



“Ramkrishna Forgings Limited
Q4 and Year Ended FY2021 Results Conference Call”

May 17, 2021



ANALYST: MR. PRATIT VAJANI - ICICI SECURITIES LIMITED

**MANAGEMENT: MR. NARESH JALAN – MANAGING DIRECTOR –
RAMKRISHNA FORGINGS LIMITED
MR. CHAITANYA JALAN - WHOLE-TIME DIRECTOR -
RAMKRISHNA FORGINGS LIMITED
MR. RAJESH MUNDHRA – COMPANY SECRETARY -
RAMKRISHNA FORGINGS LIMITED
MR. LALIT KUMAR KHETAN – EXECUTIVE DIRECTOR &
CHIEF FINANCIAL OFFICER - RAMKRISHNA FORGINGS
LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Ramkrishna Forging Limited Results Conference Call for Q4 and year ended FY2021. 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. Pratit Vajani from ICICI Securities Limited. Thank you and over to you Sir!

Pratit Vajani: Thank you Faizon. Good morning everyone. Welcome to the Q4 conference call of Ramkrishna Forgings Limited. We are here represented by the management Mr. Naresh Jalan, Managing Director, Mr. Chaitanya Jalan, Whole-Time Director, Mr. Lalit Khetan, Executive Director and CFO, and Mr. Rajesh Mundhra, Company Secretary. Now I request Mr. Lalit Khetan to initiate the opening comments. Thank you Sir.

Lalit Kumar Khetan: Thank you Pratit. A very good morning to everyone. We welcome you to concall hosted by our company for the quarter end and year ended March 31, 2021. I have with me Mr. Naresh Jalan, Managing Director, Mr. Chaitanya Jalan and Mr. Rajesh Mundhra on this concall today.

The total operational revenues for this quarter have been Rs.517.88 Crores as compared to Rs.226.46 Crores in the corresponding quarter. The total operational revenues for the year has been Rs.1288.37 Crores as compared to Rs.1117.83 Crores in the corresponding period. The company had achieved an EBITDA net of other income of Rs.107.67 Crores for this quarter as against Rs.36.76 Crores for the corresponding quarter.

The EBITDA net of other income for the year ended March 31, 2021 has been Rs. 229.92 Crores against Rs.203.72 Crores in the corresponding period. The EBITDA margins net of other income stood at 17.85% for the year as on March 31, 2021 compared to 18.32% in the corresponding period. The net debt as on March 31, 2021 is about Rs.1070 Crores that is after adjusting bill discounting finance in respect of Tata Motor bills of about 68.50 Crores and cash and bank balances of Rs.266.58 Crores from the gross debt.

Out of 1070 Crores we have a long-term debt of 663 Crores and working capital borrowing of Rs.313 Crores and Rs.94 Crores is the current maturity of long-term borrowings. Again due to stoppage of containers and congestion in ports, the company had to incur additional cost of about 8.5 Crores on export logistics during the quarter. Otherwise, EBITDA margin in this quarter could have been higher by 170-basis point.

We have achieved the total capacity utilization of about 92.95% in this quarter against 82.9% in the sequential quarter. We have achieved a domestic sales tonnage of 21217 tons for this quarter



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as against 17366 tons in sequential quarter. We have achieved an export sales tonnage of 9693 tons for this quarter against 8048 tons in the sequential quarter.

The export sales for the quarter have been Rs.189.79 Crores as against Rs.155.80 Crores in the sequential quarter. The company has uploaded an investor presentation providing a quite a few details. We request to the investors not to raise any customer specific queries during the concall. Thank you.

Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Thanks for the opportunity. Congrats for a strong set of numbers. Sir, if you could throw some light on the domestic demand and production size. What sort of the hurdles and basically the industry is facing post second wave of COVID and what are the supplying production site headwinds?

Naresh Jalan: I think as of now post the COVID surge, second surge, I think, most of the dealers right now are closed and the OEMs have gone for block closure because they are not able to get the parts from across India and they are unable to assemble the vehicle while the underlying demand remains strong in M&HCV mostly on the tipper vehicles side but as of now in the last one month, we are seeing tonnage and sales decline, but we feel once the COVID surge settles down, and most of the dealership opens as well as the manufacturing opens across pan India we will see demand again clogging back, because the underlying demand is not soft.

Abhishek Jain: So, most probably that demand will bounce back from the second half onwards, because usually monsoon is the link for the M&HCV?

Naresh Jalan: I do not think, monsoon is going to play much of the issue, because the demand side is pretty strong. So, we feel immediately once it opens up maybe with a lag of fortnight the demand is going to come back.

Abhishek Jain: Sir, my second question on the margin front, as RM prices has gone up significantly, are you able to pass it to the customers between the export side as the weak period is likely, the realization growth in export just 1% quarter-on-quarter? So how much price hike have you taken in Q4 and how much RM inflation impact do you see in Q1 FY2022?

