



“Ramkrishna Forgings Ltd Q3FY16 Post Result ConferenceCall”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 post result conference call with Ramkrishna Forgings Limited. As a remainder, 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 over the conference to Nitasha Shankar of YES Securities. Thank you and over to you.

Nitasha Shankar: Good morning everyone. On behalf of YES Securities, we would like to welcome you all to the Q3 post results conference call with Ramkrishna Forgings. From the management side we have Mr. Naresh Jalan, the Managing Director and Mr. Alok Sharda, the CFO of the company. Thank you sirs for taking time out for this. Over to you sir for your opening remarks post which we will open for Q&A.

Alok Sharda: Thank you Nitasha and good afternoon everyone and welcome to the call. For us this quarter, Q3, has been most challenging quarter in the recent past. If you see historically we were continuously growing and we hope in current future also the same trend will be maintained. But this quarter has come as one of the quarter where there is a small degrowth as far as topline is concerned and that is mainly because of the problems, global turmoil particularly in North America. What we feel is that there is one-time inventory adjustments which are going in that sector and going forward that will be taken care by the market. Domestically, the business has been robust and we are hoping that this particular next quarter will also be very robust domestically and next year we are looking at decent growth in the domestic which will help us in growing the business when we have added the capacities. On the topline side we have some degrowth because of raw material adjustment, if you see quantitatively the tonnage has only come down by 3% from 19,000 tonnes to around 18,500 tonnes where as topline has come down from 235 crores to 200 crores. So the major difference in pricing is because of raw material adjustment which has come in export market where the prices adjustments has come in the quarter and second is the change in the product mix where the export sales are lower than the domestic sales.

EBITDA for this quarter is lower at 18.3% against 19.8% for the last quarter. The major reason for short fall in EBITDA is because of the inventory loses which has affected by around 200 basis points which has come in this quarter because of sharp fall in raw material prices which is continuing and again small volume adjustment would have given us better EBITDA and higher margin also. For this quarter we have already announced by starting a 12,500 tonnes press with the starting of this press and 6300 tonnes press is starting in last quarter our CAPEX is almost over. So what has happened is you are also seeing higher interest and depreciation charges in the P&L which is affecting my PAT level. Today the operational leverages for the new capacities are yet to be coming, so which is also affecting margin. So going forward once the operational leverage improves, the productivity improve for this presses he will see much better EBITDA margin as well as PAT level margin with absorption of the interest and

depreciation cost. On a 9 months period if you see, the performance has not been that bad. We have continued to grow on topline by around 40% and the profitability is also much better for the 9 months' period and we hope that we will continue to do better in coming years where the business look robust with capacity addition in place in totality. So 16-17 onwards we have entire capacity available and we will be growing our business quarter-on-quarter with adding of customers, with adding of new product ranges both domestically and export markets This is mostly from my side. I have a request to the investors. Please do not ask any customer specific questions. We will not be able to answer that. However globally we can discuss. With me today is my MD Mr. Naresh Jalan also with us. He will keep us updating on the markets and global things and financials part I will be covering. Request Nitasha to go for the question and answer please.

- Moderator:** Thank you very much. Ladies and gentlemen, we will begin the question and answer session. We will take the first question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Jhaveri:** Sir I have a question on international business. In the exports, what is the contribution of class 8 trucks and class 5 trucks respectively, international CV?
- Naresh Jalan:** This is Naresh Jalan this side. We are 100% to class 8 trucks as of now.
- Kashyap Jhaveri:** And we are not doing anything at class 5 at this point of time?
- Naresh Jalan:** No, not at this point of time.
- Kashyap Jhaveri:** And in class 8 what kind of products are we supplying and what could we supply, let us say our larger tonnage presses are operational?
- Naresh Jalan:** We are supplying engine components; we are supplying axle components both are online.
- Kashyap Jhaveri:** And once the larger presses are online, what could be added to the product portfolio?
- Naresh Jalan:** Engine components like crankshaft will get added and front axle beam, so the front axle will get added.
- Kashyap Jhaveri:** And do we have any sort of have we supplied samples or do we have any contracts in hand for that right now?
- Naresh Jalan:** Yes we have some contracts in hand from North American business. We have already started manufacturing samples. We expect the samples to be dispatched in the month of March.
- Kashyap Jhaveri:** And on the domestic side in FY17, any new client addition?

- Naresh Jalan:** I think in domestic side our clientele is any and every CV manufacturer is our clientele. New customer needs to be added in the commercial vehicle side. Obviously we are looking at increasing our exposure to the earth moving sector and mining sector where we are trying to add some of the clients such as coal India and NTPC.
- Kashyap Jhaveri:** Right and any incremental orders from the domestic side on the large tonne presses?
- Naresh Jalan:** We are already in the larger presses; we have most of the requirements within India. We have already started catering to the two larger CV manufactures within India and we expect our share of business to increase considerably in the next year.
- Kashyap Jhaveri:** And what could be potential?
- Naresh Jalan:** Right now we are at 50% share of business. We are trying our best to increase the share of business to 60:40 or 70:30.
- Kashyap Jhaveri:** And when you say 50:50 it includes all kind of forged products; I mean it is not that smaller ones or larger ones or...?
- Naresh Jalan:** 50:50 is for larger press forgings. On the smaller press forgings which are predominantly hammer forgings in most of the cases we are may be 100% also or 80%. I am right now talking about the larger press.
- Moderator:** Thank you. We will take the next question from the line of Binoi Kurian from Centrum Broking. Please go ahead.
- Binoi Kurian:** Firstly, you said something about the margins in this quarter being impacted by raw material write down. Could you just explain that?
- Alok Sharda:** As I was telling you, in export market, which you see my realization per ton and has come down in this quarter, this is mainly because of reduction in raw material prices and since we are carrying inventory and whenever the demand drops significantly and if you see there is 20% reduction in tonnage in export market for us then we have some inventory where the loses come in. So as per accounting norms we have to provide for those loses in the book and there is an impact on EBITDA by around 200 basis point on that account.
- Binoi Kurian:** Sir how come we did not see this in the earlier quarters, then the raw material price was falling right, that is why...
- Alok Sharda:** That is what I explained to you, that is mostly on export markets. Till export markets adjustment has come in this quarter.

