



“Mazagon Dock Shipbuilders Limited  
Q3 FY2022 Earnings Conference Call”

February 14, 2022



**ANALYST: MR. MOHIT KUMAR – DAM CAPITAL ADVISORS  
LIMITED**

**MANAGEMENT: VICE ADMIRAL NARAYAN PRASAD - INDIAN NAVY  
RETIRED, CHAIRMAN AND MANAGING DIRECTOR –  
MAZAGON DOCK SHIPBUILDERS LIMITED  
MR. SANJEEV SINGHAL – DIRECTOR (FINANCE) –  
MAZAGON DOCK SHIPBUILDERS LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Mazagon Dock Shipbuilders Q3 FY2021-2022 Earnings Conference Call hosted by DAM Capital Advisors. 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 '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from DAM Capital. Thank you, and over to you Sir!

**Mohit Kumar:** Thanks Melissa. On behalf of DAM Capital we welcome you all to Q3 FY2022 results of Mazagon Dock Shipbuilders Limited. From the management we have Chairman and Managing Director – Vice Admiral Narayana Prasad, Retired Indian Navy, and Director of Finance – Mr. Sanjeev Singhal to discuss the results and take question and answers. So, without much delay, I hand over to the management for their opening remarks! Thank you, Sir. Over to you.

**Narayan Prasad:** Thank you very much. This is Vice Admiral Narayan Prasad, Chairman – Managing Director - Mazagon Dock Shipbuilders Limited. Along with me is Director Finance – Mr. Sanjeev Singhal. It is indeed a matter of great honor, pride and privilege for me to extend a very warm welcome to all of you and present the credentials of Mazagon Dock Shipbuilders Limited. We would take up all your questions separately, but I would just give you a small overview as to what company has achieved, the highlights and what has been planned for the next fiscal.

As you are aware, if you look at the performance during the last nine months MDL has achieved a revenue from operation of about 4037 Crores in the first nine months of financial year 2021-2022 compared to 2945 Crores during the same period of financial year 2021, which is an increase of 47.28%. Revenue from operations in this quarter Q3 of financial year 2021-2022 is Rs.1553 Crores as compared to 1461.09 Crores in the Q3 of the last financial year. The profit for the quarter increased from 148.74 Crores in Q3 to Rs.217.80 in this quarter which is an increase of 46.43 Crores. The profit in the previous quarter of financial year 2021-2022 was 131 Crores. This improved performance is on account of timely delivery of first ship of project 15B of the destroyers which is called INS Visakhapatnam, higher profit is realized as uncertainties and contingencies are minimum after delivering the ship on time. A brief status of various activities presently going on - MDL INS Visakhapatnam recently delivered first destroyer of project 15 Bravo has sailed on 6th February it will be going on to the Eastern Naval Command to participate in the Fleet review by the President of India. We have also delivered two submarines last calendar



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year and also the second project 15 Bravo Destroyer has already proceeded to sea two times and the fifth submarine of the Scorpène project has also proceeded to sea two times. We have a plan for this calendar year to deliver additionally one destroyer and one project 75 submarine which will culminate with this year besides we have couple of launches also and we are planning to launch one submarine which will be the sixth submarine. We will launch the second project-17 alpha frigate and also one destroyer so these are the likely targets which is planned for this particular year 2022-2023 and the revenue from operations which have been realized so far by 31st of December is roughly about 4300 Crores and we should be able to reach about 5500 Crores which will be the highest so far achieved in the history of Mazagon Dock Shipbuilders Limited. Now we can take the normal questions one-by-one.

**Moderator:**

Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Robit Natarajan from Antique Stock Broking. Please go ahead.

**Robit Natarajan:**

Thank you for this opportunity. My first question is to do with this destroyer P15B what is the current order backlog that this particular vessel have and subsequently have we done with key laying for all the vessels, what are the dates for those launching dates if you could help us on both those parts.

**Narayan Prasad:**

Thank you. As far as project 15 Bravo destroyer is concerned. As you are aware the total value of the project comprising construction of 4 in number vessels is about 32000 Crores and this contract is of 2011. We have executed in this particular program order value of roughly about 12,000 Crores and further approx. Rs. 20,000 crores are pending and as we are aware the first vessel has already been delivered last year, the second one is planned to be delivered by end of the year, the third ship and the fourth ship they are all at different stages of construction. The fourth vessel, we are planning the launch this particular year, the third ship is also at a very advanced stage of outfitting and there are gas turbines, i.e, the main propulsion aggregates and power generation and distributions they are all at different stages of construction and we are hopeful that the basin trials, we should be able to start by end of the year or early 2023.