Naresh Jalan: RM basically is 100% pass on for us both in exports and domestic market, but as rightly pointed out in the last quarter we have not been able to pass on the price hike of the raw material because international prices took a turn in the mid of the quarter and we have been able to pass on the hike from April 1, 2021 onwards.



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- Abhishek Jain:** So, what sort of price jump can we see in Q1 FY2022?
- Naresh Jalan:** Whatever raw material pricing has gone up same has been passed on with effect from April 1, 2021.
- Abhishek Jain:** Sir, in the past years, your capex is around 700 Crores, but your capacity addition looks at around 2550 metric tons for the sales line. So, please can you throw some light on your maintenance capex and the growth capex in the last three years, so we can get a better visibility on the capex side?
- Lalit Kumar Khetan:** Abhishek, we did about 237 Crores capex in the last year and out of that maintenance capex was around 15 Crores to 20 Crores. Rest has gone to the project. We have added all the secondary line in the last quarter of this financial year and which is having a capacity of 10200 tons, but 2550 metric tons we have only added in one quarter for the purpose of pro-rata calculation, so 10200 in capacity has gone up and also we have started fresh line and revenue facility in the month of April also, so that also gives us an additional 70000 tons production capacity. Another 10000 tons capacity will be there of the additional placement within three to four months. So, entire 37000 capacity what we envisage will be in place before August 2021.
- Abhishek Jain:** The total capex tonnage that would be around 187000?
- Lalit Kumar Khetan:** Yes.
- Abhishek Jain:** How much more capex is are required to complete all these?
- Naresh Jalan:** See, almost we have done out of 354 Crores what we planned we have almost incurred 300 Crores till March 31. In the current year it will be around 50 Crores further we need to spend to complete this entire capex to achieve 187000 ton capacity, just another 15 Crores, 20 Crores will go in the maintenance capex in this year, so another 70 Crores you can say is the required total in the capex for the year FY2022.
- Abhishek Jain:** How much is the revenue mix for M&HCV and for the domestic side in FY2021 and you were also looking to expand your capacity in the passenger vehicle, so you have added the passenger vehicle capacity just now or you have already added in the past?
- Naresh Jalan:** First of all overall we do not have any benchmark in terms of domestic. Overall, in terms of the total topline close to around 20% is LCV and 80% is M&HCV and auto sales and the passenger vehicle capacity is going to come like Mr. Lalit has said by August 2021 it is going to get completed.



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- Abhishek Jain:** Sir my last question is related with the working capital? The debtor days has gone up significantly in FY2021 and now stands around 159 days? Even in the last quarter it was 190 days? Is the vendor inventory is higher in export side, which is putting pressure on the working capital or what is the reason?
- Lalit Kumar Khetan:** No Abhishek if you look carefully at the numbers if you looking at full year numbers then it is looking higher. If you look at three month number if you compare it from the last year, it is actually lower. If you look at three month number because performance has come in the last six months and we are calculating on the 12 month basis. So if we look at three month number 574 topline and 559 Crores for debtors so it is only around 98 days and in this also we have added Tata Motor bill is amount for Rs.68 Crores, which was not there last year. If you reduce that it will come down to 86 days debtors.
- Abhishek Jain:** For full year FY2022 we can assume that that the debtor days which we are able to see around 159 days that will come to around 90 to 100 days?
- Lalit Kumar Khetan:** Yes certainly. It will be around 90 days.
- Abhishek Jain:** That is all from my side. Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Vipul S from Reliance Securities. Please go ahead.
- Vipul S:** Congratulations for a very strong performance and thank you for taking my question. Sir again follow up on this working capital side only our net debt has gone up sequentially as well as Y-o-Y? Despite our net working capital days has come so can you give some detail on this and what is our repayment planning on that?
- Lalit Kumar Khetan:** See net debt has gone up only due to the capex we incurred. I earlier explained that we have added about Rs.235 Crores on the committed capex this year and still my debt has gone up by only 124 Crores this year despite the first two quarters being bad and company making a profit in the last two quarters. So my debt number even after capex addition of Rs.235 Crores our capex has gone up only by Rs.124 Crores and working capital addition has also gone up in the last two quarters. So if you look at the last two quarters absolute number net working capital pricing has also not gone down in absolute number. The number of days it may have gone down, but absolute number it has not gone. There is a plan of repayment, we have an obligation of about repayment of Rs.95 Crores in the next financial year.
- Vipul S:** This Rs.95 Crores repayment so the next two to three years where do you see debt to come down?



