



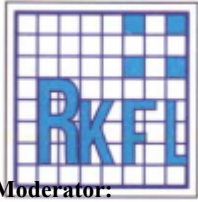
“Ramkrishna Forgings Limited
Q1 FY2019 Results Conference Call”

July 30, 2018



ANALYST: MR. RUSHAD KAPADIA - ICICI SECURITIES

**MANAGEMENT: MR. NARESH JALAN – MANAGING DIRECTOR –
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RAMAKRISHNA FORGINGS LIMITED**



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Moderator:

Ladies and gentlemen, good day and welcome to the Ramkrishna Forgings Q1-FY2019 results conference call hosted by ICICI Securities Limited. 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. Rushad Kapadia from ICICI Securities. Thank you and over to you Sir!

Rushad Kapadia:

Thank you Lizaan. Good afternoon everybody and thank you for joining the call. I would now like to hand over the call to Mr. Rajesh Mundhra, Senior GM (Finance) to take on the introduction. Thank you and over to you Sir!

Rajesh Mundhra:

Thank you Rushad. I welcome you all to this call. Thank you and good afternoon to everyone. We welcome you to the concall hosted by our company for the quarter ended June 30, 2018.

We have achieved a total tonnage of 33036 tonnes in this quarter as compared to 23000 tonnes in the corresponding quarter. The total net operation revenues for this quarter has been Rs.410.47 Crores as compared to Rs.276.30 Crores in the corresponding quarter, resulting in increase of around 48.5%.

The company has achieved an EBITDA of Rs.87.05 Crores for this quarter as against Rs.51.90 Crores for the corresponding quarter resulting in increase of 67.75%. The EBITDA margins stood at 21.20% in this quarter as compared to 18.78% in the corresponding quarter. Sequentially, there is an improvement of around 410 basis points in the gross margin on account of better product mix. We expect strength to continue going forward.

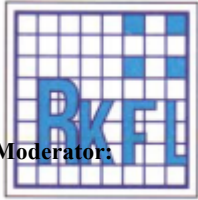
In April, we took few days shut down in 12500-press line to improve the efficiency of the line. The company's working on capex plan and hopefully it will finalize by October 2018 while working on capex plan, we have very clear that it would add new segments and flexible enough to increase the companies offering to different sectors of product customer across geography.

On funding side as the company has a whole, we have very clear at about 40% of future capex requirement would be funded through internal accruals. We are witnessing a good traction in the European market and going forward sales from Europe is likely to grow. Our efforts to get into LCV segment are showing good prospect and we hope to commence the supply in near future.

The company has uploaded an investor presentation providing all requisite detail. We request all the investors not to raise any customer specific queries during the concall. I am accompanied by Mr. Naresh Jalan, Managing Director and Mr. Lalit Khetan, CFO on this concall today. I hand over to the proceeding to Mr. Rushad for further call.

Rushad Kapadia:

Thank you very much. Thank you Sir for your opening comments. We would now like to open the floor for questions and answer if anyone has any questions, Lizaan could you please take it forward for that.



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Moderator: Thank you. Ladies and gentlemen, 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 Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Thanks for taking my question. Sir my first question is regarding price increases taken in this quarter and what our expectations for going forward, what kind of price since we have taken in Q1 and any expected in Q2 that is my first question?

Naresh Jalan: We have only taken price increase of Rs.4 per kg from May onwards and going forward we do not expect any price increases in the second quarter probably in third quarter starting October, we may witness any price increase, but it is too soon for us to premature for us to give any indicative price increases what may happen in the third quarter.

Jay Kale: My second question is regarding the axle load norms that we have seen changes so your comments on how you are seeing demand panning out a) in the short-term and b) in the medium-term and also whether you expect any kind of minor modifications to be made to your product or anything of that sort?

Naresh Jalan: It is too early for us to say anything as of now. We do not see any demand slowdown. It may be few days or may be 15 to 20 days wherein there may be a blip in demand, but in overall scenario we find that there is going to be a stable demand scenario.