**Robit Natarajan:**

Sure Sir. My second question is on frigates P17A what is the outstanding order backlog that you have in hand and is this frigate execution schedule similar to what your destroyer schedule is like let us assume 1.5% of the contract value every month is that a fair assumption to make.



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**Narayan Prasad:** As far as projects 17 Alpha is concerned, the total contract value for construction of 4 in number this extent destroyer is roughly about 24195 Crores and we have got the construction program going in full swing. As far as the schedules which are there for project 17 Alpha I will just share with you that Yard 12652 which is the second vessel and the third vessel which is yard number 12653 their launching is planned somewhere in April 2022 and November 2022 and the keel laying of the last vessel which is called yard 12654 is planned in May 2022.

**Robit Natarajan:** And Sir finally if I have to touch upon the submarine P75 Scorpene-class what exactly is the order backlog that you have in hand.

**Narayan Prasad:** Actually as far as the P75 Scorpene submarine is concerned a very large portion has already been executed and as you are aware the backlog amount out of the total project cost would be about 4000 - 4500 Crores. As you are aware four submarines have already been delivered the trials of the fifth marine is going on and by the end of this year the fifth submarine will also be delivered as regarding the sixth submarine is concerned we are planning for un-pontooning of what we call traditional launch that is somewhere in March or April and this vessel would be planned for commissioning somewhere in end 2023.

**Robit Natarajan:** If I add up all the order backlog that is maybe 200 billion of destroyer, 241 billion of frigate, and 38 billion of Scorpene. It would be fair to say that we are having a 50000 Crores of order backlog as of now in hand.

**Narayan Prasad:** About 45000 Crores.

**Robit Natarajan:** So that means the Scorpene is largely completely exhausted.

**Narayan Prasad:** Almost very close to that we would have a residual as what we have talked about out of the total value of about 22000 Crores about 4000 - 4500 worth of order book residual.

**Robit Natarajan:** Sure Sir that is it from my side I will get back into the queue question because I have some more questions on that.

**Moderator:** Thank you. We have the next question from the line of Ranjeet from Mahindra Manulife Mutual Fund. Please go ahead.

**Ranjeet:** Hi! Sir, if can update us regarding the future orders in the pipeline and next two years which are the large orders that we are looking at and how is this progressing.



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**Narayan Prasad:**

I will just briefly touch upon what are the likely order books in the near horizon of about two to four years and a long-term horizon for beyond four years. We have seven plus four that is eleven next generation off shore patrol vessels which is pegged at about 9000 Crores where they have already, submitted the bids and these bids are likely to be opened this week itself. Besides that, we have certain RFIS which have been issued and there are some RFP and some RFI issues which are there, what we expect is these new generation corvettes which is pegged at 7 in number New Generation Corvettes is pegged at about 15000 Crores this RFI is out in 2016 and RFP is expected by end of 2022. I have already talked about the new generation off shore patrol vessels where this bid is going to be open this week. We have few things from the Indian Coast Guard which is a new generation fast patrol vessels 18 in number which is roughly pegged at about 2160 Crores. So RFI has been submitted and we are expecting an RFP from them by mid 2022 and also some air cushion drive vessels that also RFP we are expecting in 2022. So these are roughly the order books which I can foresee right now for the next about two to four years including the one where the bid is going to be open and in the long-term horizon we certainly have a P75I which is a construction of 6 in number Air Independent Propulsion system fitted conventional submarines which is pegged at about 43000 Crores the bid submission date for this particular RFP has been extended to end of June as of right now and MDL and L&T, as strategic partner would be individually participating for this one.

**Ranjeet:**

In that last one what will be the role of L&T like it will be split between both of you or is it like manufactured in L&T with the guidance of Mazagaon or manufactured in Mazagaon. So how is that relationship.

**Narayan Prasad:**

No as far as this strategic partnership is concerned this is both of them are individually competing for standalone construction of 6 in number submarine in collaboration with a foreign collaborator. So there is nothing called separating or sharing right now and both are individual strategic partner and the strategic partnership is with the ministry of defense. So either MDL gets it or the L&T gets it, as of now.

**Ranjeet:**

So whom are we having this collaboration with which come foreign company.