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- Lalit Kumar Khetan:** From here on every year, we intend to reduce the debt only and whatever be the cash flow of the company at least one-third of that, minimum one third of that will be deployed towards the reduction of debt only.
- Vipul S:** Sir my second question is in our presentation on page number eight we have given that in second point witnessed encouraging new business wins and client engagement across categories so can you throw some more light that in this quarter which are the new business wins and new clients we added?
- Naresh Jalan:** We will not be able to name the clients but we have in terms of in Europe we have made some significant inroads as well as in North America we have made considerable inroads in light vehicle segments.
- Vipul S:** Sir though you will not give name but can you quantify what will be the quantum of this new orders on an annual basis?
- Naresh Jalan:** Annualized basis from the year FY2023 it will be close to around \$25 million.
- Vipul S:** Sir lastly again on the light vehicle also we have mentioned that we have made significant inroads in North America and topline and bottomline will start getting reflected in FY2023-FY2024 so what would be this quantum in FY2022 and more details on this light vehicle side is there anything?
- Naresh Jalan:** This \$25 million business which we have been able to get, I think the entire volume is from light vehicles. This year full year will go into making of samples and pieces and lots. Next year the entire money will come into the topline and because of light vehicle volumes and consistent volumes we will be able to make better margins in terms of realization.
- Vipul S:** Sir just followup on this anything sizeable from the domestic side on LV, light vehicle side?
- Naresh Jalan:** No. I think it is entirely export driven.
- Vipul S:** The similar geographical contribution from passenger vehicle side?
- Naresh Jalan:** No. I think passenger vehicle our capacity setup is yet to get completed. I think it will take another two or three months time before the capacity is in place. After that we will start booking orders. Right now we are not booking orders. We would like to see the samples everything before we start booking order on those.
- Vipul S:** We will target Indian customers or we will be globally mainly?



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Naresh Jalan: We are targeting any and every customers. So we have not made any details in terms of which customer. We are already in talks with lot of customers in domestic market as well as on the internal market.

Vipul S: Lastly Sir on the margin side this quarter revenue geography wise as well as everything goes quite favorable still do you think any further scope for margin improvement in 2022-2023 and what will be the driver for that?

Naresh Jalan: I think as the capacity utilization improves, I think there will be a significant improvement in terms of margins. We are already with the capacity so capacity is going to get utilized. In domestic market we are just waiting for the market to open and I think we are fortnight away from things to stabilize and open up.

Vipul S: Thanks Sir and all the best.

Moderator: Thank you. The next question is from the line of Sanjay Dam from Old Bridge Capital. Please go ahead.

Sanjay Dam: Congratulations for a wonder set of numbers. Two to three questions from my side is that when I look at your realization last year domestic realization was Rs.150000 a tonne? This year it is also Rs.150000 a tonne? Any reason why it is on a Y-o-Y and that is also in the case of export market? There is no change so if nothing else has changed should not the higher raw material cost got reflected in the realization per tonne, higher realization per tonne?

Naresh Jalan: I think Sanjay probably I think quarter-on-quarter if you see the realization in domestic has improved considerably. In export side like in the previous question I have explained we have not been able to pass on the raw material price hike in the month of January to March because in export indexes, which we follow in terms of contract all the increases came in January, February and March.

Sanjay Dam: In Y-o-Y it is static?

Naresh Jalan: I think basically it is a question of product mix also. Basically raw material price hike we have been able to pass on April 1, 2021. So you will be able to see export realization going up significantly in this quarter.

Sanjay Dam: Sure domestically you do not expect much change?

Naresh Jalan: No. I think raw materials prices have been stable from April 1, 2021. I think OEMs have not yet decided on the price increase because of the COVID right now and because April and May has not been very good for the domestic OEMs I think steel price has not yet been discussed at all. I



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think probably when everything opens up we will see some murmuring going on and if that really goes through then that hike will come into place, but anything whatever happens will happen only after July 1, 2021.

Sanjay Dam: Sure. When I look at our export revenues FY2020 we were at Rs.438 Crores, FY2021 we did Rs.525 Crores, the last quarter of FY2021 you did Rs.190 Crores so when I look at FY2022 and FY2023, FY2023 you did mention some new orders that you won? I presume they will be incremental over what we already announced as mentioned in earlier few calls so this Rs.190 Crores is it safe to kind of extrapolate it or it does not happen that way?

Lalit Kumar Khetan: It happens that way only. I think Rs.190 Crores is the benchmark, which we have said. I think full year I think we should look at close to Rs.800 Crores of exports minimum exports for this year.

Sanjay Dam: Right and in FY2023 should you reach Rs.1000 Crores odd?

Naresh Jalan: I think this 25 million which we have won this entirely is going to come into effect next year and our entire thrust in the new capacities, which we have built, is giving a lot of thrust to us in terms of exports to new geographies also. I think like we are very bullish for next two years in terms of exports.

Sanjay Dam: Right and wish you all the best on that. The other question was that if I look at the export incentive, you are still booking some export incentive so I thought that the new norms are yet to come in so is it that part which is not dependent on that work type which is the other parts, which we will continue to get, export part?

