Please go ahead.
- Viraj Patel:** Sir, another question is that what are your expectations of budget expenditure on defence and what percentage of growth are you expecting in next five years due to the budget allocation?
- Sanjeev Singhal:** We have never been focused with respect to the defence budget or defence allocation because the budgets have never been a constraint as far as defence requirements are concerned or naval requirements are concerned.
- So, what we understand is that the requirements are there and as and when the requirements are crystallized at the level of navy and the orders are placed the funds would be provided for. Taking the geopolitical situation into account, we believe that there is a significant requirement. The total length of the Indian coastline is 7500 kilometers, the geopolitical situation. So, we foresee significant development in future.
- Viraj Patel:** Okay, sir.
- Moderator:** Thank you for your question. The next follow-up question is from the line of Yash from Stallion Asset. Please go ahead.
- Yash:** Thanks again for the opportunity. I just want to confirm a couple of data points. Could you confirm if your capex is INR2500 crores to INR3000 crores for the next three years?
- Sanjeev Singhal:** Yes, next approximately three to four years depending upon the crystallization of all the reports and the placement of orders with respect to execution.
- Yash:** I wanted better clarity on the pending order execution. So, you said that for the destroyer project, we have INR11,200 crores pending order. How much would it be for the frigate?
- Sanjeev Singhal:** Frigate would be approximately INR17,000 crores.
- Yash:** And for the Submarine, the one Submarine that we will be delivering this year?
- Sanjeev Singhal:** That is Submarine and spares, etc. Approximately INR3000 crores. The coast guard vessels also INR3000 crores. And the foreign order, export order is INR350 crores with respect to medium refit and life certification of the submarine, approximately INR2000 crores and others, INR 1000-1,500 crores.

- Yash:** So, broadly, if I get the math right, so INR11,200 crores plus about INR17,000 crores plus your INR3000 crores for the Coast Guard, another INR3000 crores for your Submarine. And how much you said for the export, sir?
- Sanjeev Singhal:** MRLs, medium refit and life certification INR2000 crores, exports INR350 crores and others approximately INR1000 crores to INR1500 crores, total INR38,000 crores.
- Yash:** So, this is broadly order book right now as a Q4?
- Sanjeev Singhal:** Yes.
- Yash:** And you intend to maintain that run rate for the next couple of years?
- Sanjeev Singhal:** As far as the execution rate is concerned, we can say with respect to the execution rate, with respect to the order booking, it will, there are a number of factors on which it would depend. If I get a large value order today, this order book would shoot up immediately.
- Yash:** Got it, sir. Thank you.
- Moderator:** Thank you. The next follow-up question is from the line of GaganThareja from ASK Investment Managers. Please go ahead.
- GaganThareja:** Sir, are landing platform docks also in the pipeline? It's, been something which has been spoken for a very long time but not happened. But of late, your peer companies also seem to talk about it as potentially there in, the next near future?
- Biju George:** Yes, we are not in the fray for LPD.
- GaganThareja:** Are you there in the fray for next generation corvettes and survey vessels?
- Biju George:** Yes, See, NGC, the RFP is out, we are there for the next generation corvettes.
- GaganThareja:** But not for the survey vessels?
- Biju George:** Sorry?
- GaganThareja:** Survey vessels, next generation.
- Biju George:** Yes, that, as far as I know, that will take more time. NGC RFP is out.
- GaganThareja:** And basis is the Navy's long-term perspective plan, over a 10 year time frame, or maybe perhaps a 10 years, 15 year time frame. What is the potential sort of procurement by value that Navy could order, between now and the next 10 years?
- Biju George:** As a shipyard, we are not privy to the maritime capability perspective plan. That is an internal document of the Navy. But whatever projects we have decided is what has been, that is there in the public domain also. That's all we also know about it.

**GaganThareja:** And, sir, coming on to, the three deliveries that you have planned for next year. In fact, you said two frigates, possibly, if you can get it done on time. That alone could be, on an average, one frigate would be INR6,000 crores to INR7,000 crores basis, the order size and number of frigates. So two frigates would be, something around 13, 14. One pending delivery of Bravo is around INR11,000 crores.