**Narayan Prasad:**

Could you please repeat the question.

**Ranjeet:**

With which foreign company are we collaborating for this project.

**Narayan Prasad:**

Right now that has been not fructified in terms of who are going to our collaborator, but certainly there is a sound potential with both DSME Korea and TKMS Germany they are



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the only collaborators compliant in terms of timelines as per RFP. As to who is going to be exclusively collaborating with whom has still not been decided they are still supposed to come up with their bid submission and we are waiting for that.

**Ranjeet:** So what can be the likely timeline will it happen in FY2023 or will it become an FY2024 for this order for that order to fructify.

**Narayan Prasad:** As what we estimate right now is the mega program and there are lots of clearances which are required by their respective government and they are state of the art technology they are still under the process of their state government's clearances. So I can foresee in case the bid submission takes place by mid of June which right now is the timeline which is there we can certainly, with all the subsequent steps which are involved, add another two years easily for the government to consider and process the entire thing including the benchmarking and the CNC and then I can see by about end of 2024 an order placement.

**Ranjeet:** And anything regarding some nuclear submarine which is possible or that nuclear submarine program is completely taken off.

**Narayan Prasad:** Right now MDL is only engaged with the construction of conventional submarines.

**Ranjeet:** Okay Sir, thanks for this and I will stop it here I will rejoin for further questions. Thanks.

**Moderator:** Thank you. We have the next question from the line of Umesh Raut from Dolat Capital. Please go ahead.

**Umesh Raut:** Hi! Sir, good afternoon, congratulations for the good set of numbers. Sir, my first question is again a continuance from the earlier participant's question so just wanted to know update on the repairing orders as well as we were expecting second submarine order to be kind of received for the repairing so just wanted to know update on it.

**Narayan Prasad:** Right now we are executing the repairs of the submarine which is a medium refit and life certification which should get completed by March of 2023. This project is pegged at about 1300 Crores and in the same year which is 2023-2024 we are expecting an order for a similar kind of a program called MRLC and pegged roughly at about similar price let us say with an escalation, about 1500 Crores. But besides that we are also hopeful as far as the repairs and maintenance segment is concerned, an Indian Coast Guard order where we have submitted our RFP and the value is about 20 Crores in commercial ship repair is about 1.8 Crores to the navy we had submitted an RFI for a medium refit of three number missile



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vessels, missile carrier vessels for about 500 Crores so totally about 1500 Crores are something which is in the horizon in next one to two years in the sector of repairs and maintenance vertical.

**Umesh Raut:** Okay got it Sir. My second question is about the other expenses where this quarter we had a nil provisioning. So going forward for the next couple of quarters or in next three, four quarters how do we see a trend for provisioning are we expecting any further provisioning happening.

**Sanjeev Singhal:** As far as the provisioning is concerned in fact during my last discussion also this was indicated that in the previous quarter we had a provisioning of around 37 Crores which is under discussion and we rather expect there could be certain reversals in Q4 this year. Additional provisioning will also depend on number of variables it is difficult to predict what would be a pattern. Rather there would not be any pattern with respect to provisioning. Right now we do not envisage any significant amount of provisioning.

**Umesh Raut:** Okay got it and Sir it is good to see that you have upgraded your overall turnover for FY2022 to around 5500 Crores so just on the similar lines could you please guide somewhat about the execution for FY2023 as well.

**Sanjeev Singhal:** 2023 we are expecting further increase, it should be in the range of 6000 Crores but greater clarity would emerge on the B&D spares and the equipment which would be forthcoming. We are expecting as of now 6000 Crores as far as FY2023 is concerned.

**Umesh Raut:** Got it Sir. On supply side do you expect any disruptions which are going around currently or we had any disruption in third quarter as well and that is where our execution was slightly lower than what we were expecting. So are there any supply disruptions or are there any I mean the situation is now normalized for the procurement announcement.

**Sanjeev Singhal:** As far as Q3 is concerned we do not see a falling behind target rather the performance has been reasonably good so the target for the current year was set at 5000 Crores we definitely see that we will be exceeding this target quite handsomely so there has not been any impact with respect to supply disruptions. I do not know how this question is put up. Going ahead also as of now we do not see any supply disruptions but you are also aware of the geopolitical situations, if things develop adversely nothing can be predicted.

**Umesh Raut:** Sir my last question is on the Capex expansion. So basically we are expecting finalization of P75 order by FY2024 so to occupy that kind of order we need to also go for the capacity



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expansion so what could be the rough cut timeline when we would be kind of going in for the capacity expansion at Nhava Sheva.