- Binoi Kurian:** And nothing is exposed, I just want to know what is the volume capable from the 12,500press, what is at peak capacity; how much volumes can you generate from there as well as 6300 tonnes?
- Alok Sharda:** As we tell you the entire press project all 4 presses taken together we can do 80,000 tonnes of capacity out of which it excludes 6300 and 12,500 and then we have around 17,500 tonnes of capacity. So these two presses taken together, roughly 53,000-54,000 tonnes.
- Binoi Kurian:** Sorry, the split between 12,500 and 6000/
- Alok Sharda:** That is around 45,000.
- Binoi Kurian:** Okay and so if the utilization say this 53,000 capacity, the utilization for FY17 is say 50%, would margin be impacted?
- Alok Sharda:** That is what we are projecting. If you look at 16-17, as we have just started our 12,500 tonnes press and as Mr. Jalan also told we are sending samples for approval, then we have domestic order book. So we are hoping to build up those capacity utilizations for 12,500 level in the next financial year basically and going forward we are hoping that by 4th quarter we should come to 70%-80% capacity utilization level, which can give on an average for us 40%-50% utilization for next year.
- Binoi Kurian:** So would you see some margin impact at 50% like a negative?
- Alok Sharda:** Yes, margin impact will be better. Margin impact on a full year basis you will not see significantly but earlier operational leverage will not be great. So it will be lower margin and going forward once you are at 70%-80% margin, the margin is significantly improved.
- Binoi Kurian:** Could you give the CAPEX forecast for 17 and 18?
- Alok Sharda:** Not significant, normal CAPEX.
- Binoi Kurian:** Like around got 100 crores?
- Alok Sharda:** Not even that, 30-40 crores.
- Moderator:** Thank you. We will take the next question from the line of Abhijeet Dey from BNP Paribas Mutual Fund. Please go ahead.
- Abhijeet Dey:** If you can just start by giving the breakup between domestic and export tonnage for this quarter?
- Naresh Jalan:** Export we have done 6450 tonnes and domestic is around 12,050 tonnes.

- Abhijeet Dey:** And same quarter sir last year, if you can just tell me?
- Alok Sharda:** We have not shared last quarters number because at that time we were not maintaining. So we have started doing from current year.
- Abhijeet Dey:** But you mentioned it is 20% fall in tonnage export side, right?
- Alok Sharda:** No, I am saying immediately last quarter.
- Abhijeet Dey:** Q2 you are saying?
- Alok Sharda:** Q2 I am saying. Q2 we have shared you a number of 8200 tonnes. So there if you see there is around 20% fall in tonnage.
- Abhijeet Dey:** And sir one last thing I needed to ask you. In terms of your export contract with Dana, Meritor or anybody else, is the raw material a complete pass through or there is a clause where you can...?
- Naresh Jalan:** Raw material is a complete pass through. If it falls, we have to pass on the benefit it increases, we get that increase also. It is basically one quarter adjustment. One quarter effect will come to the balance sheet, increase or decrease and from next quarter it is pass on.
- Abhijeet Dey:** And what about the currency sir?
- Naresh Jalan:** Currency is not passed on. It is basically contract to contract. Some contract it is complete pass on based on exchange rate plus minus 5% but in some cases it is no pass on. It is fixed currency for 5 years.
- Moderator:** Thank you. We will take the next question from Dhiral Shah from GEPL Capital. Please go ahead.
- Dhiral Shah:** Sir what is the current market share, currently in domestic market?
- Alok Sharda:** It depends, current market share. It depends on clientele basically and product mix. Average entire the Tata Motors may be in some components we are 100% and some components we are as low as 30%, depends basically on component basis. So we will not be able to give you exact breakup in terms of market share, in terms of domestic. Basically it depends on component to component.
- Dhiral Shah:** And sir when do you see this North American truck market to improve?
- Alok Sharda:** What we are seeing already some improvements already happening from this quarter onwards and basically what Alok also said in the initial stage of his presentation that what we feel that it was one off incidents of inventory correction going on and if you see the entire last year

history of North American class 8 trucks, first quarter or first half was exorbitantly very high and next half was absolutely low but in average if you see they maintain the same and what we, whatever information we have from the manufacturers or OEMs over there, this year we may not see the growth happening but we may see stagnant absolute flat markets, vis-à-vis the whole year average. So what we feel that we are going to be very comfortable this year. Once what pain we have already gone through is the inventory correction but what we expect next year, this full year is going to be very calm and going up in terms of supplies.

Dhiral Shah: Lastly what is the outlook for FY17 in terms of revenue as well as EBITDA?

Naresh Jalan: Next year we are just waiting for this international pricing adjustments to come and typically we are not revising any guidance and whatever we talked about earlier up around 115,000 tonnes we are looking at that number because sales is very difficult to predict given that raw material behavioral and the changes it is doing from 20%-25% coming down and again with government coming up with duties I do not know what will happen to alloy steel, so we are not able to forecast on the topline number but yes on the tonnage side we are looking at the same number.

Dhiral Shah: Okay, 1,50,000 tonnes?

Naresh Jalan: 1,15,000 tonnes.

Moderator: Thank you. We will take the next question from the line of Jagdish Bhanushali from Florine Tree Advisors. Please go ahead.

Jagdish Bhanushali: Just missed some data points. The total tonnage sales which I heard is 18,500?

Naresh Jalan: Right.

Jagdish Bhanushali: And how much will be exports?

Naresh Jalan: Exports is 6450, domestic is 12,050.

Jagdish Bhanushali: And you just gave a guidance of 1,15,000 tonnes and just Nareshji also mentioned that the outlook is probably flat in FY17 for class 8 trucks is what is coming up from the OEMs at the moment. So what gives us the bullishness in terms of tonnage that we will be able to achieve 115 from about 75,000 or 80,000 tonnes from here on, from FY16?

Alok Sharda: I think you got me wrong. I have told you that we get a flattish outlook vis-à-vis average of sales what has happened last year. Last year in class 8 trucks first half was exorbitantly very high and second half was absolutely low. But on the average side if you look, so what has happened if you see, first half for us was very good. Last quarter because of sales absolutely going crazily down we were badly hit with inventories piled up in North America. Once that inventory is cleared what we see this year, we will again continue to grow because if they

maintain that average of 2,70,000 vehicles also for the full year on class 8 side we will be able to do much better what we have done in last quarter.

Naresh Jalan: And Jagdish another thing you need to understand is what is the advantage you are seeing is, this does not include any quantity from 12,500 tonnes. It does not include significant quantity from 6300 tonnes press also because the moment it started commission there is a slowdown in the global market. third if you see, domestic is doing extremely well and we are hoping that year-on-year if you compared 15-16 with 16-17 domestic we are looking at 25% to 30% growth. So again on the newer presses we have today order book which is for the domestic market. So what we are looking at, can we start from the Q1 domestic in a decent way where come to 30%-35% utilization level on the bigger press so that will help us to pull the numbers slowly. But yes we are quite confident that we should do this number. So that is what our internal targets are much higher but we are looking at 115,000 at least for this full year.