Jay Kale: Any kind of modifications to be made to any product?

Naresh Jalan: Not to our exiting products, there is no modification. There has been new addition to the products for which already developments are under process.

Jay Kale: Okay and lastly on your volume growth guidance for FY2019 do we maintain earlier guidance?

Rajesh Mundhra: Yes we maintain our earlier guidance.

Jay Kale: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Aditya Makharia from Motilal Oswal Asset Management Company. Please go ahead.

Aditya Makharia: Just wanted to know how is the situation in the U.S. in terms of your order book and second this transport strike, as there has been any impact from production?

Naresh Jalan: In terms of U.S. market, we see a robust market I think there is traction in the market and it is going to be continue over the next three to four quarters going forward. In terms of trucks strike, our production has not been affected anyway. OEM production has been affected, but as a truck strike now is over I think things will come back to normal.



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Aditya Makharia: Okay and would you have any market share assessment of the products you make particularly the higher end ones because you have been gaining share from competition right at least in the domestic markets so any sense you can give us on?

Rajesh Mundhra: I think we will not be able to give any market share guidance or market share what we have been able to.

Aditya Makharia: Any trends I mean?

Rajesh Mundhra: As guidance given, we are maintaining a healthy trend in the product portfolio, which we are supplying and we continue to gain in terms of content per vehicle with the OEMs, we are dealing with and the trend continues for us.

Aditya Makharia: This is all primarily front axle beams?

Naresh Jalan : There are lot of components, is not particular component. We are into entire front axle assemblies as well as rear axle assembly's engine components. Overall we are talking about entire vehicle or content for vehicle has increased so we will continue to make inroads into our content in terms of vehicle and in terms of market share we are looking at only content per vehicle. We are not looking at any changes in terms of market share versus our competitors.

Aditya Makharia: Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Thank you for the opportunity. Just on the axle load norms, you mentioned in the presentation that there will be an increase in the demand for heavier components because of the change in the axle load norms so I just wanted to understand can you just give a rough indication of how much the increase will be required in the sales value if we comply with the new or exiting norms just a rough number on percentage terms if you can provide that will be helpful? Second point I wanted to know is that if we make a new axle as per the new norms how much time is going to take for the product to get into the actual production to start, because if I am not wrong there is a period of testing for the new product required which is the OEM is required to take, so if you can just throw some light on that?

Naresh Jalan: First to answer your first, it is very early for us to state, what is going to be the revenue impact in terms of axle load change or the heavier components. What we can visualize as of now because it is just about 10 to 15 days which has passed away, what we can visualize as of now is that the vehicle demand because of weight category will shift to the higher tonnage components as such demand on the same is going to increase, but in terms of revenue we are yet to quantify the same. In terms of your second question, OEMs have been able to change the design from the existing basket itself and I do not think there is going to be any significant change in terms of heavier components are concerned for the next couple of months before we see any changes, we continue



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with our existing portfolio and to heavier components itself. So there is not going to be any major testing requirements or other thing going forward. *Ramkrishna Forgings Limited*

Bharat Gianani: Okay, but the new components which will be required, how much time will it take for actually supply and possibly for the OEMs to meet the existing norms I mean how much time lag it will take? I just want to understand.

Naresh Jalan: People in the OEMs also are working round the clock. I think it is mostly around close to two weeks or maximum three weeks it will be up and running new vehicles will be on road.

Bharat Gianani: Thanks Sir. That is all from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Two, three questions from my side. First question is that you mentioned that you had taken a shutdown for few days in April, so can you quantify how much was the tonnage loss because of debt and how do you propose to breakup for that and secondly what is the benefit of the shutdown that we have taken?

Naresh Jalan: Sachin, first I think we lost close to 800 tonnes because of the shutdown approximate. The shutdown period losses were around 800 tonnes, basically we were trying to modify our working into this press and I think from 65 seconds we have been able to make products right now close to around 48 seconds.

