



“Mazagon Dock Shipbuilders Limited  
Q1 FY2023 Earnings Conference Call”

August 16, 2022



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of Mazagon Dock Shipbuilders Limited hosted by IDBI Capital Markets. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mr. Vishal Periwal from IDBI Capital Markets. Thank you, and over to you Sir!

**Vishal Periwal:** Thanks Margaret. Good afternoon everyone, welcome to the post results interaction with the management of Mazagon Dock Shipbuilders Limited. From the management we have today with us Vice Admiral Narayana Prasad ji retired from Indian Navy and currently he is CMD at Mazagon Dock, then we have Mr. Sanjeev Singhal - Director Finance, Mazagon Dock. As usual we will have a brief overview from the management and then open for Q&A. I will hand it over to management now. CMD sir over to you.

**Narayan Prasad:** Very vibrant good afternoon to all of you, it is indeed a matter of great honor, pride and privilege for me. To present the credentials from Mazagon Dicok Shipbuilders Limited a small historical backdrop most of you are familiar about that, but I will just recount quickly.

As you are aware Mazagon Dock Shipbuilders Limited is the oldest shipyard in India with the inception in 1774, incorporated in 1934, and taken over by the Government of India in 1960. MDL is the only shipyard in India to build Destroyers a class of ship which is about 7000 tons of displacement and two different types of Submarines for the Indian Navy and is also one of the unique shipyards in the world with such diverse range of products such as Destroyers, Frigates, Conventional Submarines, Corvettes, Missile Vessels, Offshore Patrol Vessels, etc. It is a listed public limited company incorporated and governed under the Companies Act. MDL is also a CPSE under the administrative control of Ministry of Defence having total workforce of approximately 10,000 person. From the time it was taken over by the Government of India in 1960 MDL has built around 800 vessels including 26 captive warships, 6 submarines, and 631 commercial vessels, 243 of which were exported to Mexico, France, UK, Iran, Yemen, Mozambique, etc. Besides MDL has also built 63 offshore platforms, three process platforms, and two jack up rigs. Like any other industry, our ship building industry also showed some slump in production due to the recent COVID pandemic, however at MDL everyone worked relentlessly despite all odds and delivered the first ship of project 15 bravo guided missile destroyer, INS Visakhapatnam, and two Scorpène submarine in one single year which is the year 2021 that is the last year, in the current ongoing year which is 2022 we have already launched one Submarine, one Stealth



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Frigate, one Destroyer, we are going to launch on 11th of September one project 17 Alpha Stealth Frigate, and we have also commenced or we have already done the keel laying of the last project 17 Alpha Stealth Frigate. So in the current year there are major activities which are happening and by the time we fold up this particular year by 31st of December, we would have delivered to the customer one Destroyer and one Submarine fully tested and tried, the delivery of the destroyer which is about Rs. 8500 Crores is going to happen anytime now possibly it could be by end of this month or mid of next month.

Sanjeev Singhal

Vishal we can take it forward.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.

**Mohit Kumar:**

Good evening Sir, and congratulations on a very, very good set of numbers. My first question is on the status of P75I the RFP where is it now and when do we expect it to get awarded.

**Narayan Prasad:**

As far as P75I conventional submarine construction program, which is called P75I is concerned, the bid submission for the RFP which is already in place is right now extended to end of November this year.

**Sanjeev Singhal:**

The bid submission has been extended till November end this year 2022 subsequent to that the process would be taking its own time depending upon the responses, etc. Difficult to say at the moment what would be the status and whether the bids will be closing on November or not. It will depend upon the participation at that point of time.

**Mohit Kumar:**

Related question is that out of 6 or 7 the foreign strategic, foreign equipment providers has all of them qualified for it or is there any technical issue with the AIP status of the partners.

**Narayan Prasad:**

What we understand from you, just see whether I have understood your question correctly. With respect to this P75I program, there are two Strategic Partners which is MDL and L&T who will build the submarine and at the background there are five collaborators and each one has to team with one and submit their bids to the navy to become L1 for the overall program. So as far as identification and the selection of or evaluation of the capability of the five foreign collaborator is concerned, all five are evaluated by the Navy and that is how they are included there, but in the RFP because of the stringency of the timelines that one has to have a tested and proven Air Independent Propulsion system fitted on a submarine and that that submarine should be in water and being operated by the respective countries



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navies or any other navies. So in this entire scenario right now we have only DSME South Korea and TKMS Germany who totally qualifies and in case there is a right hand shift this means if the bid submission gets further delayed, possibly Navantia, Spain who also has a similar kind of a submarine and a tested proven AIPs and Lithium-Ion Battery can also get qualified in due course of time, but right now no.