Jagdish Bhanushali: So just to understand when we say 30%-35% utilization to be achieved that is from the domestic itself from a 12,500?

Naresh Jalan: Domestic itself.

Jagdish Bhanushali: For the annual, alright. So that sounds quite bullish and if I get a sense how much would be the total capacity tied up with the 12,500 tonnes at the moment if...

Naresh Jalan: As of now 60% approximately is tied up and out of that we have already received approvals from OEMs to the tune of, from domestic almost 40% of the capacity utilization. Export samples like I told earlier also, it is expected to be shipped out in the month of March and April. So we expect that approvals to come in the second half of FY17. So we will have full half year sales of FY17 on the export front on all those components.

Jagdish Bhanushali: So wanted to understand if the classic truck again, once again there is a degrowth that happens probably when we say flat, probably a 3%-4% degrowth in the North American market. So what sort of outlook does it change for us?

Naresh Jalan: We have right now budgeted basically based on 2,62,000 vehicles, class 8 truck vehicles being manufactured in North American market and I do not think, vis-à-vis last year of 3,30,000 vehicles. So full last year if you see North American class 8 trucks is 3,30,000 vehicles and we have budgeted based on 2,65,000 vehicles. So we have built in all those drops and everything. Based on that we have made our projections of 1,15,000 based on 2,62,000 vehicles.

Jagdish Bhanushali: And when we say that our 45,000 tonnes press line, probably about 50% is tied up. So is there a shift from any other press line to that particular press line, so that our tonnage would probably be little lesser on those fronts or...?

Naresh Jalan: No, we have not internally shifted anything. Ours is absolutely a new business or new components and we will prefer making only bigger component on this press, if we trip that it will be operationally a very inefficient product.

Jagdish Bhanushali: At the first, because of the operational leverage?

Naresh Jalan: Yes.

Jagdish Bhanushali: And when we say 200 basis points inventory corrections has happened, has hit us, this particular quarter. So again do we see our margins shifting back in Q4 by 200 basis points, 150 basis points or so?

Alok Sharda: It can. I do not know what the raw material prices, again the movements are there. As of now what we see that if raw material prices will remain flat and what it is right now we will regain what has been lost, but in case there is further, as an entrepreneur I do not believe that raw material prices from here on can go any further downwards. But if it goes up we will reap the benefits of those. So it is both way cycle.

Jagdish Bhanushali: Another thing I wanted to understand is that our realization per tonne has dropped. So how much would be attributed to the change in raw material pricing and the change in product mix?

Naresh Jalan: On export side, it is mostly on account of change in raw material prices, if you see that export side the fall is 30% where the tonnage has come down by 17%-18%. So 12%-13% impact is coming on that account. Second is if you see the change in product mix from export to domestic also affect because domestic sales realizations are lower and we have sold little more forgings in this current quarter. So where again realizations are lower so we are seeing the lower valuation.

Jagdish Bhanushali: And just the last question I would have is, could we get a sense of how much is the gross debt at the moment with us?

Naresh Jalan: Around 820 crores.

Jagdish Bhanushali: And cash component?

Naresh Jalan: We do not have major cash, it is net debt also.

Moderator: Thank you. We will take the next question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri: The earlier question you mentioned about 100% of export is class 8, you mean for the new press line or the whole of the export revenue put together?

Naresh Jalan: All of the exports right now is class 8.

- Kashyap Jhaveri:** And you mentioned about target of 115,000 tonnes in FY17, now earlier we had a target of about 1800 crores in rupees in terms of topline in FY18, so does that...?
- Naresh Jalan:** We never said 1800 crores. We talked about 1500. We have a higher tonnage and we have talked to about 1500. If you see on the last call we talked about 115,000 tonnes and around 1300 crores topline.
- Kashyap Jhaveri:** And if FY18 what would be the tonnage?
- Naresh Jalan:** It is very difficult for us to give guidance to that, given the volatility and the global scenario that is very difficult
- Kashyap Jhaveri:** And in this quarter if you have to adjust for this 200 basis points of this inventory markdown, would our EBITDA per tonne would have remained same as the previous quarter, it would have improved or?
- Naresh Jalan:** EBITDA per tonne for us is to be seen domestically and exports separately. What you see is a total mix and divided by... It will not be same. Even if you add this around 2% adjustment EBITDA per tonne still will be lower because the product mix has changed from export market to domestic significantly this quarter. See you have to see what are domestic per ton and EBITDA, what is exports, so which way it is very, we do not share that and it will be very difficult for us to calculate that. So that is why we always say, last call also I told you have to look at EBITDA in percentage were we are.
- Moderator:** Thank you. We will take the next question from Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Sir first question is on the domestic tonnage. I am seeing that on a Q-o-Q basis you have seen a 12% growth in tonnage supplied but revenue is more or less flat, the domestic revenue. So this 12% which has got negated just wanted to understand how much is this because of raw material pricing or is it that the product mix is weaker or are you kind of pricing the product kind of slightly lower in order to get this presses utilized and kind of enter new customers in the domestic business?
- Alok Sharda:** Two parts I would say, some part is some part is coming from raw material adjustments, raw material coming down around 4%-5% growing on that account and as I told you just in the previous question we have sold little more forgings than machines. So if we sold more forgings then realization comes lower.
- Mukesh Saraf:** So can we assume that 4%-5% is because of raw material coming down and the remaining 5% is product mix?
- Naresh Jalan:** Yes.

- Mukesh Saraf:** There is no component of lower pricing or...?
- Alok Sharda:** No. I think we will never do any pricing adjustment to get business.
- Mukesh Saraf:** My second question is on the export tonnage like last quarter we were at about 8200 tonnes of exports and this quarter we are at 6400 and you would mention clearly that there was obviously inventory and stuff that led to this one-time impact. So just trying to understand now that January and half of February is done, do you see us going back to that 8000 level in this quarter itself, this March quarter itself or is there some bit more pain of this inventory correction left?
- Naresh Jalan:** No, we have considerably improved over what happened in the last quarter, but to go full blown I think it will be first quarter of next year.
- Mukesh Saraf:** Okay, first quarter next year we will go back to that 8200 kind of level?
- Naresh Jalan:** I think we can go more than that also.
- Mukesh Saraf:** And last question on you had said samples you would be sending in March, so typically how long does it take for it to get approved and...?
- Alok Sharda:** It depends, basically it is need based test. Some samples get approved overnight also. It basically need based; how fast the customer wants to launch the supplier. It all depends on how fast they would like to get into that business with the supplier. But what we feel that it should take at least 3 months' time. That is the reason I told in the call earlier also that we expect that we do full half year last two quarters of sales in exports from the new press for approval sample which are being sent in the next two months.
- Mukesh Saraf:** So in your estimates for FY17 you have factored in 3 months of time for ...?
- Naresh Jalan:** No we have factored in 6 months' time, that is the reason last two quarters...
- Mukesh Saraf:** One last question sir, in this whole turmoil on the North American class 8 trucks obviously that is your key export segment and you probably have one large customer. Do you see an issue...?
- Naresh Jalan:** We have couple of large customers, not one large customer, we have couple of large customers.
- Mukesh Saraf:** But do you see some kind of a market share shift for these customers given there has been kind of pain or are you confident that your customers have been maintaining their market share in their supplies to the OEMs?
- Naresh Jalan:** We have not got into the basics of what my customer ultimately has increased his market share or lost his market share with the OEM. Our main concern is to increase our own market base in

