



# “Mazagon Dock Shipbuilders Limited Q3 FY24 Earnings Conference Call”

**February 14, 2024**



**MANAGEMENT:** **MR. SANJEEV SINGHAL – CHAIRMAN AND MANAGING DIRECTOR, ADDITIONAL CHARGE AND DIRECTOR FINANCE**  
**COMMANDER JASBIR SINGH – INDIAN NAVY RETIRED DIRECTOR (SUBMARINE AND HEAVY ENGINEERING)**  
**MR. BIJU GEORGE – DIRECTOR SHIPBUILDING**  
**COMMANDER VASUDEV PURANIK – INDIAN NAVY DIRECTOR (CORPORATE PLANNING AND PERSONNEL)**

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

**Moderator:** Ladies and Gentlemen, Good day and welcome to Mazagon Dock Shipbuilders Limited Q3 FY24 Earnings Conference Call hosted by ICICI Securities.

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, please signal an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

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

**Amit Dixit:** Thank you Manuja. Good evening everyone and thanks for joining 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 Shri Sanjeev Singhal – Chairman and Managing Director Additional charge and Director Finance, Commander Jasbir Singh Indian Navy Retired Director Submarine and Heavy Engineering, Shri Biju George – Director Shipbuilding and Commander Vasudev Puranik Indian Navy Director Corporate Planning and Personnel. Without much ado, I would invite Shri Singhal for opening remark post which we will open the floor for an interactive Q&A session. Thanks, and over to you, sir.

**Sanjeev Singhal:** Good evening everybody. First of all, my huge thanks to all the Investor Community for reposing your consistent faith in Mazagon Dock Shipbuilders and I assure you that going forward also the Company will continue to perform the way it has been performing. This quarter also has been a good quarter for us and in fact we have recorded the highest-ever quarterly profit and highest ever 9 months profit.

Of course, a couple of reasons have been there for the good performance which I have indicated earlier also that in case of P-75 submarines we have delivered 5 submarines between 2017 to 2022 and as per the contract as all these submarines were beyond the contractual timelines, liquidated damages penalty was levied on MDL. However, MDL has taken up the case with Indian Navy giving the justifications why the delay is not attributable to MDL and the applications have been considered favorably.

So, in the last quarter also we have received the refund with respect to third submarine and second submarine we have received earlier, third submarine we have received in third quarter, and we also expect with respect to fourth submarine also we expect positive results. So, may be it could be in this quarter. So, this has been one of the features which has contributed to the profit of the company.

In addition whenever we deliver the platforms prior to the delivery schedule or as per the contractual schedule it always has a sobering effect on the costs and a positive effect on the profits because in case of delay of any platform, even if the delay is not attributable to MDL and

finally the liquidated damages penalty is not levied on MDL, the maintenance of that platform and the utilization of labor and other resources of the company over the extended period of time adds up to the costs and eats into the profits.

So, the third destroyer which we delivered in the month of October 23. This destroyer was delivered almost 5 months ahead of schedule. So, whenever the deliveries are made ahead of schedule there is a consistent and a significant saving in terms of costs which adds to our profits.

So, with these opening remarks I look forward to your queries and anything which the investors would like to know.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

**Rohit Natarajan:** So, my first question is on the nominated 3 add-on submarines. What is the status of it? Will the model code of conduct be a deterrent to get it awarded or should we expect it by June? Could you talk something on the timeline, the cost structure that would be really helpful?

**Jasbir Singh:** As you are aware we have already submitted the bid almost 2 months ago to the Navy and the procedure has already started and this procedure as I understand will continue and there are lot of activities in between that is the cost committee has to complete their benchmarking, then they have to call us for PNC and after PNC contracts will be exchanged. So, it will take a certain amount of time . So, with respect to your question of model code of conduct, I think this project will be, according to us, be processed parallelly.

**Rohit Natarajan:** Sir, the realistic timeframe in which this letter of award can be issued, is there something that we have in mind?