**Mohit Kumar:** Secondly on the revenue for the FY2023 would you like to give some guidance for the entire year.

**Narayan Prasad:** For the financial year 2022-2023 first thing is I will just share with you what is the value of order book that we have, it is about 43343 Crores which essentially comprises of a 4 in number project 15 Bravo a missile guided destroyer, 4 in number project 17 Alpha Stealth Frigate and six Scorpene submarine of which four already delivered similarly one destroyer is already delivered and the second one will be end of this month or mid of next month as I talked before. In a short time horizon, we have almost an order book about 35000 Crores which is available, which essentially majorly constitutes an RFP which is going to come out for construction of 8 in number New Generation Corvettes which is pegged at about 33000 Crores. Besides we have got some small minor vessels. In the long-term horizon we have two major programs, when I say long-term is from now till about let us say next five years one is about 43000 Crores which is construction of 6 in number P75I conventional submarine as I just now talked, the other one is construction of 5 in number New Generation Destroyer which is pegged at about 50000 Crores. In addition, there is also a small information which is coming up that Navy is positively trying to consider construction of 7 in number project 17 Alpha Repeat which will be again costed, and it goes in the same ratio between MDL and GRSE, will be about 30000 Crores additionally.

**Mohit Kumar:** Understood, thank you and all the best. Thank you.

**Moderator:** Thank you. The next question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.

**Siddharth Gupta:** Good afternoon Sir, congratulations on the great set of numbers you have posted. I wanted to actually ask about something that you have been speaking about for the past few quarters and almost a year now that we will be entering and have started working on commercial ship repairs. What is the progress that is being made on this front, have we found any contracts or are there any possible areas where you would be entering this?



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- Narayan Prasad:** In terms of repairs and maintenance of commercial shipping, roughly about 10 to 12 Crores of order book has been completed already here which also includes two minor sizes of foreign vessels. We are working on it and we will completely explore this particular possibility to take it further, but in terms of repairs and maintenance sector, we are already repairing a submarine which is pegged at about 1300 Crores and we are also very hopeful to get the next submarine in about next year or half, which will be pegged at about 20% to 30% higher than the previous cost.
- Siddharth Gupta:** And my second question is with regard to the fact that we have recently entered into some defense treaties with multiple nations majorly the United States, which allows us to repair their naval ships. So is Mazagon Dock been shortlisted by any country within this arrangement or do we possess the abilities to repair some of these ships.
- Narayan Prasad:** Yes, your training is right. The senior command of the US Navy, their representatives visited both Mazagon Dock Shipbuilders Limited and also L&T and they are jointly collaborating to establish where their auxiliary vessels which are largely aimed at sea lifts capabilities as they are large size vessels of, I would say large size and draft both, and one vessel has already come to Indian water and it is presently undergoing repairs at L&T they have given to us a catalogue of their ships which possibly could be taken for maintenance and we are examining all the possibilities.
- Siddharth Gupta:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Rohit Natarajan from Antique Stock Broking Limited. Please go ahead.
- Rohit Natarajan:** Thank you for this opportunity. My first question is more to do with an industry perspective as such, what is the status of this Maritime Perspective Plan like we have a plan to do 200 ships till 2027 and what exactly where are you on that number front and you guided some medium and long-term plans. So does this really fit into that scheme of things, could you throw some numbers on it, how big is that opportunity we will be looking at.
- Narayan Prasad:** See both Indian Navy and the Indian Coast Guard they have their own Maritime Capability Perspective Plans and they are top secret documents. I would not be able to roll out this figure which is containing each one of them majorly being with the naval background I can share with you right now whatever is already in the public domain. There is already a thought process to build 6 in number conventional submarine for which RFP is already out as you are aware we have been discussing about that. Subsequently right now already an



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RFP which is going to come out is for 8 in number, New Generation Corvette which is pegged at about 33000 Crores and it is largely followed by another 7 in number that is 17 Alpha Repeat Stealth Frigates and it will be followed by the navy needs 4 in number NPDs Landing Platform Docks which shipyard is going to build that it has still not been configured the financial aspect is not fully established right now and this is going to be followed by New Generation Destroyer 5 in number which is going to be roughly pegged at about 50000 Crores. This is going to be certainly followed by some more vessels which are there, but these are going to be long durations we do not have the complete information which is available. So whatever is known in a public domain and something which has already come as RFP I have just shared with you.