Sachin Kasera: So does it effectively mean that from the same capacity we can now produce tonnage?

Rajesh Mundhra: Yes.

Sachin Kasera: Okay, second question was regarding the improvement in gross margin. I think there is an approximately 400-basis point improvement in gross margin when I compare from June quarter versus the March quarter. So one what has driven this improvement and secondly is this improvement sustainable?

Naresh Jalan: Sachin, I think at the opening remarks itself we have mentioned that the gross margin whatever has been improvement on accounts of better product mix as a sustainable.

Sachin Kasera: I did hear that remarks, but if you could throw more light when you say better product mix means that we have got some new export orders if you could give some more details that would be really helpful.

Naresh Jalan: Sachin, it is not new orders basically right now as we have said the demand side looks very good, so we have been able to choose better products, better product mix to run our capacities as such we have been able to continue to improve in terms of our margins are concerned as well as the utilization level at the press plant is increasing day-by-day as well as we have taken lot of cost



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saving initiatives in terms of employee cost and other things, all this has helped us improving our gross margins and it will continue to drive the same. *Ramkrishna Forgings Limited*

Sachin Kasera: Third question was regarding the net debt figure if you could just help us what was the net debt as on June?

Rajesh Mundhra: It was about Rs.852 Crores.

Sachin Kasera: And what was the numbers on March Sir?

Rajesh Mundhra: It was Rs.823 Crores.

Sachin Kasera: My last question Sir regarding the return ratios now that the company is focusing more in terms of efficiency cash flows, debt, are we also looking to work on some return capital employed numbers for the next two to three years that we are expecting to achieve?

Naresh Jalan: Last year ended March we were close to around 16.1% ROCE and I think this quarter gone by we are close to 19.1% so company is working closely on improving the ROCE and we cannot give a ballpark number to it, but we aim to continue to this improvement of 19.1% which we achieved in this quarter next couple of quarters continuously.

Sachin Kasera: Sure Sir. I have some more questions. I will come back in the queue.

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

Abhishek Jain: Thanks for taking my question. My question is related with the export basically the North American trucks market was quite strong in first quarter FY2019 despite export was around flat, so what is the reason for the same?

Naresh Jalan: There is no specific reason for the same basically we readjusted our volumes looking into the pipeline inventories in the C as well as at the customer end. We had readjusted our first quarter numbers as because first quarter obviously in month of April we got that is lot of maintenance activities in terms of annual maintenance plan of the entire plant, so looking into that we readjusted our inventories in the customer end as well as in the pipeline.

Abhishek Jain: So because of the capacity constraint you would not be able to do export in higher numbers?

Naresh Jalan: Not in terms of capacity constraint, in terms of whatever number of days, which were available vis-à-vis in terms of production, we looked at the best premix to utilize the same.

Abhishek Jain: What is your capex plan and the debt repayment plan for the next two years?

Naresh Jalan: We have not yet freeze our capex plan, in the opening statement Rajesh has already clarified that we have yet to freeze our capex plan and by October we visualized that we will be able to freeze



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our capex plan in terms of debt repayment Rs.90 Crores debt repayment the schedule for this year.

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Abhishek Jain:

Okay and the capex would be the same Rs.80 Crores to Rs.90 Crores?

Naresh Jalan:

Maintenance capex we have guided already, Rajesh has already given a guidance from the last quarter itself for the maintenance capex, but overall capex for the capacity enhancement is yet to be get freeze and you will be coming back in the month of October probably the freeze capex plan.

Abhishek Jain:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Priya Ranjan from Antique Stock Broking. Please go ahead.

Priya Ranjan:

Thanks for taking my question. My question is on this Rs.4 million Euro order, which is over and above what you have been highlighted for European order I think one year back. So totally European order at the peak level what kind of numbers you are looking at?

Naresh Jalan:

Close on Rs.9 million Euros.