**Jasbir Singh:** We as MDL are hoping that the order comes earliest and so we are putting all efforts, we have all organization in place. We are interacting as quick and promptly as required with the government as well as Indian Navy. However, how much time the government procedures would take we won't be able to comment on that. It could be any time, let's say, 4 months to 8 month's time.

**Rohit Natarajan:** My second question is about the P-75I AIP. There are some talks about the German partners making approaches to the government straight and saying that they could rework on the timeline on a nomination order. Any color on those aspects as far as what is the current status of the technical assessment that's going on?

**Jasbir Singh:** The Technical assessment is there with the Indian Navy so I'll answer that question first. They are progressing with the technical assessment, and we know that it has not concluded as it also includes the Field Evaluation Trial which is part of the technical assessment. So, that is going to happen in a few months from now. However, as regards whether the German Government is

interacting with the Indian Government we don't have any idea about that. We are aware of our input that we received from the Navy for moving ahead with the technical negotiations and the technical assessment part.

**Rohit Natarajan:** Sir, any timelines in which this could get completed and new awarding could possibly happen, any picture on those aspects?

**Jasbir Singh:** That timeline as I think the government is also in a way bound as well as we are bound to give our inputs as according to the defense acquisition procedure DAP 2020 based on which there is a timeline which requires about 8 months to 10 months to conclude.

**Rohit Natarajan:** So, my final question is on the slowdown in terms of acceptance of necessities for new vessels and even the ones which have got AoN hasn't moved into that building stage, any color on that especially on next generation corvettes and the prospect next generation destroyer.

**Biju George:** The next generation corvettes is still in the pipeline. It's not very clear when we will get the opportunity to participate in the RFP, but it is expected shortly. As far as the next generation destroyers are concerned that is also in a very preliminary stage of processing, but as far as the Navy's force levels are concerned this large combat vessels are as part of the plan for their augmentation.

So, we are definitely a contender for next generation destroyers considering our experience in building combat platforms here. So, at this moment we are unable to forecast any clear dates when that order is going to become a reality.

**Moderator:** Thank you very much. The next question is from the line of Vignesh Iyer from Sequent Investment. Please go ahead.

**Vignesh Iyer:** Sir, I would like to know if any major delivery that is going to happen from our side for quarter 4 and any delivery that is expected in FY25?

**Sanjeev Singhal:** As far as the deliveries are concerned, I just informed that we have delivered one large platform, i.e., the third destroyer Imphal in October 23 and under 15 Bravo we have already delivered three destroyers. The fourth destroyer we are targeting for delivery in 2024-25 sometime, may be in second quarter or early third quarter.

In addition, with respect to 17A frigates also we would be targeting the delivery of the first vessel first frigate in 2024-25 before December this year.

**Vignesh Iyer:** CY 24 if I get it correct?

**Sanjeev Singhal:** Yes.

- Vignesh Iyer:** And what is the total value of this destroyer frigate the total project value?
- Sanjeev Singhal:** Project value for 15 Bravo destroyers is roughly 32,000 crores and for the frigates, 4 number of frigates, it is around 27,000 crores.
- Vignesh Iyer:** Sir, I just want to know what is the total cash balance with us as on 31st December and how much of that cash balance actually is ours I mean minus advance that we have received?
- Sanjeev Singhal:** Yes, minus the advances the cash which belongs to the company is slightly in excess of 3,000 crores.
- Moderator:** Thank you very much. The next question is from the line of Amit Vora an Individual Investor. Please go ahead.
- Amit Vora:** My question is regarding the improvement in margins, the margins have improved this quarter and as compared to last quarter what would you attribute it to?
- Sanjeev Singhal:** I think in my opening remarks itself I very categorically stated the reasons for the better margins. One is the refund of the liquidated damages for the one number of submarine in quarter 3 and second our delivery of the third destroyer almost 5 months ahead of schedule. So, these two have been the major factors which have contributed to better margins.
- Going ahead, we expect one more refund of the LD with respect to one submarine in quarter 4 and depending upon the delivery of the fourth destroyer which again we are trying for early delivery, there also, there could be better margins.
- Amit Vora:** You think sir this margins can be sustainable for at least the next two or three quarters?
- Sanjeev Singhal:** Yes, this would depend upon the deliveries, but as of now we are expecting that.
- Amit Vora:** And one more question sir regarding this there is this MDL has signed a contract with European clients regarding 3 units of 7,500 DWT. So, this order is apart from the 38,000 order I'm sure it is that way only the 38,389-crore order?
- Sanjeev Singhal:** It is a part of the total order book.
- Amit:** And even along with this ONGC order also is a part of the total order book?
- Sanjeev Singhal:** Yes.
- Moderator:** Thank you very much. The next question is from the line of Sriharsha K J an Individual Investor. Please go ahead.