**Rohit Natarajan:** My question is what exactly is the aggregate value of these projects look like let us still take over next five years aggregate value.

**Narayan Prasad:** I can just put it something that I know as there is already a DAC which is Defense Acquisition Council approval for construction of 8 in number New Generation Corvettes which is 33000 Crores that we know it is going to come. In due course of time this RFP is going to be issued. We already have an RFP for 43000 Crores, so you have 33 plus 43 that makes 76 plus another about 50000 Crores which is NGD and in addition is also likelihood that 7 in number Repeat Project 17 Alpha Frigate which is going to be there that will be another about 35000 Crores.

**Rohit Natarajan:** Second question is more to do with your company's net debt given that we have had a strong performance in 1Q what exactly would be the net debt if you want to touch upon that.

**Narayan Prasad:** What I can understand, you basically are trying to inquire about that in this particular last fiscal the turnover has been about 5733 Crores and in this quarter we have rolled out about 2230 Crores which is 84% higher than the last quarter. The last quarter of the previous year what is going to be the visibility in the next value of production on this turnover 2022-2023, 2023-2024. Correct I got your question right.

**Rohit Natarajan:** Correct.

**Narayan Prasad:** So if I look at those figures and all I can talk about we have achieved 5770 Crores in 2022, March 31, 2022. You can presume about 19% to 20% improvement for the year 2022-2023 and a similar kind of an improvement in the next fiscal that is 2023-2024 and 2024-2025.



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- Moderator:** Thank you. The next question is from the line of Vineet Anand from Emkay Global. Please go ahead.
- Vineet Anand:** I want to understand from the margin perspective because your orders are typically very long rated, how is the margin recognition done is the raw material totally pass through as majority of this is a government contract or how is it, you procure at the time of winning.
- Sanjeev Singhal :** As far as these orders are concerned which are primarily on nomination basis the margins have been pegged at 7.5% . With respect to ship building, the contract essentially comprises of two components one is the variable cost component another is a fixed cost component both in a similar ratio of around 50% each. So in case of a variable cost component practically the entire costs are passed through and whatever is the expenditure with respect to procurement and other activities including the yard efforts that plus 7.5% margin is passed on to MDL. With respect to the fixed cost component where the scope is frozen right at the beginning of the contract there the prices are fixed including the margin. So it all depends upon the efficiency with which we are able to cut cost over here. So in case there is an increase in cost that hit has to be taken by the company however considering that the payment terms are quite flexible and normally the payment flows ahead of the expenditure being incurred, the orders are placed sufficiently in advance, so which takes care of any kind of adverse fluctuations.
- Vineet Anand:** So as I understood you are saying that half of the contracts are approximately half this variable half is fixed variably basically possible plus 7.5% this is at the PAT right.
- Sanjeev Singhal** This is at the Operating Profit level.
- Vineet Anand:** And the fixed part basically you again have fixed part plus 7.5%. Just trying to understand in a typical contract what could be a fixed part and not in terms of percentage what I am trying to understand let us assume you get a submarine what part does the government want it to be fixed and what as a variable.
- Sanjeev Singhal:** What I have spoken is with respect to the shipbuilding contracts which primarily we are executing right now. The submarine contract is towards the fag end, as only one submarine remains to be delivered and once I have stated the percentages it is irrespective of the value. So whatever is the contact value approximately this is the breakup.
- Vineet Anand:** So fair to assume if you have an order book today of 43000 odd Crores right Sir.