Priya Ranjan:

When will the peak will happen?

Naresh Jalan:

In FY2020.

Priya Ranjan:

And what is the debt level as of now, total net debt?

Naresh Jalan:

Rs.852 Crores.

Priya Ranjan:

Okay. Thank you. That is all.

Moderator:

Thank you. The next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.

Sanjay Satpathy:

First question is that can you just remind us what is the guidance of growth for the year?

Naresh Jalan:

Can you repeat your question please?

Sanjay Satpathy:

Your volume growth guidance you said that you will maintain it despite all the changes in axle load etc., so can you just remind us what is the growth guidance for this year?

Naresh Jalan:

We have guided for close to about 142000 to 145000 tonnes this year.

Sanjay Satpathy:

Okay and will the growth considering that your exports have not grown in this quarter, should we expect similar growth in domestic as well as exports going forward?



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Naresh Jalan:

Like I have explained the last question also that the growth, which has not happened in, export in last quarter because of annual maintenance whatever we do and readjustment of inventories. Going forward in the next three quarters, we will be able to catch the numbers.

Sanjay Satpathy:

Does this mean that considering that there will be lot of your factories, we are seeing a lot of production loss may happen in the domestic market due to these regulatory changes, so you will be able focus more on exports? Is that how you will look at it?

Naresh Jalan:

No we do not want to visualize any disruption because of regulatory changes, so we continue to be very bullish both on domestic as well on the export market.

Sanjay Satpathy:

Sir you mentioned that your net debt has gone up from some Rs.720 odd Crores at the end of March to Rs.815 Crores?

Rajesh Mundhra:

Rs.823 Crores.

Sanjay Satpathy:

Rs.823 Crores to Rs.852 Crores?

Rajesh Mundhra:

Yes.

Sanjay Satpathy:

Okay and in the opening remarks itself you mentioned there is some capex, which will be ready by October? I could not really get that?

Naresh Jalan:

What we want to say that in terms of capacity addition, we will be having our capex plan freeze by mid October and the capex will be funded 40% by internal accruals and the balance 60% will be by debt. We will come out with the exact numbers in the month of October.

Sanjay Satpathy:

Sir while you have improved your EBITDA margin in this quarter as well as the gross margins has also improved substantially. We saw a lot of changes in terms of your power costs going up and some other expenses going up is that some amount of technicality or accounting issues here or it just that is how the business is changing?

Naresh Jalan:

Now the business is changing. There is no accounting issues or changes in the accounts, which have been made.

Sanjay Satpathy:

The last thing I just wanted to understand that you have been in the past talking about increasing your machining and machining as a percentage of sales and lot of those capexes, which were going on in this regard had they already come on stream and is that the reason why you are margins have improved?

Rajesh Mundhra:

Yes. Most of the capacities in terms of machining have already been factored in and I think by this month when we speak as such in the month of August almost entire capex will be completed.

Sanjay Satpathy:

The benefit will come probably by Q3?



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Naresh Jalan:

I think if Rajesh has already clarified in the opening statement itself, we have achieved a 400 plus margin improvement and we continue to ride the upper trajectory.

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Sanjay Satpathy:

Thanks a lot and you have not given this space production number for this quarter? Is that something, which you will discontinue giving?

Naresh Jalan:

We are giving production as a whole. We do not want to isolate it because it was initial plant we were giving that at that period of time and now because all the plants have been capitalized and the entire things production as a mix of basket we are giving the entire production.

Sanjay Satpathy:

How much utilization by any chance you can share with us the plan?

Naresh Jalan:

Overall utilization has been close to 82%.

Sanjay Satpathy:

Thanks a lot Sir.

Moderator:

Thank you. The next question is from the line of Abhijit Dey from BNP Paribas Mutual Fund. Please go ahead.

Abhijit Dey:

Good evening Sir and congratulations on a good set of numbers. Just one question from my side Sir while you have not freeze the capex, but will it be a mix of both raw forging as well as machining capacity?