Lalit Kumar Khetan: No. The other part we are certainly accounted for duty drawback and on the RoDTEP part, we have gone very conservative. We have just accounted for 0.5% of exports against 3% of MEIS. So that is a very conservative part of RoDTEP because RoDTEP numbers are still not out. Once the actual RoDTEP rates are out then we will account as per the actual numbers.

Sanjay Dam: So Rs.4.5 Crores is pretty safe to assume?

Lalit Kumar Khetan: Yes, this is a very conservative.

Sanjay Dam: You did give us some very good sense on where exports are headed. So far as the wastage is concerned in a normalized situation given your capacity so basically, if I saw your presentation you are almost at 92% utilization so where are we headed from here? I mean you do not have too much of headroom so far as utilization is concerned. So, what will drive?



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Naresh Jalan: I think it is a very hypothetical question right now because of the current month, if you see current two months it has been a complete washout, with the domestic side.

Sanjay Dam: That is fine. I am not talking about that is fine, you cannot do anything, you cannot do anything about it anyways?

Naresh Jalan: But actually if I rightly say the demand side is very strong. Whenever we speak to the OEMs and other places right now, demand side is still very strong and because of this oxygen shortages and all the OEMs closing down as well as ancillaries they are short of lot of parts so they are not making vehicles and as soon as this opens up, I think you will be able to see numbers again clocking up and strong numbers clocking up. This year, we expect one of the best years to happen in M&HCV sector in domestic market and to answer to your question in terms of capacity, I think you are, we are well, prepared with both domestic and export markets strengthening, I think we are looking at further improving our capacity utilization as well as like you 92%, which Lalit has said in his opening remarks. Basically, these are numbers which we derive from the tooled up capacity, but there are always Kaizen and other things which we continue to do in the plant which goes unrecorded and these are places where we may exceed whatever we feel that the capacity is there so we have much headroom left still for improving our topline with the domestic industry as well as export industry which is going strong.

Sanjay Dam: Got it Sir. Thank you so much for taking all my questions and wish you all the best.

Moderator: Thank you. Next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

Kaushik Poddar: In the presentation you have talked about more per car so just to understand your philosophy as to how you look for the next five years I mean, how you are going about it?

Naresh Jalan: Can you repeat your question? I think your voice is breaking.

Kaushik Poddar: If you can elaborate on the more car part of?

Naresh Jalan: Basically content part of it.

Kaushik Poddar: Yes I mean, how has it worked out over the past years and how do you see three to five years down the line?

Naresh Jalan: As a company our continuous endeavor is to improve the content per vehicle and this has been always our work post the COVID we have learnt from what we did in the past and we right now are looking at not in terms of increasing particular component in terms of number of vehicles, we are looking at content per vehicle so I think we are developed a lot of new parts in last over last,



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12 months, in terms of engine components, steering components, and as well as axle components, wherein we have improved our content per vehicle, and this is going to be a continuous affair because we feel that there is lot of availability in the market, in terms of improving contents from going from forging to machines and then to assemblies so we are following that system of getting into more value add products with the customer.

Kaushik Poddar: Okay, and do see things changing with the electric vehicles coming, will electric vehicle we using as much of your products?

Naresh Jalan: Yes, we do not see any major to supply disruption, because of electric vehicles, because an electric vehicle will be requiring steering or axle only the engine is going to and we do not have a major contributor in terms of engine.

Kaushik Poddar: As of now, what is your contribution from engine?

Naresh Jalan: I think it is only about two components we supply for engines, which are the crankshaft and connecting rods, so they are not major contributors to us and that also we are supplying only to LCV segments so, it is a very insignificant portion, I think maybe hardly put a number maybe 1% to 1.5 % of the total revenue.

Kaushik Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.

Aditya Makharia: Sir just wanted to know what is the outlook for Class 8 trucks in the U.S. because some commentary suggests that truckers are running short of inventory I mean they are running short of capacity but yet the production is not being ramped up?

Naresh Jalan: Aditya Class 8 trucks for till FY2023, we can safely say this calendar year 2023 not FY2023, calendar year 2023 we can safely say the market is going to be extremely strong, whatever we had feedback from our OEs over there and basically right now the OEs are not able to ramp up because of the shortage of chips because of you may be aware that there has been a major shutdown in the Japanese chip manufacturing facility. I think that is the reason they have not been able to ramp up, but last week we got information that the plant is back in production and I think in next two quarters, the chip production is going to match the required numbers. So we expect by December the things to normalizing, the class 8 segment in U.S.

Aditya Makharia: Sir CY2022 can they do 250,000 units?

Naresh Jalan: I think CY2022 I think 330000 is a figure which they talk about right not even 2.5.