North American market. So we are on the process of adding couple of new customers also in this year and for which already we have received approvals, we have already completed the commercial negotiation and other things with the...

Mukesh Saraf: So these are from the new presses sir, these that you are...?

Naresh Jalan: Yes from the new presses, some are from the old presses also. We cannot only talk about the new presses from the customer. It is a basket business which we are right now we are talking to couple of buyers which we will be able to see most of them coming in the first quarter of Q2 of this year with agreements in place and we will see samples and other things in the Q3 going to those customers. So there are lot of customers within Europe and US, which company has added within last 2-3 months but we will see daylight of those customers in Q3 and Q4 of this year.

Mukesh Saraf: So just summing it up, just as a summary what I understood is that you are saying that despite the class 8 weakness you have kind of factored in 262 and you are saying that your customers, 2-3 large customers you do not expect any kind of reduction in off take from them?

Naresh Jalan: No we do not expect.

Moderator: Thank you. We will take the next question from the line of Aditya Sundaram from Edelweiss. Please go ahead.

Aditya Sundaram: I just had a question basically on, first a house keeping question on other expenses. For the quarter it has come down significantly from about in Q2 level 73 to about 65, why exactly is that, the other expenses have come down?

Naresh Jalan: These expenses are mostly related to export. exports would have come down by 20% accordingly they have also come down.

Aditya Sundaram: So could you just explain the nature of these?

Naresh Jalan: Freight expenses actually.

Aditya Sundaram: Okay, sir my next question is basically on our overall sales target. We were looking at about 1350 crores for FY17, I just wanted to know considering the number that you gave about 115,000 tonnes this thing you are expecting sales of next year, what do you think we will end that in FY16 roughly as a number?

Alok Sharda: I told you the problem is the raw material factor actually. The way the things are ...

Aditya Sundaram: No, just the tonnage sir. I am talking about the tonnage.

Alok Sharda: The tonnage we said 115,000 right?

- Aditya Sundaram:** That is for FY17 you were targeting correct?
- Alok Sharda:** Yes.
- Aditya Sundaram:** And what are you targeting, what do you think we could end by FY16?
- Naresh Jalan:** FY16 we said it is around 80,000 tonnes. This quarter we will be adding quantities of 12,500 tonnes and 6300 also some quantity. So we will be closing around 80,000 tonnes.
- Aditya Sundaram:** So that is basically what I am looking at is like roughly let us say a ballpark of 44% growth. Now you have budgeted for the overall class 8 trucks going down to about 21% overall and as per our revenue target if I just assume you do 200 crores in the next quarter, you end up at about 850 odd crores. So 850-13,000 about 58% year-on-year. So now I am just trying to figure out the slowdown in class 8 trucks and even domestic grant is doing very well. But to do a growth number like this 13,000, you will have to have some content addition or market share gain significantly in the class 8 truck markets. So you think that such a huge growth is possible and we can actually see this kind of market share gain and content addition immediately in FY17 for us?
- Naresh Jalan:** I think what we are missing over here right now that 12,500 tonnes press is very recent addition in terms of capacity and heavy tonnage press, so each component is also very heavy, an average weight of each component is close to around 90 kg. So obviously the pricing of that component is also different. If we are able to utilize 50% of that on the average of that for the full year, whatever we are talking right now, is very easy achievable targets, 80,000 tonnes this year and if you are talking about from 45,000 tonnes of available capacity from 12,500 tonnes press an if you are able to achieve only 50% of that. I do not think what we are talking is very herculean task to achieve.
- Aditya Sundaram:** Okay fine. So the major, then the growth there is basically the tonnage growth that is coming in is through content addition or it will be basically through market share gain for a single component, where will that be,
- Naresh Jalan** premix of both content as well as market share gains within domestic as well as in exports.
- Aditya Sundaram** And if I just we go a little more granular we are largely, we are providing to the crankshaft the front axle beam and the axles we will be supplying in terms of..?
- Naresh Jalan:** No, we are suppliers of front axle beams, crankshafts and basically front axle and rear axle components. To sum it up it is front axle and rear axle components.
- Alok Sharda:** Aditya, one more thing, you have missed out in this tonnage is the growth which my existing businesses will get on the domestic business also. If domestic grows by another 20%-25% whatever we have sold here till this year, there will be growth on that also.

- Aditya Sundaram:** Correct. That I agree sir. That is why actually my next question was that only, I wanted to know the domestic size, are we largely tier 2 do we supply to automotive Meritor or Tata Motors and Ashok Leyland form a significant portion of our share in the domestic as per this quarter?
- Alok Sharda:** Tata Motors today for RKFL is 50% in the entire periphery of pan India Tata Motors. We are close to around 50% of our business domestic ways to Tata Motors. Big customer is Volvo Eicher for us and then it is Ashok Leyland. We have supplies to automotive axles but that comes only 1%-2% of our entire business.
- Moderator:** Thank you. We will take the next question from the line of Paras Nagda from Enam Holdings. Please go ahead.
- Paras Nagda:** Sir first question I had was on this 12,500 tonnes, I understand the economics of the press are very high when it comes to very high capacity utilization. So if you could make me understand the economics that 70%-80% capacity utilization what can be the peak margins and EBITDA which can be looked at from this press alone?
- Naresh Jalan:** Paras, we are at 75%-80% utilization with press consumed at more than 23% margin.
- Paras Nagda:** And sir the second question is on the impact of minimum import price, what kind of changes, what kind of thought process do you have on raw material sourcing and raw material costing and pricing?
- Alok Sharda:** Minimum import price, I think if you see I think we are still unclear. Government has imposed minimum import price on carbon steel and basically whatever has come out information we do not see anything related to alloy steel. So at carbon steel, if alloy steel import, there is no minimum import price for alloy steel. So if we take a carbon steel benchmark we do not see any price increase in terms of steel in alloy steel which is going to be absorbed by the market. So either the government needs to come up with the clarification what they want, if they would import minimum import price has to increase for alloy steel but if the benchmark is going to be carbon steel that is \$470 I think roughly around INR38,000 in carbon steel. So I do not think steel manufacturers will be able to increase any pricing in the alloy steel.
- Paras Nagda:** As a book keeping question what can be our peak interest and depreciation from current level?
- Naresh Jalan:** Our interest cost if you see this includes interest cost, bank charges 4A adjustment. So all taken together we do not see more than 55-60 crores and depreciation peak should not be more than 70-75 crores.
- Moderator:** Thank you. We will take the next question from the line of P Ranjan from Systematix. Please go ahead.