Naresh Jalan:

Abhijeet, like Rajesh has clarified in the opening statement we are looking at addition getting into new segments basically that passenger vehicle and light vehicles LV, so we are looking into pre-mix of finished components itself to get into these two segments.

Abhijit Dey:

That is it. Thank you.

Moderator:

Thank you. The next question is from the line of Varun Arora from Auroville Investments Managers. Please go ahead.

Varun Arora:

My question is regarding the interstate cost. I understand there was a rating upgrade by ICRA could you clarify what should like any guidance if you could give on the interest expense? What should one take for the average cost?

Rajesh Mundhra:

Well the total interest cost that we had given the annual guidance should be in the range of Rs.75 Crores to Rs.80 Crores for the entire financial year.

Varun Arora:

My second question is regarding the export tonnage so you mentioned part of the season why the export tonnage growth was lower was because of the maintenance, but other than that basically any other factor if you could point out basically and our machining capex got completed in the middle of quarter, so is that also the reason why the growth was stronger in domestic markets and less so in the export market?



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Naresh Jalan:

No. I think like I have explained in the earlier question, export was stable basically because of only two factors. One is we had taken an annual maintenance, which happens every year during the month of April. That is the reason that quantities were lower as well as we readjusted our inventories, which were there in the pipeline meaning that it was in sea as well as with the customer end.

Varun Arora:

If I can throw another question if you could give some basic quantitative guidance on the working capital and what are the steps you are taking in terms of closing the working capital in cash flow generation?

Rajesh Mundhra:

Well, regarding that improvement the working capital and the cash flow generation what steps we are taking is that we are trying to discount the export receivables as well as the domestic receivables on the recourse basis. That will help us to improve our cash flows and that will also help us to lighten our debt from the balance sheet.

Varun Arora:

Any numbers you could give like internal targets you might have like in terms of how much you want to reduce the working capital days?

Lalit Khetan:

It will be very difficult to quantify that because the numbers are dynamic, but our constant endeavour is that to optimize the working capital requirement by the way of various things.

Varun Arora:

Thank you.

Moderator:

Thank you. The next question is from the line of Arjun Khanna from Kotak Mutual Fund. Please go ahead.

Arjun Khanna:

Thank you for taking my question. My first question is in terms of the oil and gas business we had earlier talked of entering the space any sense of what kind of turnover we could generate in FY2019 and FY2020 from the same?

Naresh Jalan:

FY2019 we are looking at close to around \$6 million to \$7 million business from oil and gas. FY2020 we are yet to figure out because there are a couple of new customers, which we are targeting, so I think with the current order book \$7 million to \$8 million we have confirmed order and beyond that I think we are yet to hear from the customers.

Arjun Khanna:

Sir just to understand this the \$6 million to \$7 million, you believe will be recurring order year-on-year?

Naresh Jalan:

Yes it is a recurring order.

Arjun Khanna:

We would not have seen much of that much in the first quarter?

Naresh Jalan:

I think first quarter we should have had close to around \$1 million order from oil and gas.



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Arjun Khanna: Thank you. Secondly in terms of our machining, which you did mention that we should be fully install the new setup in terms of exports what percentage ~~could our tonnage be in machine?~~ *Ramkrishna Forgings Limited*

Naresh Jalan: I think most of our exports are in **(audio break) 28.43** products. I do not think we export anything in non-machine condition.

Arjun Khanna: Is there a scope of that increasing going forward?

Naresh Jalan: We are already supplying machine components, so I do not think there is any scope of increase of machine components, but in terms of overall basket of exports yes we are looking at a lot of opportunities in Europe like in our presentation also we have said we are hopeful that from this quarter onwards exports revenue from Europe in substantial numbers will start showing up.

Arjun Khanna: Lastly while you do want to talk of the utilization of our bigger press line just in terms of realizations, which you mentioned that we are close you see it stable at these levels, but as our latest press line keeps increasing in terms of utilization should not realizations continue to move upwards?