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- Aditya Makharia:** CY2021 must be 2.5 right?
- Naresh Jalan:** Yes.
- Aditya Makharia:** Sir secondly just one followup question is any update on the acquisition we were pursuing under NCLT there was one company?
- Lalit Kumar Khetan:** ACIL, still it is pending in the NCLT and the courts are right now under COVID where they are just giving date and not taking it on priority and we are just trying to push it and we hope to get a positive decision in next three to four months' time on this.
- Aditya Makharia:** Just on housekeeping question in your presentation, you break up the capacity into forgings and presses so I was just wondering what is the difference?
- Lalit Kumar Khetan:** Forging is basically traditional that is the plant one that oldest plant and the press is basically the latest plants which have been set up across last three years.
- Aditya Makharia:** So this is a 16000 tonnes press is it?
- Lalit Kumar Khetan:** 12500, tonne press.
- Aditya Makharia:** Okay so basically your new forging capacity you are classifying it as presses because that is more for high end work?
- Lalit Kumar Khetan:** Yes.
- Aditya Makharia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.
- Dhiral Shah:** Good morning Sir and congratulations for the great set of numbers. Sir my question is pertinent to the non-auto side particularly railway and oil and gas so if you can share revenue details for FY2021?
- Naresh Jalan:** I think the oil and gas industry is still going through a limbo. I think we do not see any major thrust right now from the oil and gas industry. In railways last year, we did close down 28 Crores or 30 Crores of revenue only because major part of the year, the railways was shut and this year also, we do not expect very big numbers from railways while we expect railways to open up from October onwards, in full fledged way but we are very, very optimistic on railways in FY2023.



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- Dhiral Shah:** I remember earlier you are guiding around Rs.300 Crores kind of revenue from railway by FY2023?
- Naresh Jalan:** Yes, capacity is already in place. Capacity is up and running, samples have been approved by railways. Whatever samples we make has been approved. Teeter blocks also have been approved. So now we are just waiting for business to pick up on the railway side. Capacity for achieving Rs.300 Crores plus topline from railways is already in place.
- Dhiral Shah:** Okay but you still believe that we can achieve this mark FY2023 end?
- Naresh Jalan:** Yes.
- Dhiral Shah:** Sir overall capacity if you see which is currently 90% and you are guiding railway Rs.300 Crores you also won order from LCV segments so you feel existing capacity would help us to deliver this kind of a revenue growth?
- Naresh Jalan:** The total capacity which has been mentioned is not including railways. Railways, is basically a fabrication capacity, which does not have any tonnage, basically. So that number is not included in the tonnage side of it and in terms of the new business win is basically for light vehicle, which whatever we have won and whatever we are in process of completing it. I think that have been included in the capex and which is going to get completed by August this year and like Lalit is in opening call has already mentioned that around Rs.50 Crores capex which is left to be completed, we will be completed within this money and we are ready with the capacities for completion of, going in terms of completing those orders.
- Dhiral Shah:** So this Rs.50 Crores would be for PV right?
- Naresh Jalan:** No. CV and PV.
- Dhiral Shah:** Okay an overall capacity will be around 187000 by August?
- Naresh Jalan:** Yes.
- Dhiral Shah:** Thank you that is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.
- Karthikeyan:** Good morning. A couple of things, can you talk about the competitive dynamics also who was the competition against that you won this 25 million of orders?



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- Naresh Jalan:** No. I do not think we will be able to mention any competitors name. It is customers call ultimately. We will not be able because in international business, we do not come to know because it is pan globe entire people compete to get these businesses so, we do not basically know who is the competitor in the business.
- Karthikeyan:** But what determines success? How do you win that is really what I am trying to understand?
- Naresh Jalan:** Basically, that is the commercial part of it and both technical part of it. We have been able to present ourselves in the way the customer likes, what we are trying to do and what commercially we have been able to show them that is the only way we are winning the business.
- Karthikeyan:** And this 25 million can you split up between Europe and North America?
- Naresh Jalan:** It is close to around 17 million to 18 million from North America and 7 million around in Europe.
- Karthikeyan:** And how many customers would you currently have in Europe?
- Naresh Jalan:** As of today, when we speak, after this order wins, we have all the customers who make commercial vehicles.
- Karthikeyan:** Right and is there strong visibility for growth in these I see that it is only 8% of revenue currently so could you get to say 500 Crores in three years' time?
- Naresh Jalan:** I do not want to put a number to it. Our marketing people are already on the job like North America has grown for us, now our thrust is in Europe and South America and both places our marketing team is working aggressively to increase our visibility in both the markets.
- Karthikeyan:** Great. One last thing on the financial side, can you comment on the payables number, fairly large numbers?
- Lalit Kumar Khetan:** Yes, payable number at this level of operations payable will be like this only, it will go upper. You can see the number has gone up and there maybe a little moderation, but it will be a quite like this only.
- Karthikeyan:** You will be able to sustain these levels?
- Lalit Kumar Khetan:** Yes.
- Karthikeyan:** Thanks. Best wishes.