So that's, a very sizable number of more than INR20,000 crores plus the Submarine. So you're talking of almost INR25,000 crores. And even if I knock out, spares, which you indicated was roughly 15%, and perhaps warranties of another 5%, 10%, even 10%. You're still talking of three-fourths of almost INR24,000 crores, which is, almost INR17 crores, INR18,000 crores, theoretically possible sales invoicing next year. Is the math very wrong, what I'm talking about?

**Sanjeev Singhal:** What you are talking about is the gross value of these assets, whereas all these assets are at a certain level of completion even today. So revenue booking corresponding to these milestones has already taken place. I will not be booking entire revenue during the year of delivery.

**GaganThareja:** Okay, I understand, sir. Is it possible to enumerate how much would already have been booked out of, what you'll deliver next year?

**Sanjeev Singhal:** That would be slightly difficult, individual vessel-wise, how much revenue booking has already been done. Those figures would be available. These are not readily...

**GaganThareja:** But sir, when your presentation mentions the pending value of what needs to be booked, right? So if the pending value is INR3,500 crores and INR11,000 crores, Submarine and P17 Bravo, then by default, the pending value alone is INR14,000 crores, INR15,000 crores there, and one frigate pending delivery, the two frigates pending delivery, the value itself, pending value is how much of the total frigates that you're left with?

**Sanjeev Singhal:** Right now, if we discuss with respect to frigates, the order value for the four frigates is INR27,000 crores, of which INR10,000 crores has already been booked as revenue.

**GaganThareja:** How much?

**Sanjeev Singhal:** Approximately INR10,000 crores has already been booked as revenue. None of the frigates have been delivered. Balance of INR17,000 crores represents the balance of all the four frigates, and this would also include certain components towards base and depot spares, towards warranty obligations. Similarly, for 15 Bravo destroyer, although only one destroyer remains to be delivered, this INR11,000 crores does not reflect the balance pending value for one destroyer.

This also reflects the value of the base and depot spares for the entire project, the warranty obligations for the entire project. So this need not culminate on the delivery of the fourth destroyer. Similar would be the case with respect to the Submarine. The INR3,500 crores I am not going to book on delivery of the last submarine.

**GaganThareja:** Correct. I get you. Sir.



- Sanjeev Singhal:** Depending on activities, Which may take time, maybe a year or more.
- GaganThareja:** Agreed. What I'm simply saying is, if the pending value of frigates is 17,000, they might all be at different stages of execution. But for hypothesis sake, if I assume they are all at the same stage of execution, then for two out of this was for how many? For six?
- Sanjeev Singhal:** Frigates is four.
- GaganThareja:** Four. Right. So, two is roughly half of the pending value. I'll knock out the warranty and, the spare. So just for the sake of counting, right, 11 plus -- I take half of 16, let's say 8. 11 plus 8 is 19. 19 plus 3 and a half is 22,500. I knock out at least 20% for warranties and spares out of that. So I'm knocking out 2,000 for conservatism.
- Sanjeev Singhal:** You are knocking out 20% of the balance value, whereas it would be 20% of the project value. 15% is for base and depot spares. In addition, the warranty guarantees charges. So it's not 20% of the value which is visible now. It would be in the range of 12%-15% of the total project cost.
- GaganThareja:** Agreed. So we'll then adjust accordingly. And then can we say that whatever figure we come to is a possible invoicing for Mazagon in the coming years?
- Sanjeev Singhal:** We have not calculated in that fashion. I would not be able to say that your assumptions are valid. We have not worked out in that manner.
- GaganThareja:** Okay. All right, sir. Thank you. Thank you for at least helping us understand this in a little more detail. It was very helpful. Thank you. I'll get back in the queue.
- Moderator:** Thank you. The next question is from the line of Jayesh, an individual investor. Please go ahead.
- Jayesh:** Thanks for the opportunity, sir. Just wanted to confirm slash clarify on a couple of things. One, there was a news item that the Navy has come out with a revised RFP for P75I for INR60,000 crores. The revised RFP was for 43, but there has been a revision in the terms and it has come out recently. I just thought I'd check with you if that is the case or that is not the case?
- Sanjeev Singhal:** We are not aware of this.
- Jayesh:** So that's one. Second is, if you can just indicate, what is the liquidated damages for FY '24? I heard that in the last quarter it was INR150 crores, INR149 crores. But how much is it for the full year?
- Sanjeev Singhal:** Approximately INR300 crores.
- Jayesh:** So it's 150 crores per ship, broadly for the 2 ships. And there is 2 more which will come through in FY '25, assuming the Navy approves it.
- Sanjeev Singhal:** One is nearly crystallized. Regarding the second one, I cannot state it right now.