Naresh Jalan: Already in the opening statements also we have said that we are extremely bullish with the current utilization and order book what we have that we will continue to be on the upside cycle of both revenues as well as margins, so obviously realization has to be good to have both of them going forward.

Arjun Khanna: I may have misunderstood, what you mention was that Rs.4 price hike you have taken care of the raw material aspect is in terms of the press line that unitization will boost realizations going forward?

Naresh Jalan: Yes.

Arjun Khanna: Sure, perfect. Thank you so much.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Sir, two three questions. When you mentioned that your capacities have gone up because you are able to bring on the press time, so can just guide us post this changes what is the maximum volume we can do from the existing capacity in terms of tonnage?

Naresh Jalan: I think it is extremely difficult to put a tonnage to it because overall tonnage totally depends on the pre-mix of components we have. At the mean level right now we are at the overall capacity level we are looking at close to around 165000 to 170000 tonnes in overall installed capacities, which is concerned.



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- Sachin Kasera:** Sure, secondly Sir, this quarter if I see in terms of the mix obviously domestic has gone up, how do we see the mix for the full year, you indicated 142000 tonnage for the full year, will the mix be more or less same as the first quarter or for the full remaining three quarters of this year?
- Naresh Jalan:** I think we are looking at close to around 65%:35%, 65% is going to be domestic and 35% is going to be exports.
- Sachin Kasera:** So in that case if I see the quarterly number that you are reported, the realizations in exports are significantly higher than domestic so does it mean that there could be some further improvement in the gross margins that we report going forward because the realizations is higher?
- Naresh Jalan:** I cannot put a number to it, but we are very confident of achieving higher realization and higher bottomline.
- Sachin Kasera:** Lastly, on the exports is there are two to three year sort of vision or strategy that we want to achieve as in terms of tonnage or in terms of revenue anything if you could guide us?
- Naresh Jalan:** Overall mix what we are looking at is to continue with 60:40 ratio. I think right now this year we have a confident of achieving 65:35 ratio, but overall our plan is in the next two to three years with Euro going to be one of the significant contributors going forward in the second half as well as the entire FY2020 to exports to be 60:40 ratio.
- Sachin Kasera:** And anything in terms of the target on automotive and non-automotive both domestic as well as export is there something that you also want to work on that to derisk?
- Naresh Jalan:** No, I do not think we are working right now we say that we are only basically working on towards reducing our dependency on commercial vehicle and with the new capex plan, which we are emphasizing our thrust area is to increase our content per vehicle in the existing setup as well as we are targeting aggressively on the passenger vehicle and light vehicle sector.
- Sachin Kasera:** So, what is the current concentration on CV and how much would you like to bring it down over the next two to three years?
- Naresh Jalan:** I think our entire concentration on automobile. Our 95% concentration is as of today is commercial vehicle. Our thrust is to bring down the 75% to 70% in the next two years.
- Sachin Kasera:** Just last question, you did indicate that for the new capex you have not fully freeze the plans yet, but if you could just tell us a thought process that would you also look in terms of an equity dilution to fund that or as of now we are pretty clear that that is something we will not look at?
- Naresh Jalan:** I think Sachin to very clear we are now out of both kinds of funding that is debt as well equity. I think company is creating enough cash going forward and we would like to stick with internal accrual utilization to fund our capex plans.



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Sachin Kasera:

So, which means that whenever this capex gets completed the net debt should not go up significantly from here?

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Naresh Jalan:

Yes, overall debt plus, minus 5% will be within that range and we will fund our project with internal accruals.

Sachin Kasera:

So basically 850 Crores is the net debt, so we should not see going beyond 925 Crores next one to two years despite the capex.