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- Moderator:** Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.
- Subrata Sarkar:** Sir, my question is very specific on the capacity side. So, we are already 92%. For FY2022 what will be the capacity addition or like how much can we ramp up given the normalcy returns back like demand situation if you can share the exact number in terms of tonnage and all these things?
- Naresh Jalan:** We will not give to share the exact number, but Lalit has already clarified earlier question.
- Subrata Sarkar:** I am talking only about additional capacity, so that we can have.
- Naresh Jalan:** By August 37000 tonnes will be additional capacity total roughly, so we will be at 187000 tonnes of the avail in this capacity by August.
- Subrata Sarkar:** In FY2022, this will be the total capacity addition or there are some other scopes in terms of capacity additions?
- Naresh Jalan:** This is the total capacity addition which is going to be there by end of FY2022 187000 tonnes is going to be the total capacity.
- Subrata Sarkar:** Okay and Sir in terms of capacity utilization, if there is adequate demand like how much can we ramp up like we can go to 100% or something?
- Naresh Jalan:** Hypothetically, I think with the demand and with the product mix we can go to 100%, but I have never seen it happening, realistic to 90% to 92% we can go if the market presumes and we are able to clock by the entire market first.
- Subrata Sarkar:** In last quarter we are at 92%, so in that sense we are actually right now with our existing capacity we have operated at optimal capacity in last quarter?
- Naresh Jalan:** No, 30000 tonnes which you see if you stipulate it into full year, it is only 120000 tonnes, it all depends on the full basically product mix also at the time of demand, so we are looking at 90% of the capacity, but ultimately everything depends on how the demand shapes up and what is the product mix at that period of time.
- Subrata Sarkar:** That is understood. I am talking about if there is no constraint, I am talking about unless?
- Naresh Jalan:** There are no demand constraints we can go up to 150000 to 160000 tonnes in this year.
- Subrata Sarkar:** Thank you Sir.



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Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Employee expenses has gone down significantly, it is just 4.6% of the sales in Q4, is there any lay off of the employees in the past quarter and I just wanted to understand will this run rate be sustainable in the coming year?

Naresh Jalan: There have been no layoffs because if you see the demand side there is no layoff in the last quarter but if the capacity utilization improve this number is going to remain stable or go down, but we are expecting some wage hikes this year, because we have not given any wage hikes in last two years, so this year there is going to be a some wage hike in absolute number, but in terms of percentage if our volume traction goes up and volume as in terms of demand goes up, in terms of percentage I think it will be still lower side.

Abhishek Jain: What is the reason of the sharp jump in the other expenses? Is it because of the higher freight charges and will it be continued for the next quarter as well?

Lalit Kumar Khetan: The sharp jump is due to only higher freight charges on the export side and right now it will continue.

Abhishek Jain: For the next two quarters, can we assume that other expenses will be on the higher side?

Lalit Kumar Khetan: It looks so.

Abhishek Jain: What is the machining capacity out of the total capacity, what you have told that it is 7000?

Naresh Jalan: Close to about 70% is the machining capacity.

Abhishek Jain: My last question is related with the defense business, are you looking some opportunity there?

Naresh Jalan: No, we are not looking at any defense opportunity.

Abhishek Jain: Thank you Sir.

Moderator: Thank you. The next question is from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead.

Jeetu Panjabi: Thanks so much for detailed presentation and discussion. So two questions, you talked about US Class-VIII looking good till the end of 2023, can you give us what color you are seeing in the European side, are you seeing European demand turning up and hopefully break ins from our side into that resulting in better numbers coming out of Europe?



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- Naresh Jalan:** Europe demand is pretty stable or upper trajectory only. I think we will need to wait for a complete Europe I think while they are commenting that by July they are going to completely open up post vaccination. I think we will need to wait for more clarity post that but as of now it is a sustainable and demand side is very stable and it is looking upwards only, but in terms of numbers, I think it is very difficult to give you numbers as of now looking into the current situation.
- Jeetu Panjabi:** Second question is this is all steel price hike throughout the world, how much of that dampens demand for products globally in India and the US?
- Naresh Jalan:** I do not think with the OEMs able to pass on some of the price increases of steel to the end consumer and with the demand looking so strong. As of now we do not feel there is going to be effect of any steel price increases in the demand side. We will see how this shapes in the next couple of quarters before we can really comment on it.
- Jeetu Panjabi:** Last question from my side is when the senior management top four five of you all get together to discuss the business hike, outside routine matters, what are the one or two things that is taking most of your attention and time?
- Naresh Jalan:** Right now most of the time has been taken with the COVID management only, and second is we are looking at considerable reduction in terms of our debt. These are the two things which are in focus right now when the top management discusses how the demand is going to be in the domestic industry with this COVID surge and how long this COVID surge is going to continue, is the welfare of the employees or all our employees, so that they and their family stay safe and secondly how to reduce the debt if the market continues as such in this year.
- Jeetu Panjabi:** Thank you so much. Really appreciate this.
- Moderator:** Thank you. The next question is from the line of Vipul S from Reliance Securities. Please go ahead.
- Vipul S:** Thank you Sir for taking my question once again. Sir, I have question again on order win, you highlighted new order from every side primarily, anything similar on the M&HCV side either from India or from North America or any new client addition on the M&HCV side?
- Naresh Jalan:** There is nothing significant to inform to the investors right now on M&HCV side.
- Vipul S:** Second is on the new order wins again I am not asking about the exact number, but directionally in terms of margins where do you see this new order wins margin either be at par or slightly u better#?