**Sriharsha K J:** In your opening remarks you told that you have received LD amount in Q324 and there is a possibility of also receiving LD in Q4. Is it possible to quantify the amount of LD which you have received in this quarter and the amount which you probably going to receive in Q4 of 24?

**Sanjeev Singhal:** Yes, Q3 is approximately 160 crores and Q4 it would depend upon the assessment of the, finally what is assessed by the Navy. The delay attributable to MDL, but we are expecting a similar range 150 crores to 160 crores.

**Sriharsha K J:** And then your order book for 31st December was 38,389 crore, possible to give the break up or by what time you will be liquidating that order backlog?

**Sanjeev Singhal:** Right now the list of orders is slightly longer. So, breakup of each of the orders will be slightly difficult, but as far as the liquidation is concerned, 15 Bravo we have already delivered 3 destroyers, fourth destroyer we target to deliver sometime in second quarter or third quarter of FY25.

So, this would be closing 15 Bravo broadly and 17 alpha frigates we plan to start the deliveries. It is 4 frigates. So, we plan to deliver the first frigate by December of 2024-25. This would be continuing for another 3 years or so approximately and the balance deliveries with respect to the Coast Guard ships and the export orders these would be spread over the next 3 years, 3.5 years.

**Moderator:** Thank you very much. Next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** I would just plug in a few questions before the line gets actually populated. So, my question is more on the strategic view. If you look at the budget allocation for naval fleet in the interim budget then the allocation is very, very static. I understand that there are deliveries to be made, so most of this budget allocation could be towards the committed liabilities.

Now since there is no increase compared to last year's revised estimate, is it reasonable to expect that some of this ordering that we are expecting might be pushed to next financial year?

**Sanjeev Singhal:** The order actually materializing, in the sense as far as our experience is concerned, there is no relation to funds, there has not been any constraint with respect to the funds and whatever allocation has been made, as you rightly said, it is with respect to the expenditure which is already committed.

So, even if the orders are getting finalized the expenditure would be flowing in over next couple of years. So, during this particular financial year or Financial Year 2025 we don't expect a significant buildup of expenditure. So, the budget would not be a constraint in that regard.

**Amit Dixit:** The second question is essentially if I look at your order inflow for this year now this has been pretty impressive in fact compared to other shipbuilders if we look at it, so do we expect some more orders in the remaining part of the FY24 or we are mostly done for this year?

**Sanjeev Singhal:** As far as FY24 is concerned if you really look at it for the last couple of years Mazagon Dock Shipbuilders has not booked any fresh orders. The last major order was in 2015 that is with respect to frigates and then one MRLC in 2017-18.

Apart from this there has not been any major order booking. So, as far as FY23-24 is concerned there have been substantial booking up to December we have booked orders more than 6,000 crores, including January we have already booked orders more than 7,000 crores and if we go into the detailing of these orders, these orders are from the coast guard, these orders are from ONGC and these orders are also from the export segment.

And in fact, there are some small orders from Nepal also. So, there is diversification in all the directions. So, we are exploring all these markets and all these segments. FY24 we are almost only 1.5 month is remaining so difficult to say whether any further fresh order booking would be there in FY24, but going ahead yes we are open to all segments, we'll be exploring them.

**Amit Dixit:** Sir, on the ONGC order just wanted to understand that this one is a kind of different kind of order as compared to what you normally do. So, can we expect better margins in this order?