**Narayan Prasad:** If you are talking about the placement of the order and subsequent execution of P75I as you are aware we have right now existing capacity to simultaneously construct 11 submarines. Presently out of the entire lot we are constructing or focusing our attention only on one submarine that also is about 85% complete so entire area which is required for construction is right now empty. So whenever the order is placed, barring some minor sprucing up of the infrastructure facility we are all ready and good to go.

**Sanjeev Singhal:** With respect to submarines, in fact, Nhava yard has never been considered for upgradation with respect to submarines. It was always for the shipbuilding activities for which we have told earlier also unless and until we have a significant clarity with respect to the future order position and the size of the vessels we do not intend to undertake major Capex on immediate basis.

**Umesh Raut:** Okay, got it Sir I will join back the queue. Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

**Rohit Natarajan:** Thank you for this follow up. My question is now confined to the capacity that we have you said you can simultaneously do 11 submarines. So is it confined to a deadweight tonnage because if I see not just this submarine part you have even plans to add up corvettes where you are expecting RFP by 2022. So let us assume if you have corvettes plus these orders too would it not be a fair assumption that we may require a bit bigger capacity.

**Narayan Prasad:** About 1000 Crores of modernization has been undertaken about three years back, our present capacity at Mazagon Dock Shipbuilders Limited is for construction of 11 submarine and 10 warships simultaneously at different stages of construction. Right now as I have mentioned submarine sector is almost empty and as far as the ship is concerned out of the 10 we are building warships, of which one is already delivered so we have seven at different stages of construction and by this end of this year even the second vessel would be delivered. So you have out of the total capacity of ten, occupied area is only back to six. So as and when we get to understand a confirmation of placement of order we will look for any augmentation whatever is required but right now whatever we have and likely orders which are going to fructify we are sufficiently placed with respect to the order that we are handing and the order which are going to come. We would also be trying to make use of certain





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additional companies, smaller shipyards, in certain stages of construction. The case in point being Shoft Shipyard at Bharuch in Gujarat has been our partner with whom we are already in construction of some stages of project 15 Bravo destroyer. Certain sections are also being built by Chowgule Shipyard. So we can collaborate with them. Whatever is the order flow now, i.e., 11 OPV's or new generation OPV's as per the RFP it is seven plus four, seven will go to L1 and four will go to L2 that is the scene which is there and presumably you will get to know in the next two or three days as who becomes the L1 and we are already geared up as to the manner in which we will build them here or outsource certain parts of it at different places.

**Rohit Natarajan:**

Now coming to this execution front that is within the existing order backlog I understand that by and large to a large extent you have all the vessels will be achieving this launch date by FY2023 and once that is done at least 1.5% of the total vessel size should be booked every month and if that is the number internally if you are targeting maybe we should be looking at 7000 Crores so why is this guidance talking about 6000 Crores kind of number.

**Narayan Prasad:**

See the entire ship construction program does not go linearly with a mathematical calculation which you have just worked out. So you cannot do a linear calculation that you have achieved a target of 5000 in the year 2019-2020 so you have to achieve a target of 5500 in the next fiscal and keep on incrementing out there. They all are at different stages of construction and entire ship construction, if you take an x and y axis, go as per the S-curve and as and when there is an addition of equipment and other systems on board that add to VoP so you will find in the beginning when you are at the development stage of design and all there is minor VOP realization. The VOP would be low because you are at equipment purchase stage. This does not mean Shipyard is lagging behind. Stores are being received in storehouse. You may find high cost items they have been all procured but that is not good enough to be taken on board ship. So the value of production will be small despite items available within the premises of MDL. Similarly, towards the fag end after all equipment have been lowered onboard, during trials phase at sea and you have got almost about one year limited value of production is achieved during this period as about 90% completion or 85% completion of that particular vessel have already been achieved and there will be hardly any addition to VOP. Now if you translate this particular thing across all the platforms at their different stages of constructions on boarding of equipment the same formulation applies. So when we are talking about how much we have achieved this system and what is going to be there, it is all based on the construction program and as per the S-curve formulation.