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- Naresh Jalan:** I think this is going to be slightly better, because this is entirely exports and our first major entry into the segment, if the margins and volume looks pretty good for us.
- Vipul S:** Despite you slower ramp up initially, we do not see any margin dilution?
- Naresh Jalan:** No, we do not see any margin dilution going forward.
- Vipul S:** Sir, lastly on this non-auto side, apart from railways, anything meaningful we are expecting from non-auto side in the next two, three years?
- Naresh Jalan:** Non-auto side, actually we are doing a lot of activities right now with the tractor and the earthmoving equipment, but we are treating that into auto sector itself, so I do not think anything significant is going to come in non-auto except these two.
- Vipul S:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prabhat Anantharaman from B&K Securities. Please go ahead.
- Prabhat Anantharaman:** Thanks. Sir, you did mention that the underlying demand is a little strong with the domestic M&HCV segment and that in the next 15 days is the spotlight, we will see trends stabilizing with the multiple opex. My question was could you share some thoughts on what is the current inventory level in the system because that will give a fair idea of how it would get consumed and the new production starts coming out in the market?
- Naresh Jalan:** Basically we are also working on presumptions. Basically to say very clearly that fortnight there will be extremely dependent. We are not trying to say any numbers. We think that in the next fortnight the market, with the COVID numbers what we have seen in the previous week and reported and how things are going pan India, we see that in the next or by this month end, we at least look at the dealership to open up and the manufacturing facilities of the OEM as well as the ancillaries to open up and the oxygen demand to stabilize in the week and you start using oxygen. That will give an impetus to the new vehicles. In terms of what is the vehicle inventory at the dealer or the factory end, I think it is extremely difficult right now to give a number to it because it is extremely volatile right now.
- Prabhat Anantharaman:** But directionally, could you give a guidance, is it higher than the normal average or lower than that?
- Naresh Jalan:** I think most of the ancillaries are closed, so a lot of vehicles are standing in the OEM side because of non-availability of few parts, so it is extremely difficult to give what is the pipeline of inventory is very, very difficult to shift to rear end it is extremely difficult to give those numbers.



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Prabhat Anantharaman: Bulk of the inventory is currently in the WIP stage rather than finished good stage?

Naresh Jalan: Probably we feel so.

Prabhat Anantharaman: That is all it. Thank you.

Moderator: Thank you. The next question is from the line of Ritwik Bhattacharjee from Khambatta Securities. Please go ahead.

Ritwik Bhattacharjee: A quick question there; is there a possibility of the semiconductors shortage situation dragging out for a longish period of time and possible impact of that on closing of interesting orders?

Naresh Jalan: Semiconductor shortage I think is not playing an active role in terms of M&HCV but while yes there is a difficult situation right now in Europe as well as US but what we heard from OEMs that manufacturing facility in Japan which was not able to produce has come back to production and in the next three to four months things should stabilise for them. Probably that is the reason I said that Q3 onwards, we should see much better numbers in Class-VIII trucks both in Europe and in US.

Ritwik Bhattacharjee: Thank you very much.

Moderator: Thank you. The next question is from the line of Sanjay Dam from Old Bridge Capital. Please go ahead.

Sanjay Dam: Thank you so much for taking my question. Would really appreciate if we could get some colour on the receivables and payables days between March 31, 2020 and March 31, 2021? The payable days have really gone up a lot. So, if we could get specifically some colour on the payables? That would help us in really understanding the sustainability of the working capital?

Naresh Jalan: Sanjay on the payable side, certainly we have been able to stretch a little bit from the creditors on the payables but again raw material side, it is always 90-days payment terms, so it remains like that. If you compare year-to-year it is not like an apple-to-apple because again, earlier I also said that the turnover has gone up in the last two quarters and last year it was consistent around 250 Crores or 270 Crores throughout the year. So, numbers are looking high in terms of if you compare year-to-year. If you compare last quarter only then it should be a little down.