**Jasbir Singh:** As regards ONGC order, as of now we are making inroads into an area where we were there about 20 years ago. It will take a while, and we are competing against the people who have been earlier already quoting. So, I mean the margins are similar to what the government gives right now and more so it's from PSU so there is no higher margin available than what government is giving.

**Sanjeev Singhal :** I can say we are keeping our fingers crossed with respect to the execution of this particular project because right now the emphasis is on the successful and timely execution , as far as the margins are concerned in case we are able to execute it in a timely manner. There should not be a much of a concern with respect to margins.

**Amit Dixit:** And on margins only sir if I look at your margins over last let us say 10 quarters, 12 quarters I mean, these have been quite high compared to the other shipbuilders in the country, at least listed ones that we are aware of.

Now you have rightly highlighted some of it has to do with the LD refund, some of it has to do with the early delivery. Now early delivery is something that we have been seeing in quite a few platforms we have delivered in the recent past. So, is it reasonable to expect that and you also indicated that destroyers also you are making all possible endeavors to deliver it ahead of time.

So, is it reasonable to expect that now for us the margin profile has shifted up or we can expect that the government will come and the next orders will again pull you down to the similar kind of margins as stated in the regulations?

**Sanjeev Singhal:**

As far as this is concerned this will always be a cat and mouse game. If on nomination basis once you execute an order the figures are out in the open, but at the same time with the experience, with the skills gain, with the experience gain and with the improvement in processes you also improve your cost structure.

So, it will always be very situational and different from each project. Some of the projects like P-75 Scorpène submarines have been a cost-plus project with certain ceilings with respect to expenditure on different heads. The other two contracts which we have been executing, they have been hybrid contracts 15 Bravo and 17A.

Going ahead with respect to the export order, with respect to the coast guard orders, with respect to ONGC orders, they are by and large fixed price contracts. So, depending upon the segment from which we are getting the order, depending upon the nature of the contract, depending upon what kind of experience we have already gained.

So, there will be a lot of factors which will be having a bearing on profitability. It's difficult to say that there would be, with certainty, that there would be stability in the profits at times they can be more, at times they can be a bit under strain also.

**Amit Dixit:**

But if I look at it the EBITDA margins have been thankfully consistently better. I mean they have been about the conventional range that we have been used to seeing. So, these cost efficiencies as I hear from you are there to stay at least?

**Sanjeev Singhal:**

Projects which have been continuing for a while. So, now these projects would be culminating 15 Bravo would be culminating P-75 would be culminating this year, 17 alpha only would be continuing for next maybe around 3 years.

So, with respect to fresh projects it would depend upon whether they are on nomination basis, they are on competition basis. What kind of a pricing we are able to get, what kind of timelines are there.

So, had these projects been continuing yes it is more possible to say that similar margins would continue, but as the overall order book profile changes, there could be certain shifts in the profit margins also both upwards, downward.

**Amit Dixit:**

Another question the data point question essentially what would be the contract liability at this stage?



**Sanjeev Singhal:** Contract liabilities they are taken care by the advances so not much of a concern, they are almost similar. Whatever contract liabilities are there approximately 9,000 crores to 10,000 crores would be there. Corresponding to that, there is a work in progress also. So, on a net basis there would not be any significant amount.

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

**Rahul:** Sir few weeks back or a month back I think we heard about some OFS by the government, is there any progress or how is that moving, or would you like to comment on that?

**Sanjeev Singhal:** Actually, if you can come back again your voice is not very clear. We couldn't get the query.

**Rahul:** Sir, there was an OFS, so if you have any update on that.

**Sanjeev Singhal:** Actually, as a government company there is a separate ministry under the Ministry of Finance. there is a separate department, the DIPAM- Department of Investment Planning and Asset Management which looks into these aspects. So, we would not be privy to their planning and their requirements. They have certain targets, I would not know what all companies they are targeting for divestment or further OFS.

**Moderator:** Thank you very much. The next question is from the line of Prabir from Ratnabali Investment Private Limited.