- P Ranjan:** Just one thing on raw material adjustment, so when we talk about the raw material price adjustment do we, the customer is also built into the duty and currency part or it is benchmark against some certain international pricing?
- Naresh Jalan:** I am not able to understand you. Please could you repeat the question please?
- P Ranjan:** When we talk about the raw material price adjustment into the pricing, pass through to the customer, that also includes the duty changes in India as well as currency changes or is it only related to link to certain international benchmark pricing?
- Naresh Jalan:** There are two things to it, first of all duty is whatever within India we get CENVAT credit for that. So that is not a cost to us. Second is that all steel prices even basically every quarter there is adjustment, some customers that is based on invoice, steel mills approvals. Every OEM has a said steel mill approval. So those said steel mill approval whenever there is a price increase or decrease the invoices are sent to the customers based on that every quarter the steel price is adjusted and with some customer it is on an international benchmark like some American metal market there is LME based on that the adjustments are there.
- P Ranjan:** And if there is any fluctuation in currency then how we deal with the pricing?
- Naresh Jalan:** Currency is basically some customers it is pass on, every quarter (+/-5%) whatever change is there plus or minus and with some customer we have fixed price contract for 5 years.
- Moderator:** Thank you. We will take the next question from the line of Akshay Agarwal, Individual Investor. Please go ahead.
- Akshay Agarwal:** As you said, in the recent question that MIP has not affected you very much, so the cost of raw material remains the same?
- Naresh Jalan:** No, I have not told that MIP has not affected us. What I have told is the clarity needs to come in terms of information flow right now from the government. Right now what we see that there is no MIP being proposed on alloy steel. Carbon steel has been made as a benchmark in alloy steel MIP also and it is just about a week the information flows are still awaited. We have no information from the steel mills also as such for any price increase and if there is no increase in steel pricing, the steel price will remain as such but as of now we do not have any information from the steel mills or we do not see anything in the market in terms of movement in steel prices in the alloy steel front. While we see there is a steel price increase in carbon steel or mild steel or other form of steels which are used in different sectors but we are yet to see any major steel price talks in terms of alloy steels in the steel mills.
- Akshay Agarwal:** What I am saying if the price gets twice higher, right now we do not have any clarity, if the prices get twice higher, so will there be any demand shift on the export front, will there be any demand shift from India to China or anyother....?

- Naresh Jalan:** I think our steel price, our contracts, we have 5 year contracts. So in 5 years I do not think there can be any shift in terms of customer buying is concerned and steel pricing Indian cannot be isolated to the world. Any moment has to be in terms of world steel pricing, commodities cannot move in isolation.
- Akshay Agarwal:** Sir on the last con-call you had given EBITDA estimation for the next year which is around 280-300 crores, can we maintain that sir?
- Naresh Jalan:** We have given 280 crores EBITDA last quarter. As I have told you if exports markets are good, definitely we can maintain that EBITDA.
- Moderator:** Thank you. We will take the next question from the line of Akash Manghani from BOI Axa Mutual Fund. Please go ahead.
- Akash Manghani:** I had a question on your volume guidance. You said 115,000 for FY17, two questions on that. What is the assumption for the 6300 tonnes press and 12,500 tonnes press in terms of capacity utilization and what are you assuming for the growth rate in the domestic M&HCV business?
- Naresh Jalan:** Domestic M&HCV business basically, first part actually I will answer your question, domestic we are expecting a growth of close to around 20% M&HCV market for the full year and basically what we see in this quarter we have built in basically for the entire year whatever projections we have received from the OEMs within India. Whatever predictability and whatever we hear is basically they are expecting close to 21%-23% growth. We have budgeted close to around 20% growth of the M&HCV sector within India. Second part I think Alok will be able to answer what is the numbers.
- Alok Sharda:** We have already discussed on the call, 12,500 tonnes press on an average we are looking at 40%-50% utilization level. Basically we gradually move up from quarter-on-quarter and on 6300 tonnes press which is more linked for exports market from next quarter onwards, not even this quarter will be significant. We are looking at around, again they are also around on an average 50% to 55% utilization.
- Akash Manghani:** Also, I think earlier, I just want to clarify whether I got this correctly, you mentioned that from Q1FY17 you should sort of start to hit a similar runrate in export tonnage as you did in Q2 of this year, is that correct?
- Alok Sharda:** Yes.
- Akash Manghani:** Also on the EBITDA per tonne, what you delivered in Q3 close to Rs. 20,000 EBITDA per tonne, assuming that RM prices, I guess I believe that RM prices should not go further down from there. I mean that should be the base level EBITDA per tonne you should do at least. I think raw material prices do not go down from here on?

- Alok Sharda:** And Akash, again EBITDA per tonne I told you, for us our business EBITDA per tonne significantly changes due to change in product mix. We are not in one or two products. We have number of products. So if you are selling forging EBITDA per tonne is different, selling forge and machine EBITDA per tonne is different, and if you are selling front axle beam the EBITDA per tonne is different.
- Akash Manghani:** So what is the forging and machining split. You said you have done more forging this quarter vis-à-vis earlier. So roughly how much you would have shifted towards forging?
- Alok Sharda:** We normally do not share those numbers actually.
- Akash Manghani:** Is there a material movement but...?
- Alok Sharda:** Not materializing, 3%-4% changes are there where we have sold forging more because domestic market whenever you are selling your forging is more actually.
- Akash Manghani:** On the exports your realizations are obviously much better and hence the margins. So I know you do not disclose the margins but would it be, how much higher than the company average the EBITDA per tonne on the exports?
- Alok Sharda:** On an average 2%-3% higher.
- Akash Manghani:** The EBITDA per tonne or the margin?
- Alok Sharda:** I think margin. We do not calculate like how you calculate EBITDA per tonne.
- Moderator:** Thank you. We will take the next question from the line of Jatin Chavla from Credit Suisse. Please go ahead.
- Jatin Chavla:** First question is on this new presses, initially is there a period where they kind of you have losses from the new presses and only till the time you reach a certain utilization level that they start breaking even. So let us say you are operating at a 10%-15% utilization on a press, does it result in an EBITDA loss?
- Naresh Jalan:** I would say not significant but if it is less than 20%-25% then some losses can come but not significant, unless it goes over 40%-50% operational levels does not come into picture. It is a very bad operational leverage for those presses at 20%-25%.
- Jatin Chavla:** And on the 6300 tonnes press, did I get it right that from that you are not looking at too much domestic revenue, so it is largely for the export markets?
- Alok Sharda:** It is a mix of both, but today the interest is more to do on export markets because the bigger the price, bigger the forging and bigger is the export market is best for the company actually. So we have export orders which were doing in the last quarter which can comfortably we have