Sanjay Dam: So, far as the receivables minus payables day is concerned, how should we look at it Sir? Your inventory is pretty okay?

Lalit Kumar Khetan: Debtor is also pretty okay. If you look at the 59 Crores, last year number there was no Tata Motor bill discounting number in the last year because all the money from Tata Motor has come



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due to lockdown. There was no outstanding in debtor, which we was already 68 Crores. So, if you look at the last year total debtors it was 302 Crores and that was around more than three months of debtor. If you look at this quarter also it is around three months of debtors only.

Sanjay Dam: Payables how should we look at it?

Lalit Kumar Khetan: Payables maybe a little bit moderation from here on but we will be looking at this kind of number, if we look at the payables. If you look at the 400 Crores kind of turnover, we can remain at that payable level at this level.

Sanjay Dam: 400 Crores, right?

Lalit Kumar Khetan: Yes.

Sanjay Dam: That is very helpful. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.

Basudeb Banerjee: Thanks Sir. Just wanted to understand many competitors are showing their capabilities in terms of differential views or differential units and we also. So, you also will anyhow keep aiming for that and focusing on parts per vehicle as you said, so any capabilities in terms of differential since we are actively servicing?

Naresh Jalan: Mr. Banerjee I think we will not be able to specifically say the component or particular assembly, but like I have said already we are looking at first started from forgings, gradually to machining and now to assemblies. We are also gradually improving in terms of going up the value chain in terms of getting into assemblies.

Basudeb Banerjee: Any progress as a few quarters back you were highlighting that you were also focusing on touching the entire forging efforts. So, railways you have highlighted, so can you highlight the project in terms of passenger vehicles?

Naresh Jalan: Yes, we have a major thrust in passenger vehicles and I think our capacity is going to be in place by August 2021 and you will be able to see the numbers in passenger vehicles from third quarter onwards.

Basudeb Banerjee: Both the exports and domestic focus or any specific?

Naresh Jalan: Both export and domestic focussed.



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- Basudeb Banerjee:** That is good. Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh Makhija an individual investor. Please go ahead.
- Rishabh Makhija:** Thank you for taking my question. Congratulations on a good set of numbers. Sir, just one small question on the new order win that you highlighted, which will come in FY2023. This \$27 million of revenue which you guided will this be on an annualized basis over or would it continue for the next three years after FY2023 or five years? Or is it just a onetime contract?
- Naresh Jalan:** It is a five-year contract annualized \$27 million of business. It is a five year contract.
- Rishabh Makhija:** And you expect this to continue even after the five years, do you expect to keep getting orders?
- Naresh Jalan:** I cannot comment beyond five year right now. Whatever contracts, we have got is for FY2023 starting and for five years and beyond that we will need to see as we approach those times. We have not yet spoken on with the customers. So, we cannot say right now because it is a five year contract.
- Rishabh Makhija:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Kush Joshi from Kitara Capital. Please go ahead.
- Kush Joshi:** Thank you for giving me the opportunity. Sir, I just want to understand that how much capacity you will be adding for passenger vehicles in tonnage terms?
- Naresh Jalan:** No, we have not given any specific market number capacity. In terms of capability yes we will be able to make passenger vehicle components going forward from August onwards, but we have not earmarked any capacity. We will look at whatever options we get from customers, we are looking at all options and to engage our capacities. So, whether it is M&HCV, CV, LCV or passenger vehicles, whatever business is lucrative and we get to occupy our equipments, we will go ahead and do those.
- Kush Joshi:** My second question is with respect to a couple of quarters back, you had entered South American markets, so how are the markets looking like and when will you start getting orders from that particular market?
- Naresh Jalan:** We have already started shipping our materials from last two quarters to the South American market and I think market is doing well, but as India is stuck with COVID second wave, you are



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aware that Brazil is also affected by COVID wave. So, we presume that underlying demand is very strong and we will continue to be on the upper trajectory in the Brazil market.

Kush Joshi: So once the situation easing, we can see good traction in that segment?

Naresh Jalan: Yes.

Kush Joshi: Last question is with respect to the debt levels. So, now we will start repaying every quarter some amount or a billion of debt as part of the strategy?

Naresh Jalan: Kush, we have not said anything in terms of every quarter, but overall in the year we are looking to deploy one-third of the cash whatever we earn to repay the debts.

Kush Joshi: Annually.

Naresh Jalan: Annually.

Kush Joshi: So, our working capital cycle will be in the similar lines? It would not get stretched further even if you get more export business?

Naresh Jalan: No.

Kush Joshi: Thanks so much. This was helpful.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for his closing comments.

Lalit Kumar Khetan: Thank you. On behalf of the management we would provide a word of thanks to all the participants who have participated in the call today for Ramkrishna Forging Limited. We wish you a good week. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.