**Prabir:** Sir, I have two questions. As you are in frigates, destroyers, in submarine, so is there any plan you have to diversify into aircraft carrier segment this is number one and number two is I understand that you are waiting for the next set of submarine. Now I wanted to know one thing like because India roughly has as per my understanding around 15, 18 submarines whereas our adversaries has much more than that.

So, India must have a long-term plan to acquire more number of submarines. So, can you throw some light that how many submarines you're looking at and or a span of how many years so that we can understand the scope of opportunity for MDL?

**Sanjeev Singhal:** You have two queries with respect to the aircraft carrier, I would like to clarify that Mazagon Dock Shipbuilders is not looking at aircraft carrier. As per our understanding the requirement of these platforms is very few in numbers. Recently one number has been delivered by Cochin Shipyard Limited and we don't expect in the near future more than one more may be required.

So, the kind of facilities which are already available at the CSL there is no reason to replicate such facilities where the business volumes are very, very low. With respect to the submarines, we are aware Navy must be having their own plans, but as far as the MDL is concerned MDL is privy to two projects. One is the additional submarines 3 in numbers Scorpène Class, of which

we have already delivered 5 and sixth one we are targeting delivery this year and another 6 submarines under project P-751 with AIP and lithium-ion batteries for which MDL has submitted the bid last year August. So, both these are under evaluation right now and it would take some time before the things are finalized, which Director Submarine and Heavy Engineering has already replied to a previous query.

**Prabir:** Sir, I have another question as you are into this frigates and destroyers, so you said that in this call only you said MDL have an advantage in destroyer, but not corvettes. So, is there any specific capacity required for manufacturing corvettes or if you do not have that capacity so whom do you think that edge has to get this kind of order?

**Biju George:** In fact, we have not made that statement where we have any capacity constraint as far as corvettes is concerned. What I was trying to convey was that right now we are not sure when the next generation corvettes will materialize.

As far as corvettes are concerned, in the order of complexity, the first one is destroyers then comes the frigates then comes the corvettes. So, in terms of capability here we have made corvettes in the past also. So, absolutely there is no deficit in terms of capability. In terms of capacity since these are vessels of lower dimensions that also can be very well handled within our premises.

**Sanjeev Singhal:** Basically, when we are saying that MDL is the only shipyard which has the experience of constructing destroyers. So, destroyers is the most complicated naval war platform amongst the ships. Corvettes come two notches below. Below destroyer and below frigates. So, these are not that complicated vessels.

We are very much capable of building corvettes capacity-wise, capability wise there are no constraints. In fact, for corvettes there could be other yards also who would be capable, we have built corvettes earlier.

**Moderator:** Thank you very much. The follow up question from Rohit Natarajan from Antique Stock Broking. Please go ahead.

**Rohit Natarajan:** My question is more to do with the fleet of submarines that we have almost like 5 to 6 units which could possibly fit the decommissioning way. When do you expect any Medium Refits Life Certification for those vessels?

**Jasbir Singh:** Could you kindly repeat your question?

**Rohit Natarajan:** So, my question is from the existing fleet of submarines, do you expect the Medium Refits Life Certification extension program?

**Jasbir Singh:** Yes, the Navy has already approached us to give a plan for Medium Refit Life Certifications as well as normal refits for Scorpène submarines which is due from 2025. So, there will be a consistent flow of submarines for refit to MDL. I mean we hope in that way, and Medium Refit cum Life Certification is going on for the second SSK submarine, German submarine.

Third one is slated after this finishes and thereafter the fourth one, parallelly we will be getting the other the Scorpène submarines normal refits. We're hoping to get those starting 2025.

**Rohit Natarajan:** Sir my final question is on the P-76 your plans with Warship Design Bureau, what is the plan over there or in the current status?

**Jasbir Singh:** P-76 is a program which is not being steered by MDL. As you rightly said it is by the Warship Design Bureau. So, that we won't be able to tell you much about P-76.