done on thisso we prefer shifting entire thing to that press and see that operation improves significantly.

Jatin Chavla: And in terms of your order, customers you said right now almost all of it is Class-8. I think in earlier calls you talked about some revenues coming in from European customers as well. So when does that kick start?

Alok Sharda: See Europe actually we are doing right now, we are doing sales to Europe and Turkey both. But that is not very significant. I think significant sales from Europe is going to come the second half of FY17 where we have added a couple of new customers.

Jatin Chavla: And while explaining the fact that domestic had a tonnage growth but had flattish revenues you mentioned that the share of machining has come down in the domestic market, any particular reason why that would happen this quarter?

Naresh Jalan: No, basically it depends on customer demand. Actually in some customer within domestic periphery they have their internal manufacturing capacities, like Ashok Leyland and Volvo Eicher, they have some internal machining capacities within their own plants. So they buy forging and get it machined internally.

Jatin Chavla: And on the MIP on steel, I know as of now it is largely on carbon steel but let us say the government were too in future include alloy steel as well and with your contracts that are linked to global exchange let us say an LME, even then is the duty or CENVAT credit and it does not matter to you?

Naresh Jalan: We do not import steel. We basically use domestic steel. So every duties and taxes are Cenvatableas of now and yes if government includes MIP on alloy steels then domestic steel pricing in Alloy steel may go up and in case that goes up significantly that can affect the contract in which we have exchange rate as LME or American Middle Market, in case there is no commodity change in those indexes. But I do not think with the amount of import happening in alloy steel within India which is very insignificant to the quantum of imports happening in other parts of steel, government will go and put MIP on imports of allow steel because governments intention was to basically to stop imports wherever there is huge importand is affecting the Indian steel production.

Alok Sharda: I will add one more thing, whatever the increase in alloy steel in domestic happen that is pass on to the customer, so there I do not have much pains actually.

Moderator: Thank you. We will take the next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: I slightly joined the call late. Can you just give me the Q3 volume numbers?

Naresh Jalan: 18,500 tonnes.

- Pritesh Chheda:** And you said that slippage is largely on account of exports?
- Naresh Jalan:** Yes, export is 6450 tonnes and domestic is 12,050 tonnes.
- Pritesh Chheda:** My second question is when you are giving the 115,000 tonnes odd number for FY17, in the past calls you have given some clue on the new contracts with the new OEMs on the export side plus possibility of Tata Motor higher business with Tata Motor. Not may be in tune with the M&HCV growth, even if the M&HCV growth was not there. What is the development there in terms of Tata Motor ramp ups, those new contracts and third in this whole volume growth side, now your original customer on the export side, the biggest one, a lot depended on new product supplies to him so I am just wondering when we are seeing this hiccup in the ramp up even with the existing customer why is it so and do you have any thoughts there?
- Alok Sharda:** For the Tata Motors or any domestic customers we have already received lot of approvals from the bigger presses and that is the reason why we are talking about 40%-50% utilization in the first half of the year of those presses and in the export front yes we have already gone ahead with the deals of the new customers and we have couple of customers on board for which like I told you in the call earlier also that the samples are expected to get through within March and April of this year and we expect 6 months gestation period to get the approvals for those customer and we expect sales from this new customer's new products in the last half of the year.
- Pritesh Chheda:** So first there is delay in new customer on the export side in terms of ramp ups. So instead of first half it could be second half?
- Naresh Jalan:** Like you earlier also it is known that we have delayed by 2 quarters on the startup of the new press, so everything has shifted by 6 months on those presses. Otherwise samples and approvals would have come by now but samples are going 6 months' late so we expect that there is going to be an approval. It usually takes 3 months' time but we have built in when we have calculated that this is going to take 6 months' time for getting the approvals in place.
- Pritesh Chheda:** And about the existing customer in the export side, that is Dana, they are a lot depended on newer product lines. So why is it happening that the slippages in that customer?
- Alok Sharda:** No, I think there is no slippage in any of the customers. Whatever requirements, whatever slippage is there basically that is in terms of demand side going down.
- Pritesh Chheda:** Then if there is a new product supply opportunity with the existing customers?
- Naresh Jalan:** If press has started 6 months delayed, on 15th December only we have started the new press. So already samples and other things are in process from those presses and which is going to get there in next two months' time and approvals, testing and other things are going to take some time.

- Pritesh Chheda:** Okay so basically with effect Q1 is where the utilization on those two press, 12,500 and 6300 which is a lot dependent on export plus Tata Motor supply.
- Naresh Jalan:** It is not alone, Tata Motors. It is basically all domestic CV manufacturers are there.
- Pritesh Chheda:** So that should ramp up with effect Q1 and move towards a 45% utilization for full year which means that as we end towards the Q4 of this year it should start actually hitting (+60%) utilizations and how confident are you on that now achieving it?
- Naresh Jalan:** That is why we already started samples and other things have already started, like we have already started receiving domestic approvals and we have started bulk supplies. So we are 100% confident that we will be able to do 1,15,000 tonnes.
- Moderator:** Thank you. We will take the next question from the line of Aditya Biyani from Reliance Mutual Fund. Please go ahead.
- Aditya Biyani:** Sir in contrast to the previous participant's questions, we have supposedly reached the 115,000 tonnes guidance and given the samples getting approved within the next 3-6 months, so what would be the contribution of the new presses to this 115,000 tonnes guidance which you have given?
- Naresh Jalan:** We just talked about it. Around 40%-50% on the 12,500 tonnes press and 50%-60% utilization on 6300 tonnes press.
- Aditya Biyani:** So granted would be about 40%-50% coming from...
- Naresh Jalan:** I am saying on a full year basis. Just last participant asked 25%-30% and move up to 60%-70% in last quarter. So it will give us an average utilization like that.
- Aditya Biyani:** Sir on the domestic side what has been the share of non-auto business?
- Naresh Jalan:** Close to 10%.
- Aditya Biyani:** And how do you see this ramping up in the next subsequent quarter?
- Naresh Jalan:** Predominantly the non-auto business is railways and mining. Railways we have always been very good and we are continuing to have same growth every year in the railway business and we expect next year also going forward with the same percentage in the non-auto segment.
- Aditya Biyani:** Sir any new product which we have added in this segment or we have been supplying the existing components?
- Naresh Jalan:** We have added no new components. We are supplying the same components which we are approved for?