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- Sanjeev Singhal:** Yes.
- Vineet Anand:** So half of those are basically this half is a variable contract.
- Sanjeev Singhal:** Yes.
- Vineet Anand:** So if I have to assume that your biggest raw material would be steel right.
- Sanjeev Singhal:** Steel does not comprise, as far as the cost component wise is concerned, it does not comprise a very significant portion of the cost. It would be roughly around 3% to 4% of the total contract value or even less than that.
- Vineet Anand:** So going into 2023-2024 do you see how this margin trajectory whether it will be better off than 2022 or how do you and if you can give some color of that.
- Sanjeev Singhal:** We do not see any significant change in the margin profile for FY2023 and in fact moving ahead also because as far as the foreign exchange variations are concerned they are totally pass through.
- Vineet Anand:** And I think the line was not good that Sir had mentioned in terms of sales growth of 20% odd for the next two years.
- Sanjeev Singhal:** We are looking at something around 15% to 20% current year and a similar kind of a growth next year.
- Vineet Anand:** The last one from me I think the medium-term prospects Sir had mentioned that new generation corvettes plus some with this 16 P71, P75s and others. So what do you think for this year FY2023 what could be a possible inflow for MDL.
- Narayan Prasad:** As far as 2023 I would say not 2022-2023 but if you look at 2023-2024 navy is contemplating ordering a couple of projects 17 Alpha Repeat Stealth Frigate and like last time in 2015 we got 4 and GRSE got 3 and that value was about for us 25728 Crores at the current escalated value they will roughly go to about 30000 to 33000 Crores for the four platforms. So this is something which is going to come, should come I would say, not going to come because the files are still being floated in the Naval hierarchy and the Ministry of Defence and we will get to know. Similarly there is an RFP which is going to be issued which I can see in the next about six to eight months and accordingly you will get a submission time frame for roughly at about another eight to ten months which is





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construction of 8 in number New Generation Corvettes which is pegged at about 33000 Crores. So these two platforms 33000 Crores and about 31000 to 32000 Crores for the project 17 Alpha I can foresee it coming in about one to two years time in terms of placement of order and that is what it is. I would say once the RFPs have taken out, because both the RFPs have not been brought out, we submit the bids it has got its own timeframe lead time for processing at the MOD and it goes for CCS approval and all. So I would say two to three years duration for placement of the order from now.

**Vineet Anand:**

So basically as I understand in next two or three years as you rightly said two of the large orders expected for FY2023 maybe some smaller orders but no major order is expected is it right to understand that way.

**Narayan Prasad:**

In terms of few bids we have already submitted, small ones which are there even for exports we are pursuing them but we are pursuing since when the COVID was there and all these countries they always give you a response that they are at different stages of processing. So if you ask me 80% sure these are the orders which is there but meanwhile we have diversified in the field of construction of the containers and the Container Corporation of India has placed an order of about 75 Crores for construction of certain containers, and there is a likelihood that we together built a facility in our Nhava Sheva Yard and then we can see it happening on a larger growth in this sector in the years to come.

**Vineet Anand:**

And your PPT says that in terms of new venture one of the things that you rightly said that with CONCOR apart from that it does mention some hydrogen fuel cell power electric vessel in collaboration with Tata Advanced Systems what is that.

**Narayan Prasad:**

As you are aware this highly talked about program which is P75I employs a technology which is called hydrogen-based fuel cell and hydrogen-based fuel cell based Air Independent Propulsion system. So a small section of this one has been utilized for the first time in this country in collaboration with MDL and Mazagon in which a six-passenger vessel has been powered by hydrogen fuel cell. So basically you have got a hydrogen and oxygen, so there is a hydrogen container, there is a cylinder for hydrogen which along with the oxygen makes H<sub>2</sub>O - water which is a neutral output and generates electricity which charges the battery and that battery powers the onboard motor, which is used for propulsion. So this is FCEV. The good thing is it has got a huge potential for a subsequent Future Electric Vessel through Hydrogen Fuel Cell.