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- Sanjeev Singhal:** I will slightly add on this with respect to the 1.5% which you have just talked about, the physical progress and the financial progress will always not be aligned. There will be stages when the physical progress stagnates and the financial progress is significant in case a high value equipment goes on board and there would be phases when the physical progress is going on and significant financial progress is not there. So we are talking on two different fronts all together 1.5% is with respect to the physical progress whereas the 6000 crores number is based on the financials.
- Rohit Natarajan:** Got it Sir I really appreciate that part so that was quite a helpful explanation. Now coming to this cash that we have in books at 1H I believe we had almost at 1000 odd Cores cash and cash equivalents what is that position now looking like.
- Narayan Prasad:** We still have cash around 10000 Crores of which MDL's cash per say, would be around 1300-1400 Crores balance is the project cash which is available. Orders for the projects are being placed and the fund outgo will be as planned.
- Rohit Natarajan:** Sure and finally Sir on the cumulative provisioning done till date what is that number looking like.
- Narayan Prasad:** As regarding provisioning with respect to submarines it's been done for the entire LD. Our case is under discussion with MOD with respect to the boats which have been delivered and we expect favorable decision. In case the decisions are favorable there could be some reversal of provisions.
- Rohit Natarajan:** So what is that number Sir.
- Sanjeev Singhal:** The total provision was created at around 1000 Crores but we would not be able to know or speculate right now as to what would be the final LD.
- Rohit Natarajan:** Apart from submarine do you have any other provisions.
- Sanjeev Singhal:** No, we do not have any other significant provisions made with respect to shipbuilding we have not provided for LD the first vessel as the same has been delivered without any delay, well within time. The second vessel also, we are confident that it would be delivered well within time. So we do not envisage a LD provisions right now with respect to the ships.
- Rohit Natarajan:** Sure Sir that is it from my side. Thank you.



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- Moderator:** Thank you. We have the next question from the line of Ranjeet from Mahindra Manulife Mutual Fund. Please go ahead.
- Ranjeet:** Hi! Sir, just wanted to touch upon this guidance again like this 6000 Crores is assuming this new order which you are expecting is not coming through so in case if we get that order this can be a higher number or you feel that even if we get that order it will be mostly coming the execution will happen in FY2024.
- Sanjeev Singhal:** Currently the revenue projections are based on the orders which are already available with MDL.
- Ranjeet:** So that is I think the order book is around 45000 Crores.
- Sanjeev Singhal:** 45800 odd Crores.
- Ranjeet:** And what is the lion share of this order book.
- Sanjeev Singhal:** Project 15 Bravo is 20158 Crores, 17 Alpha that is frigates is 20488 Crores, the submarine is approximately 5000 Crores and the medium refit is 171 Crores and some small value orders for the balance portion of around 15 to 18 Crores.
- Ranjeet:** So in case if we are getting some of these orders which we had outlined then probably we can expect these growth should be also a higher number.
- Sanjeev Singhal:** New orders, definitely it would add up to my revenue but it would not be immediate like shipbuilding has a long gestation period so difficult to speculate with respect to what kind of orders and what kind of numbers they will be adding to on immediate basis.
- Ranjeet:** And is there any thought or from the government regarding moving the fuel from diesel to some green related because nowadays green and renewables is a focus so is there anything in that line which you are also been asked by the government.
- Narayan Prasad:** In terms of migration to green fuel, to utilize both onboard submarine and ship is concerned, presently low sulphur high speed diesel is used across all the major platforms in the Indian Navy but certain blending of this fuel have been attempted, as a green fuel experiment, but these all are on a very, very small scale and such immediate enhanced capacity to generate such a huge amount of fuel which is required, we have still to wait to reach that stage more fuel efficient with the existing fuel there are lots of things which are



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being conceived like for example we use electric propulsion system on both submarines which means you run your diesels and charge your batteries and batteries power your propellers. So to get into a little higher energy enriched and fuel efficient way we are trying to look for a lithium-ion battery. Similarly, for an enhanced submerged endurance navy is experimenting with fuel cell based air independent propulsion system and one of our DRDO labs have already made a successful land version that would greatly enhance both the capacity to remain dived for a longer duration and which would be far more efficient and less polluting.

**Ranjeet:**

And these are currently we have not incurred any Capex for these R&D it is like completely funded by DRDO so in future like will be also looking at putting some Capex and developing some of these solutions so that we can adopt it in our ships also in future is there some thoughts.