Naresh Jalan:

Plus, minus 5%, 852 Crores is our current debt plus minus 5%, we will be within that range of our total debt and all our capex plan will be funded through internal accruals that is what we have said in the initial statement also that 40% of our project capex is going to be funded through internal accruals as you know that we have two years repayment of close to around 200 Crores so I think that will be enough to pay the debt and that similar kind of debt will come into the books to fund our capex plans.

Sachin Kasera:

Superb Sir. Congratulations and all the best.

Moderator:

Thank you. The next question is from the line of Bhavik Patel from Active Alpha. Please go ahead.

Bhavik Patel:

Sir, just wanted to check, since we have a net debt of 852 Crores in June quarter and last year we had 752 Crores, so.

Naresh Jalan:

852 Crores we had in the March.

Bhavik Patel:

In March we had 752 right?

Naresh Jalan:

823 Crores.

Bhavik Patel:

Because your financials say that we have long-term borrowings of 386 Crores and short-term borrowings of 366 Crores, which is somewhere near 750 Crores, so just wanted to confirm?

Naresh Jalan:

I think 823 Crores the net debt, which was there closing of March 2018 and as of today we have 850 Crores.

Bhavik Patel:

That is it.

Moderator:

Thank you. The next question is from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani:

Thank you for the opportunity once again Sir. You have highlighted that you would look to reduce your dependence on the commercial vehicle space and for that you are targeting the LCV and the percentage of vehicle space so that the capex would freeze in October, so just wanted to



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know that mostly it would be inorganic route that you are coming enter the new segment or how it will be like?

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Naresh Jalan: It will organic.

Bharat Gianani: So for that basically the existing customers will be the key clients and in that case if that is right then what would be the lead time that would be required for testing the product and finally the production if it gets started?

Naresh Jalan: I think it is too early for us to say anything on that right now. We have not yet freeze our capex plan. What I have said that our thrust area is going to be passenger vehicles and LCV segment. We have no customers as of today in passenger vehicle and LCV segment, so it will be new customer addition. We have already spoken to larger number of customers both in domestic as well as in export segment and we have got lot of encouragement in terms of going ahead with this capex plan, so we are yet to finalize our capex as well as get customer comfort when we have both things together lined up. I think we have already given a date of close to on a mid of October will be ready with both of them. We will inform our investors also and as well as we will get board approvals in place before and start the project implementation. In terms of time lines, we are targeting December 2019 to have our Greenfield project ready up.

Bharat Gianani: Sir, thanks and all the best.

Moderator: Thank you. The next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.

Sanjay Satpathy: Sir, just wanted to clarify this, you said that you will be paying 200 Crores debt and then again you will be bringing that much debt to fund the capex just wanted to reconfirm are you really going to increase your net debt or your net debt overall will remain where it is?

Naresh Jalan: I think I have clarified again that our net debt situation will be remaining plus minus 5% at this level including the funding of the new capex plan.

Sanjay Satpathy: Understood and so essentially you will be able to maintain your net debt to equity ratio at about one or less than one?

Naresh Jalan: I think as of today our net debt to equity is 1.06.

Sanjay Satpathy: Thanks a lot Sir.

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

KD Mishra: Congratulation Sir on a good number. I just wanted to ask an accounting question. Last year you did QIP of 200 Crores I was not able to figure out because you have not done any capex allocation yet, so where is that amount in the balance sheet asset side actually?



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Rajesh Mundhra:

Mr. Mishra, we had utilized the proceeds for deputation or down cycle of our working capital so technically it has both lying in interest rates and liability side itself.

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KD Mishra:

So it is lying in a liability side?

Rajesh Mundhra:

We have used the working capital as of now till the time the proceeds have been utilised.

KD Mishra:

Thank you, Sir.

Moderator:

Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Rushad Kapadia for his closing comments.

Rushad Kapadia:

I would like to thank the management for sparing the time and patiently answering the questions from the investment fraternity. I would also like to thank the investors for being a part of the call. Thank you.

Naresh Jalan:

Thank you everybody.

Moderator:

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