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- Vineet Anand:** One last from my side. This P75I, I mean, MDL and L&T are the two Indian partners, I mean, two strategic partners that we have to get. So how does this work in terms of will both of them get or how is it.
- Sanjeev Singhal:** As far as the term is concerned, strategic partner, this is the term used by the navy. For common understanding you can take it as there are two Indian bidders who have been identified and as far as the RFP structure is concerned right now the RFP structure is the entire six vessels go to one of the Indian bidders and these Indian bidders in turn have to collaborate with one of the five foreign collaborators. So both L&T as well as MDL, both are independent bidders and the contract, as far as the current RFP structure is concerned, is designed to go to one of these companies.
- Vineet Anand:** Okay Sir thanks a lot, those were my questions. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.
- Mohit Kumar:** Hi! Sir, thanks for the opportunity once again. My question is on the repair ship building on the repair side. So what kind of margin is possible, all opportunities possible from the U.S. fleet repairs have you worked out any ballpark number in the medium-term.
- Sanjeev Singhal:** As far as the ship repairs are concerned, ship repairs still is not a very significant piece of our total revenue. We are still focused on the construction of new vessels. In spite of that whatever small orders we have been bagging, as far as the margins are concerned, these are always based on the opportunity and the level of competition. So where we find that the competition is not significant and our facilities are available there the margins can be slightly better, in case of competition it has to be competitive. So no fixed ballpark figure with respect to margins on a uniform basis, as this is a market which is not monopolized by MDL per se.
- Mohit Kumar:** And anything on the international order inflow opportunity in the next 12 to 18 months which we are trying.
- Narayan Prasad:** In terms of export order we have undertaken a small order for repairs of two foreign vessels of the order of about 4 Crores, but in terms of building new platforms and new other vessels we are pursuing and we have also submitted our bids for construction of 4 in number New Generation OPVS Officer Petrol Vessel for Argentinean Coast Guard which is pegged at about 1600 to 1700 Crores. In addition also we are pursuing construction of 1 in number



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floating Dry Dock for Swiss Canal Authority which is at about some 600 Crores or so. So these are the two things which are happening, in addition we are also pursuing with the Zvezda Shipyard in Vladivostok Russia where they have sought assistance of Mazagon Dock Shipbuilders Limited for in-situ construction of commercial ship which would entail deportation of about 800 to 900 people to undertake work out there. This we are examining all the pros and cons and the possibilities, there could also be in the order of initially about 350 to 400 Crores.

- Mohit Kumar:** My question is anything on the Indian Coast Guard side the opportunity in a medium-term.
- Narayan Prasad:** Yes, we have submitted couple of bids to ICG as well essentially there is a 14 number New Generation Fast Petrol Vessels, six New Generation Offshore Patrol Vessels and 12 Air Cushions Vessels also for Indian Coast Guard. So these are at different stages of processing and we will get to understand as it comes.
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Thank you for the opportunity and congratulation for a good set of numbers. Two questions from my side. Is it possible for you to share the order book breakup of destroyers of frigates and submarines are presently of the 43000 Crores.
- Narayan Prasad:** We have destroyers, which is the project 15 Bravo. So its initial complete order book value was about 34300 Crores and what is balance right now is about 55% which is 18897 Crores we are also building 4 in number projects 17 Alpha Stealth Frigate, initial total value is about 24238 Crores and currently the balance is about 77% which is 19795 Crores we also handling construction of 6 in number conventional summaries which totally it is pegged at about 27976 Crores, presently we are handling about 16% rest all has been completed which is about 4400 Crores and there is one medium refit and life certification which is a maintenance program of a submarine it was initially pegged at 1176 Crores we have completed about most of them what is left is about 7% which is 98 crores and there are some other minor ones which is 69 Crores all this together make it 43343 Crores.
- Harshit Kapadia:** Thank you for giving the detailed breakup. Follow-up question is on the LPD so that tender has been out for quite some time, which of the Indian companies have the capability to manufacture an LPD.



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- Narayan Prasad:** This LPDs as you are aware, they are all 200 plus length vessels and these are like mini aircraft carrier largely for deployment of troops and tanks and also for HIDR Mission. There were three shipyard initially who have qualified for it, they are being L&T, HSL and Cochin Shipyard Limited but with facilities enhancement which has been done at MDL, MDL also qualifies for this one and there is a team at the naval headquarter who comes and visits and evaluate all these facilities and before their names are included in the issuance of RFP and that is what they are doing. So evaluation is over and subsequently they will be going for MoD's approval for DSC approval.
- Harshit Kapadia:** And by when do you think the approval is expected that is in this year next year based on how the progress has been.
- Narayan Prasad:** LPD if you ask me I have absolutely no idea about that.
- Harshit Kapadia:** Fair enough and thank you for the answer wishing you all the best.
- Moderator:** Thank you. The next question is from the line of Venkatesh Subramanian from LogicTree Capital Advisors. Please go ahead.
- Venkatesh S:** Hi! Sir good afternoon, thank you for the elaborate answers. I have two questions. One is in terms of delivery schedule you had mentioned that this year and especially in September we will probably have one delivery of a submarine and when you mention the order book position you said another 16% is less which is 4400 Crores is that the one that you are mentioning that is supposed to be for completion and apart from that over the next 12 months which is in calendar year 2023 what kind of delivery schedule do we have broadly what are the important shifts that are supposed to be delivered.
- Narayan Prasad:** Some of the figures that you have rolled out are incorrect so I will first correct that. As far as the Scorpene submarines, we are building six of them under project P75. 4 in number has already been delivered the fifth one has gone through 50% sea trials and by end of the year the fifth submarine will also be delivered. The last one which is the sixth one is slated for delivery somewhere about end of 2023 or first quarter of 2024.
- Venkatesh S:** So that is the two submarines out of the pack of six.
- Narayan Prasad:** Correct.