**Narayan Prasad:**

In fact there is a very large amount of impetus which is being given by the Department of Defence Production and a large number of projects have been launched by them. Case in point being IDEX. They have got a centralized pool of funds and any entrepreneur who wants to come and demonstrate their product in line with their requirements of the army, air force and navy are encouraged to meet the specification with an assurance of certain order. We have also embarked in a very small manner and we have already funded that program for development of lithium-ion battery in conjunction with one of the startups in Chennai. Likewise we are also collaborating in the production of a lot of indigenous product by giving patronage to the entrepreneurs and this is being given lot of impetus by department of defense production. We have Def-Expo in Gujarat 10th to 13th of March and there is going to be some major announcements made in terms of funding of these programs by the Department of Defence Production and the Ministry of Defense.

**Ranjeet:**

And in any of these forums these hydrogen as a source of fuel discuss because that is another major thrust by the government.

**Narayan Prasad:**

If you are looking at fuel cell based air independent propulsion system they are making use of the same concept to generate electricity to charge your batteries. So land version trial of this concept which is the state-of-the-art technology in one of our DRDO laboratory in Ambarnath, i.e, NMRL has already been completed and they are going for the ruggedisation and marinization of those products. Apart from application for the submarines for surface ships, I do not find it immediate implementation.

**Ranjeet:**

Okay Sir thanks for that elaborate answer and wish you all the best.



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**Moderator:** Thank you. We have the next question from the line of Sarthak Chugh from AMPL. Please go ahead.

**Sarthak Chugh:** I wanted to know that last week the Finance Minister had announced the PLI scheme focusing on indigenous drone manufacturing is there any PLI scheme focusing particularly on shipbuilding activities.

**Sanjeev Singhal:** Right now we do not have any details with respect to a new PLI scheme for the ship building industry per se. Of course there are certain other incentives as far as the shipbuilding industry is concerned with respect to exports.

**Sarthak Chugh:** Thank you for the answer.

**Moderator:** Thank you. We have the next question from the line of Viraj Makhani from Jupiter Financial. Please go ahead.

**Viraj Makhani:** Sir my question is only on the export any development on the export side because we have not highlighted anything means are we looking at something to exporting say submarine or something else to other countries or any interest from them that is what is my question that is it.

**Narayan Prasad:** We are working on this export aspect and we have quoted for offshore patrol vessels for Argentinean Coast Guard, Floating Dry Dock for Suez Canal authority and also we have been declared a L1 for a Ro-Pax Vessel for Tanzanian Government. These together form roughly in a value of about 2000 Crores. But in this COVID scenario wherein the government have slowed down investment in constructions of these platforms still we are, very hopeful for favourable response..

**Viraj Makhani:** And any roadmap for the exports in future we are thinking of for something like that or...

**Narayan Prasad:** Whilst we are interacting with Indian embassies abroad from where we are expecting to receive certain orders from abroad we have not been able to make much headway so far except repairing some ships which is about 2 Crores. But we are also exploring certain feasibility with another shipyard in Russian Federation called Zvezda and that is being coordinated. We have deputed a team, they want almost about some 800 to 1000 people to go there and work in the constructions under the supervision of MDL and detailed deliberations are presently in progress. Mazagaon Dock Shipbuilders Limited builds only capital war vessels, at higher cost such as the destroyer costing about 8000 Crores in Indian



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Rupees, stealth frigates cost about 6500 Crores, a submarine cost 4000 Crores. Now such customer nation in our geographical vicinity is not there, but we are hopeful that at some point of time they evince interest in the capability of Mazagaon Dock Shipbuilders Limited and should that come, we will share with you.

**Viraj Makhani:** Thanks Sir that is it from my side and all the best Sir.

**Moderator:** Thank you. We have the next question from the line of Mani an investor. Please go ahead.

**Mani:** I wanted to understand regarding margins if margins were fixed at 7.5% as part of the nomination bidding how did the company achieve higher profit margins in the past to the tune of say 10% that is number one number two is within change in the bidding system right now what is the net that the company will be able to take as profit I understand it is difficult to stay it at a quarterly level. So you can just take the entire order book that is visible right now till say FY2027 you mentioned 45000 Crores till FY2027 you can take that entire order book and tell us what will be the net the company will be able to take as profits those are my two questions. Thank you Sir.