- Jayesh:** And then again, the third question, of course, again, pertaining to P75I, there has been a discussion that the entire process may get delayed by around 6-9 months because the Spain slash NavantiasAIPstill is not ready. I mean, one of the conditions of the RFP was a fullAIP .
- Sanjeev Singhal:** We would not be able to comment on that. We are only aware that the field evaluation trials of MDL and TKMS, they have been successful.
- Jayesh:** Correct.
- Sanjeev Singhal:** Beyond this, we would not be able to comment.
- Jayesh:** Sure. Those were my questions. I'll get back in the queue.
- Moderator:** Thank you. The next question is from the line of Amit Dixit from ICICI Securities Limited. Please go ahead.
- Amit Dixit:** Yes. Hello. Thanks for taking my question. I have just two questions. The first one is essentially that over a period of time, we have seen margin improvement. Now, even if I exclude the impact of refund of LDs and all, there has been an improvement in terms of margins, which used to be 5%, 6%. Now, we have seen it at a much higher level. Now, some of it has to do, of course, with the before time delivery. And this thing will kind of persist. So, just wanted to understand from you, what kind of sustainable margins should we take going ahead? Because the operational improvement, I think, will stay with you.
- Sanjeev Singhal:** One thing we need to understand that the contracts which we are executing currently, these are on nomination basis. As far as additional submarine is concerned, that is, again, on nomination basis. With respect to next generation destroyers, with respect to follow-on ships of 17 Bravo frigates, these contours are not visible right now, whether these will be on nomination basis or on competitive basis.
- Both have a totally different scenario with respect to how many players are there in competition or if the order is on nomination, then the margins are predefined. So, lot many factors would come into play when these orders actually crystallize. Secondly, considering that these projects take a significantly long period for execution, a better clarity with respect to costs and margins emerges towards the later part of the project execution.
- So, even during the initial stages of the project execution, a clear picture would not emerge with respect to what kind of costs I am going to incur. So, there would be certain measures, certain conservative vision during the initial stages of the project with respect to profit booking. As and when the project progresses substantially, there is a level of comfort whereby you can book profits which are more clearly visible.
- Amit Dixit:** Got it, sir. The second question I have is if we look at the budget, I mean, of course, the interim budget only. So, if I look at this, what I find that the spending for naval fleet is pretty constant if I compare it with last year. Now, given that most of the ships in your case, as well as some of your peers, are in advanced stage of revenue booking. So, should we expect that

there would be an ordering in FY '25 or given the static nature of the event that is contemplated, it will only happen in FY '26?

**Sanjeev Singhal:** I didn't get your question clearly.

**Amit Dixit:** No, the question is that we are talking about, you know, that in FY '25, we are hopeful of getting this P75-I. 3. submarine order. With the order, you will also maybe get 5% advance. Now, when I look at the spending that has been budgeted, it is very, very constant.

**Sanjeev Singhal:** Budgets are not a constraint. Budgets are not a constraint, whatever would be required. Budgets have never been a constraint. In fact, funds have never been an issue. As per requirement, the funds are being made available.

**VasudevPuranik:** And what you see, the budget is outflow of that year. And this budget plans that we will get, it will have its cash flows over 4-5 years.

**Sanjeev Singhal:** He is talking of this 5% advance payment which will flow, whether that will flow or not. But our experience is that cash flow has never been a constraint or never been an issue with respect to any of the projects.

**Amit Dixit:** Got it, sir. Thank you so much and all the best.

**Sanjeev Singhal:** Thank you.

**Moderator:** Yes, sir. Ladies and gentlemen, we will take this as the last question. And I will hand the conference over to the management for closing comments.

**Biju George:** So, I will take this opportunity to thank all the esteemed investors who have participated in this call. And we hope that we have clarified all your queries. Thank you.

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