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**Venkatesh S:** So there was something that you mentioned that is supposed to be delivered imminently next two months.

**Narayan Prasad:** So we have one project 15 Bravo Destroyer which is a guided missile destroyer we are building four of them. Last year in October we delivered the first one which is called INS Visakhapatnam. The second one has finished most of the trials and is presently awaiting some of the final refinement, it is planned to be delivered either end of this month or it will go to mid of next month.

**Venkatesh S:** And what would be the value of production on that one, which basically will be a next quarter's earnings kind of thing is not it.

**Narayan Prasad:** Couple of things we must understand, this Value of Production it will distance from whatever delivery we are making. So largely, like for example this quarter has a value of production of 2230 Crores and in this quarter we have also launched a Submarine which is the sixth submarine, we have launched a project 17 Alpha Stealth Frigate, we have launched in this quarter itself, our fourth project 15 Bravo Destroyer and the keel laying of fourth project 17 Alpha but what I am saying that largely on-boarding of all the equipment for various programs will constitute a turnover not really the activity which is happening. So for example 2230 Crores which has been rolled out in this the shipbuilding project has a contribution of roughly about 1600 Crores, we are also buying some B & D spares which has got about 72 Crores, P75 is about 255 Crores, in this quarter MRLC is about 36 Crores submarine B &D is about 190 Crores so that together and some other revenues which come will make this particular figure. So please do not link with activities directly with the turnover.

**Venkatesh S:** Got it understood Sir, thank you and the other question that I had was for the next financial year or for calendar year 2023 what kind of, I know you have already guided for broadly a 15% to 20% growth but what are the vessels up for delivery in next year in terms of delivery schedule.

**Narayan Prasad:** Next year we are largely focusing to deliver the last Submarine which is the sixth one. So this can happen by end of 2023 or the first quarter of 2024. Now we start the trials of the third destroyer, some trials have already started as I have told you second we are going to deliver, third the trials are going to commence by about October, November and by early or mid of 2024 that vessel can be therefore considered for delivery.

**Venkatesh S:** That is helpful Sir. Thank you very much.



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- Moderator:** Thank you. The next question is from the line of Rajeev Rupani an individual investor. Please go ahead.
- Rajeev Rupani:** Thank you for the opportunity. Sir, I have a question on the current order book of 43000 Crores. So by when do you expect to complete the current order book completely?
- Narayan Prasad:** If you look at the construction program which is being vigorously pursued at MDL that is the last two summaries, one awaiting delivery by end of this year. The next one is by end of 2023 or first quarter of 2024 and other project 15 Bravo and project 17 Alpha Frigates that time schedules all taken into account these all will shift to about 2026 or 2027. So by mid or end of 2027 it is all planned or it is being scheduled to deliver all the vessels to the Indian Navy and the customer.
- Rajeev Rupani:** And my next question is regarding the project P75, I mean, since last one or two concalls there has been delays in the project so when can we expect that the project will be awarded one year from now approximately is it fair to assume.
- Narayan Prasad:** You are not talking about project 75 which is a Scorpene Ongoing Program.
- Rajeev Rupani:** No the new project for six submarines.
- Narayan Prasad:** You are talking about P75I the forthcoming project.
- Rajeev Rupani:** Yes Sir.
- Narayan Prasad:** I must share with you; you have asked one of the most difficult questions which is floating around. It is going to be one of the largest defence deal in the recent time and the stringency which is inbuilt into the RFP and the foreign collaborations which are required and also the state-of-the-art technology which are involved Air Independent Propulsion System and Lithium-Ion Batteries they are available only few hands. So this RFP is being reviewed based on the anxiety level of all the participating OEMs and I am very sure Ministry of Defence is finding out an answer to everything or already found the answer to their anxiety levels in terms of areas of responsibility jointly severally so some queries have come from them which are being addressed by Ministry of Defence and right now I may not be able to give you any timeline as to when they will be all sorted out because this also entails both the countries governments approval that is Germany and also South Korea so they are a little time taking exercise though the bid submission days have been extended till end of November this year but these all steps have to get completed before that.