**Moderator:** Thank you very much. The follow up question from Vignesh Iyer from Sequent Investment. Please go ahead.

**Vignesh Iyer:** Sir, this question I remember few quarters back, I mean you did say that there is a 37 acres of land in Nhava Sheva your plans for that and another project being Floating Dry Docks. So, I just wanted to understand what is the plan ahead. I mean is there a plan to develop that infrastructure over that piece of land?

**Biju George :** So, we have plans to develop the Nhava yard in the long term and at the same time for short term development we have already initiated action. The Floating Dry Dock, which is a floating asset, will be constructed and launched from Nhava yard that activity has already started. Seven ships for Coast Guard also will be constructed in Nhava yard that also is just getting started.

By October this year, as far as the Floating Dry Dock is concerned, we will see full-fledged activity in Nhava yard and as you already know we have bagged the three projects from the Indian Coast Guard out of that 7 vessels we intend to construct and launch from Nhava yard using the Floating Dry Dock which is expected to be ready in October 25, i.e., next year.

So, Nhava yard is going to witness full-fledged activity in the coming days. We have to develop some hard stands, that also we are it's already tendered out and we'll be placing the order shortly.

**Vignesh Iyer:** What would be the size of this order that you're talking above?

**Sanjeev Singhal:** Floating Dry Dock is approximately 500 crores and as far as the investment at Nhava is concerned right now it is within our CAPEX of approximately 300 crores we are targeting a CAPEX including a Nhava yard which could be on a stage wise, but at the same time a full-fledged plan with respect to development of Nhava yard as an independent shipyard that also is in the pipeline. So, once the costs are firmed up that can be mentioned.

- Vignesh Iyer:** So, if I get it right you said the 300 crore is for the Floating Dry Dock the total expenditure that would be needed?
- Sanjeev Singhal:** 500 crores is for the Floating Dry Dock over almost around 2.5 years, 32 months and in addition including this there is an expenditure of approximately 300 crores, 350 crores on a per annum basis for various infrastructures at Nhava yard including the Floating Dry Dock and maintenance CAPEX at existing facilities.
- Vignesh Iyer:** Sir just from your earlier comment if I got it right P-15 B the destroyer that one delivery pending that would get delivered you are expecting that you could deliver that in FY25 if I'm right over here, right?
- Sanjeev Singhal:** Absolutely correct.
- Vignesh Iyer:** So, I just wanted to know so we have got one more P-75 Kalvari submarines to be delivered that would happen when?
- Jasbir Singh:** It is planned to happen this year in 2024.
- Moderator:** Thank you very much. The next question is from the line of Tarjan Nonia an Individual Investor. Please go ahead.
- Tarjan Nonia:** We have seen in recent years India has now in different sectors especially India is now more looking into the export part, we have already exported Brahmos and all, especially in southeastern countries.
- So, are we also looking to export our frigate or something to South Eastern countries like Philippines and Vietnam and Malaysia?
- Biju George:** We had made efforts to export some of these products, but what these countries their defense budget is low because they're all developing countries, and the nature of their warfare is also different they are not in the blue water Navy.
- So, the maximum what they require is offshore patrol vessels. To some of the countries we have given therefore proposals have been given for offshore patrol vessels not only in the Far East even in some of the Latin American countries, African countries etc, but there also it is a long drawn process because the ministry and in many of these countries it has to operate through lines of credit and banks also needs to be involved. So, it's a slightly long drawn process, but we are making efforts for this.
- Moderator:** Thank you very much. Due to time constraint, that was the last question. I would now like to hand the conference over to Mr. Amit Dixit for closing comments.



*Mazagon Dock Shipbuilders Limited  
February 14, 2024*

**Amit Dixit:** Yes, I would like to thank the management for sparing their valuable time this evening and thanks to all the participants for attending this call. Before we conclude, I would like to turn the call back to Shri. Singhal for his closing comments if any. Over to you, sir.

**Sanjeev Singhal:** It's always a pleasure to interact with the investors and in fact it gives a lot of insight to the company management also what is the understanding of the market and what expectations are there with respect to various projects and other areas which can be looked by MDL. So, this has been a very interactive session and we enjoyed it thoroughly. Thank you very much. All the best and wish you all a good day.

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