**Sanjeev Singhal:** See as far as the current order book is concerned current order book is on nomination basis and for which we have told earlier also that the margins are pegged at 7.5%. Further there are certain components on which the profit is not applicable so practically it works out to less than 7.5%. In the past also, I do not think at any point of time, as far as the production activities are concerned, we have ever reported a margin of in excess of 7% - 7.5%. Whatever margins you are talking about, they include the income from the interest or whatever excess cash is parked by the navy and we deposit in the fixed deposit and get some interest that also adds to profit. But yes, the base margins are pegged at 7.5%. Taking certain components with respect to exchange rate variation, with respect to the NRE items on which the profit margins are not there, this profitability was less than 7%. In fact, this has ranged between 2% to 5% during the last five years.

**Mani:** The 7.5% you are saying is more of operational profit and does not include the other income expenses that you will get out of the pure plans.

**Sanjeev Singhal:** Absolutely.

**Mani:** And the current other book that you are citing which is 45000 crores is also on the nomination basis.



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- Sanjeev Singhal:** Nomination basis. This has similar kind of margins. Of course there would be additional income in the form of interest.
- Mani:** Okay Sir, that is all I have. Thanks a lot and all the best.
- Moderator:** Thank you. We have the next question from the line of Rajeev Rupani an investor. Please go ahead.
- Rajeev Rupani:** Thanks for the opportunity. Sir my question is regarding the project 75 for 6 submarine in June con call that is on 11th of June you had said that four months to submit the bid so and now in this con call you said these bids would be submitted at the end of June this year so is there any delay in submitting the bids.
- Narayan Prasad:** You are talking about project 75I when the RFP was issued in July 21 the timelines which were given there for bid submission was supposed to be mid Nov 21. RFP had very, very stringent timelines but looking at the response from majority of these foreign OEMs they did not find a easy going based on the timeline and the complexity of the entire program so they had to multiple time revise this timelines. If you look at this, RFP was issued on 20th of July the pre-bid meeting was supposed to be on 21st of September, submission of bids and bid opening was supposed to be 9th of November 2021 and commencement of field evaluation trial by mid-April 2022. These were very, very stiff targets. Now the revised schedule for bid submission is end of June 2022. And whilst everyone is trying his level best, the government approvals for the respective countries have still not been fully processed and my assumption would be these are still susceptible to some more delays by couple of months.
- Rajeev Rupani:** That was very helpful and my second question regarding this is you had now only MDL and L&T are in the fray and you had guided us MDL is a very strong contender so could we say that out of the six submarines the majority will go to MDL let us say four or five would you guide me.
- Narayan Prasad:** This RFP which has been issued talks about two independent strategic partners - Mazagon Dock Shipbuilders Limited and L&T and it also very clearly elaborates that the all the orders will go to L1. So there is going to be, as per the RFP provisions, no division no sharing. It will be 6 - 0 or 0 - 6 as what I understand.
- Rajeev Rupani:** So majority of the orders go to MDL is it fair to assume.



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- Sanjeev Singhal:** What has been told is, there are two competitors L&T and MDL. Earlier also CMD had spoken about the capabilities of Mazagon Dock Shipbuilders Limited. We have already delivered submarines, we have a proven competency and capacity available which makes us a very, very strong contender as far as the RFP is concerned. RFP structure is that the entire order of six submarines would go to only one bidder whosoever is L1 after they have been evaluated technically.
- Rajeev Rupani:** Okay that was helpful thank you.
- Narayan Prasad:** Thank you. We have the next question from the line of Sarthak Gupta from Sunil Bros. Please go ahead.
- Sarthak Gupta:** Do you have any plans to advance or to promote the stock.
- Narayan Prasad:** Advance or promote the...
- Sarthak Gupta:** Stock.
- Sanjeev Singhal:** We did not get your question exactly what do you want to know.
- Sarthak Gupta:** As you know the share of Mazagaon Dock is not able to perform so do you have any plans or do you have any plans regarding that.
- Sanjeev Singhal:** As far as the share prices are concerned we are not into any kind of action based on the share prices. Whatever execution is there it is based on the order book the capabilities available, capacities available and looking for fresh orders. How does the share market behave he would not be having any control or intention to exercise control on that.
- Sarthak Gupta:** Okay thank you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference back to the management for closing comments. Please go ahead.
- Narayan Prasad:** Thank you very much. It was a very insightful interaction with all of you, I hope we have been able to take all your queries and answer you to your satisfaction. Still if something has not been answered it could be separately forwarded to our company secretary and we will





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try to give you whatever is the most valid answer. So thank you very much and take care and remain safe.

**Moderator:**

Thank you members of the management. Ladies and gentlemen on behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.