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- Rajeev Rupani:** That was helpful and I have one more question now I believe our current capacity is to build 11 submarines and 10 ships. So once this new order for submarines and the destroyers and the corvettes are awarded to us going forward in the next two, three years. Any expansion plans on the cards for a new yard.
- Narayan Prasad:** Yes, we have a plan for the Nhava Sheva which is about 37 acres of land and about 10 nautical miles from our place a deep water I would say deep water jetties can be created out there this is already existing. We have a plan, for about 80 Crores of investment in the current ongoing fiscal to first develop the existing infrastructure facility to ensure that we are able to take ships alongside. We also have a plan there to build our own floating dry dock, it is going to cost us about 350 to 450 Crores. We are building to enhance our own infrastructure facilities. So if these orders come our way or there is a great visibility of a confirmed order we will start investing in all this particular thing in a very big way and certainly these take about four to five years to fructify and meanwhile whatever facilities that we have in our own shipyard which is Mazagon Dock main shipyard which is 75 acres of land we will commence the work and at the same time the expansion program will further get a boost.
- Rajeev Rupani:** Thank you that was helpful.
- Moderator:** Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.
- Parthiv Jhonsa:** Sir I actually unfortunately joined the call midway, so just have a kind of quick question. You had an exceptional excellent performance in the Q1 and I believe somewhere the previous participants someone had asked and you had guidance for about 15% to 20% kind of a revenue jump however if you see the Q1 had about good 80%, 82% kind of a revenue jump what would be the reason for, when the subsequent three quarters that kind of a revenue jump is it that you are giving a guidance which is a bit acceptable or what is just the understanding behind that.
- Sanjeev Singhal:** If you actually look at it our guidance last year was, last year we had registered a revenue of 5770 odd Crores and we expecting 15% to 20% increase in the revenue going ahead in FY2023. We have been maintaining this all along as far as shipbuilding industry is concerned, this cannot be compared to other process industries and our production and value of production or revenue booking is not linear. This would be a bit lumpy depending upon what kind of equipment go on board. So a sudden jump in the revenues during the first quarter need not necessarily mean that we are going to replicate a similar quarter for the



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balance three quarters also. We continue with our guidance of approximately 6500 to 6800 Crores for FY2023. It always depends up on what kind of activities or what kind of equipments are being taken on-board as per the schedule in each of these quarters. Revenue booking for first quarter has been 2230, this may moderate out in the balance three quarters.

- Parthiv Jhonsa:** Perfect and the margins are similar to the Q1 the PAT margins.
- Sanjeev Singhal** Yes, PAT margins we do not see significant difference.
- Parthiv Jhonsa:** And my last question is the order book which you have about 43000 odd Crores as on date what is the company's perception for the next remaining nine months how do you see the order book flowing in.
- Sanjeev Singhal:** I think we have already discussed that at length with respect to the future order position.
- Parthiv Jhonsa:** Sure, no issues, I will just have a look at the transcript. No issues. Thank you so much.
- Moderator:** Thank you. The next question is from the line of is Rohit Natarajan from Antique Stock Broking Limited. Please go ahead.
- Rohit Natarajan:** Thank you for the opportunity again Sir. My question is more to do with the possibility that if this landing platform dock is awarded would this significantly alter the budget or will there be a need for maybe because displacement tonnage wise we may not need an aircraft carrier as such. So can that budget be allocated more towards something else is there such strategic thinking going around in terms of how the requirement of procurement of vessels would look like.
- Narayan Prasad:** As I have shared with you, MDL has got no details right now and we will not be able to comment on this.
- Moderator:** Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.
- Viraj Mithani:** Good afternoon and congratulations for the good set of numbers. I just have two questions. First is you said the topline growth would be 15%, 20% what would be the bottomline like PAT margins would be in range of what 7% to 9% is fair to assume.