- Aditya Biyani:** Okay sir. Sir in Europe also you mentioned that right now very small in the overall scheme of things and FY17 you expect this quantum to increase, would this be your normal traditional forge products?
- Naresh Jalan:** It is an automotive product, automotive from the new plant and from the existing plants both taken together we expect that this year Europe is going to get added as a big chunk of the total export business and what our endeavor is that in the next two years' time Europe and US should be at the same percentage in terms of the total business outlook is concerned.
- Aditya Biyani:** So any tonnage guidance you would like to give in two years' time from Europe?
- Naresh Jalan:** No.
- Moderator:** Thanks. We will take the next question from the line of Aditya Sundaram from Edelweiss. Please go ahead.
- Aditya Sundaram:** Sir I just wanted to clarify and FY17 we said EBITDA of about 280-300 crores. This was largely when we gave this guidance, it was on the predication that exports we would see a significant ramp up. Do you see any downside to this EBITDA considering a large junk of our volume is going to come from domestic? Would you see a significant this thing or do you say this will be largely achievable?
- Naresh Jalan:** Aditya, this will be largely achievable in case there is no major change in terms of raw material pricing downwards. So if there are major downside in terms of what we do not have in our pulse right now is that any movement in steel pricing downwards from here on any if there is any significant downward steel movement, then it may hit the margins accordingly.
- Aditya Sundaram:** So this 1350 sales we have not factored any reduction in steel prices when we give this target obviously it was difficult at that point in time. It was not taken into downward.
- Naresh Jalan:** Alok whatever he has given the figures of 280 crores of proximate figures of the EBITDA margins, I do not think we have factored in any decrease in raw materials from here on.
- Aditya Sundaram:** And sir just a clarification, you gave the tonnage breakup for 6300, 12,500 for FY17, roughly comes to about 34,000 tonnes for the year which is going to come from those two presses considering the utilization that you gave. So remaining to reach 115 will be about 80,000 tonnes, remaining will come from the rest of the other presses right?
- Naresh Jalan:** Yes.
- Aditya Sundaram:** Is that right, I am just actually looking at that overall utilization there, it is about 96% it comes to, if I work it mathematically, it looks too high?

Alok Sharda: You have taken 34,000 from the presses where the capacity is 45 plus 17. So out of 63,000 we are talking 34,000 and balance is the capacity left is 70 plus 17.5, so 87.5 total, roughly 88,000. So 88,000. So out of 88,000 we are talking about 80,000 which is my regular business and consistent business actually.

Aditya Sundaram: And sir just one last clarificatory question, in the US geography that we have Dana still remains to be our largest customer, correct? Is there any other customer or any other order that is larger?

Alok Sharda: There are couple of customers we have added and I would not like to comment on any specific customer but yes to address your concern, yes Dana no more remains to be the single largest customer going forward. There are couple of new customers which had been added to the kitty and coming years we will see significant increase on those customers.

Aditya Sundaram: Agreed sir but I just wanted to know the direction, basically if you could give us, Dana still in quantum wise in order book remains the largest for us?

Alok Sharda: Still remains, but it may not remain from the coming quarters onwards.

Moderator: Thank you. We will take the next question from the line of Navin Mata from HDFC Securities. Please go ahead.

Navin Mata: Sir just wanted to check based on the trend that you are seeing currently on the pricing side, do you see further reduction post Q3 both on domestic and export realizations?

Naresh Jalan: We do not foresee this because I think the steel pricing is below the average production, what steel mill is capable of. So I think globally we are saying that steel mills are bleeding but I do not think there can be any more price cut for capacity utilization. So we expect it to remain flattish or go up from here but not go down from here.

Navin Mata: Okay actually my question was till now since the end of Q3 have you seen any further reduction?

Naresh Jalan: No.

Navin Mata: So there is no risk of further write-down on the inventory side for us?

Naresh Jalan: No significant write-downs for inventory.

Moderator: Thank you. We will take the next question from the line of Jai Kale from Elara Capital. Please go ahead.

Jai Kale: Sir just one question, you alluded that FY17 your domestic revenues I mean you were talking of 20% growth for domestic but that would largely be from the existing business, if you add

the new products, 12,500 press line your domestic revenue should be significantly be higher right, the growth?

Naresh Jalan: We talked about both the business separately, what we talked about the two presses 6300 and 12,500 utilization separately from the existing business we are looking at 15%-20% growth besides this.

Jai Kale: Yes for the existing business 15%-20% based on the OEMs projections?

Naresh Jalan: Demand pattern. Yes.

Moderator: Thank you. We will take the next question from the line of P Ranjan from Systematix. Please go ahead.

P Ranjan: Sir just on crankshaft supplies when have we started crankshaft supplies or we are doing it earlier also?

Alok Sharda: We have just received approval for supplies of forging, we are not making any machined crankshafts, we have just received approvals for making forging samples which we had supplied about couple of months back.

P Ranjan: So that is for domestic.

Alok Sharda: Yes for domestic. We are yet to open our account in the export market in terms of crankshafts.

P Ranjan: And just on the export market, when we are talking about gaining share or adding new customers, particularly to Europe, North America, may be largely to Europe, what are the key selling proposition, I mean why should customer shift to you. Since they already have I mean vendor base which is pretty established or out there. So can we throw some light on the key selling proposition for Europe?

Alok Sharda: Basically it is in terms of technology and shift of manufacturing this from may be somebody is manufacturing in Europe or manufacturing in China where customer wants to change their base to India because India is attracting lot of manufacturing requirements in terms of autoproductions in forging. So we are one of the biggest beneficiaries of that.

P Ranjan: But is it because of the low labor cost or is it more of it to do with the scale?

Alok Sharda: It is a mix of low power cost, as well as technology whatever we have put up as a plant, I think we have put up one of the best technologies in terms of manufacturing capacities in India. So we are riding that advantage.