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- Sanjeev Singhal:** Yes, we have been maintaining on a consistent basis and we do not see any significant change down the line
- Viraj Mithani:** 7% to 9% is fairly a good assumption to assume right is that correct Sir.
- Sanjeev Singhal:** Yes.
- Viraj Mithani:** And my last question is going forward how would be the order of planning be more towards products and the store services or services keep on increasing.
- Sanjeev Singhal:** The focus remains towards the products primarily, we are a manufacturing yard so the focus remains towards the products compared to services.
- Viraj Mithani:** Okay, thank you that is it from my side all the best.
- Moderator:** Thank you. The next questions is from the line of Vishal Periwal from IDBI Capital Markets. Please go ahead.
- Vishal Periwal:** Yes, Sir, thanks for the opportunity. One little basic question if one has to understand the Mazagon is there any particular services that we provide or probably product that we manufacture it is not being manufactured maybe by other peers of yours Garden Reach or Cochin Shipyards if you can just help with that like that will give us understanding like where exactly our company stands vis-à-vis the peers.
- Narayan Prasad:** If I have got your question right the product that we manufacture here, that we are building here, are largely Destroyers, Frigates and Submarine. So in terms of services and maintenance facilities which is there, so sometime back in 90s we had built two HDW submarines conventional submarine. So all the maintenance, this means large size maintenance program, we call it medium refit and life certification. So these, earlier are roughly priced at about 1500 Crores each of these vessels and takes about two, two and a half years so these vessels have been built by Mazagon Dock Shipbuilders Limited and its MRLC is also undertaken by MDL only and presently one is undergoing that MRLC and the second one is lined somewhere mid of next or end of the next year. Similarly this Scorpene Submarine that we are building six, four already delivered some infrastructure facilities has been created by the Indian Navy in their own Naval Dockyard for maintenance but deep maintenance capabilities are all being envisaged through Mazagon Dock Shipbuilders Limited and we are helping the Navy to identify the same thing when it comes to Destroyers and Frigates they are very weapon capital intensive platforms. Western and



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Central, both Indian Navy has got three major Naval Dockyards one at Vishakapatnam one at Mumbai all of them have got about 10000 people who are working they have a large amount of infrastructure facility for doing deep maintenance and looking after their weapons and since its calibration facilities in their own yards. So there they do not offload this particular thing to except for some minor jobs to any outside shipyards. So as far as the MDL is concerned though we have built it, Destroyers we have built Frigates their maintenance or servicing is being taken care of by the respective Naval Dockyard Indian Navy's own facilities submarines we are looking the deep maintenance is being taken care of by Mazagon Dock Shipbuilders.

**Vishal Periwal:** And in terms of even manufacturing of the products the three categories we mentioned.

**Sanjeev Singhal:** As far as the USP of MDL is concerned, as far as Destroyers are concerned no other shipyard within the country has ever built a Destroyer other than MDL and similarly with respect to Submarines also the entire end-to-end construction of two different kinds of conventional Submarine has been undertaken only by MDL, as far as the Indian subcontinent is concerned.

**Vishal Periwal:** Okay sure so this is helpful. Maybe a last thing from my side I think though you have covered that Nhava Sheva is the incremental Capex that will come up, but just in terms of numbers point of view or what exactly you are targeting in terms of Capex for this year and next year. Thank you.

**Sanjeev Singhal:** As far as current year is concerned, current year we are targeting a Capex of around 80 Crores at Nhava. In addition, there could be a contract with respect to construction of floating dry dock at Nhava Yard in the range of 350 to 450 Crores. I do not expect the expenditure to hit during this financial year maybe some minor expenditure otherwise it may spill over to the next financial year and in case there is a significant visibility with respect to the new orders and we go for the development of Nhava yard in a full-fledged manner then the investments would be significantly high.

**Vishal Periwal:** Okay, sure got it, thank you so much. Thank you.

**Moderator:** Thank you. As there are any further questions from the participants' I now hand the conference over to the management for closing comments.

**Sanjeev Singhal:** This has been a nice interaction with all the investors and we also get an opportunity to put at rest any doubts which the investors may be having. As far as the performance of the yard



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is concerned we have been performing on a consistent basis and going ahead we see a fairly promising future for Mazagon Dock Shipyard particularly in terms of new builds although we have been trying into the repairs and maintenance also, but our primary focus area would remain new builds. With this I would like to close and thank all the investors who have participated in the conference. Thank you.

**Narayan Prasad:**

Thank you very much.

**Moderator:**

Thank you. On behalf of IDBI Capital Market that concludes this conference. Thank you for joining us and you may now disconnect your lines.