P Ranjan: So that is fine. That technology is fine. I mean anybody can replicate that technology, right?

- Alok Sharda:** Yes, but he has to spend money and time also for 3 years
- Moderator:** Thank you. We will take the next question from the line of Jagdish Bhanushali from Florine Tree Advisors. Please go ahead.
- Jagdish Bhanushali:** In terms of understanding, our export realization in this particular quarter stands at about 1,28,000 per tonnes and do we see this has particularly bottomed out from here on, we only see the upside as the machining mix comes in coming quarters Q4, Q1FY17?
- Naresh Jalan:** Yes I think with the new press and the other things coming up we should see it on the upper side.
- Jagdish Bhanushali:** Okay and how much, if the raw material prices stay where they are as per the Q3 numbers, how much improvement in realization can be seen in the export part?
- Naresh Jalan:** I think in the export part it is not going to be very significant if the raw material remains as such what it is. But in case the commodity changes on the higher side you may see higher realizations but currency and other things it remains as such. We do not see realizations going up significantly in terms of the current product mix.
- Jagdish Bhanushali:** And how about the same question with the domestic realizations because we have comment about 1,06,000 per tonne. So do we see an upside from here on as the new press liners gets operational?
- Naresh Jalan:** Yes, we will see because domestic we are adding a lot of machine products as well as lot of forgings we are adding from the existing press lines also. So we will see lot of changes in terms of domestic realization is concerned.
- Jagdish Bhanushali:** And in terms of tonnage as well, when you have done about 12,000 tonnes from domestic itself, I think Q4 we could be doing about 13,000-13,500 from domestic itself. Is that fair understanding?
- Naresh Jalan:** Yes it should be better than that.
- Moderator:** Thank you. We will take the next question from the line of Jai Kale from Elara Capital. Please go ahead.
- Jai Kale:** Sir just one question, your existing forging capacity are currently at around 90%-95% utilization. Since next two years if you can see consistent growth in the M&HCV segment what would be your plans to expand those capacities and I think most of it is already machining. So how would you plan to increase that share of business?
- Naresh Jalan:** I think Jai, we have already enough capacities in place to reach much more on the higher side. Right now we are concentrating more on value adds rather than increasing per se

manufacturing components. We are trying to add value to the components we are already manufacturing. So I do not think we will be adding capacities in terms of tonnage while we obviously would like to write the value addition advantage.

Jagdish Bhanushali: Okay in terms of volume growth might not take place from those existing prices?

Naresh Jalan: Yes.

Jagdish Bhanushali: But it will largely be led by the heavy presses?

Naresh Jalan: Yes, volume growth mainly will be led by the heavy presses but in terms of the existing product line yes, we are trying to add value in terms of value addition and moving up the value chain to give customers as closer to the assembly point.

Jagdish Bhanushali: It is more of machining?

Naresh Jalan: More of machining and more of assemblies and trying to reach customers as closer to the final vehicle assembly so that we can basically increase our operational leverage in terms of value add.

Jagdish Bhanushali: Okay but how long can that last I mean after a point of time that would also get exhausted say in the next two years where...?

Naresh Jalan: Right now what we are forecasting and what we are assuming is based on the two years working and may be yes, after two years we would require a capacity enhancement in terms of forging. But yes, we are talking about it but it is at a very nascent stage and right now I think we are yet to firm up our any plans beyond two years for increasing our product mix or increasing our tonnage production.

Jagdish Bhanushali: And apart from the heavy press line existing units, what would be the machining mix currently, approximately where you have scope of improving it further?

Naresh Jalan: I think it is very difficult to comment on that. Basically it depends on month-on-month on customer requirements, a rough number also it is very difficult to assume on that.

Moderator: Thank you. We will take the next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: My question relate to current EBITDA, can you quantify any extraordinary there in the current this thing apart from what you have set around 2% impact on account of ...?

Naresh Jalan: Nothing.

Sunil Jain: Is there any absolute amount you can share, how much was the impact of that?

- Alok Sharda:** It is roughly 2%, we can say like that. What we say is the trends of how the raw material average cost has come down and accordingly we calculate it.
- Sunil Jain:** Sir about this 12,500 press what type of realization gain or how much realization we can get from these press when these operating at a fairly stable condition?
- Alok Sharda:** Realization means, where?
- Sunil Jain:** In the sense whether that realization will be higher than the other realization of international?
- Alok Sharda:** Obviously because these are bigger components. These are 90 kgs, 100 kgs component. So definitely realization will be much higher on the component.
- Sunil Jain:** And how much more it can be?
- Alok Sharda:** It depends on which route you are? If you are comparing with the press route it will be 15%, if you are comparing with hammer route it can be as high as 20%-30%, so which route we are comparing with it changes accordingly.
- Sunil Jain:** So you mean to say if suppose we utilize this more and more EBITDA margin will be higher in those cases?
- Alok Sharda:** Obviously, yes, definitely.
- Sunil Jain:** And sir last question from me is whether you are planning to add any machining capacity in next year FY17 whether that is included in this 30 crores CAPEX what you have said?
- Alok Sharda:** No. 30 crores CAPEX is basically I think normal CAPEX which is required on maintenance and other things of the plant. We are not planning to add any capacities in FY17 in terms of neither machining nor forging. Whatever will be done only after we stabilize the current investment in absolute terms then only we will go with any further CAPEX in terms of project.
- Moderator:** Thank you. We will take the next question from the line of Navin Mata from HDFC Securities. Please go ahead.
- Navin Mata:** Sir just one clarification. Just wanted to check we are talking about 80,000 tonnes this year and we are talking about exports being again flattish. So that would mean on the domestic side we would see almost of 40%-50% growth. Is that a right understanding?
- Alok Sharda:** Export I think like I told you in the previous number also, this quarter we are seeing improvements, vis-à-vis last quarter but not in absolute terms versus second quarter or first quarter. But things have considerably improved from where we were. While domestic will be significantly improved; domestic export will not be as bad as the last quarter.

- Navin Mata:** Domestic will significantly improve over Q3?
- Alok Sharda:** Improve, well exports will not be as bad as Q3.
- Navin Mata:** So we are still fairly confident of achieving this 80,000 or this is just a ballpark kind of a number?
- Alok Sharda:** We are fairly confident of achieving 80,000.
- Naresh Jalan:** Navin, bigger presses will also add on tonnage which we are targeting domestic only.
- Moderator:** Thank you. We will take the next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Sir this was the same question which the last participant asked, because if you take the 80,000 number the employee number for Q4 is some 25,000 tonnes and that is a fairly large number and the challenge is that you discussed in my initial question when we were asking about samples and all, those same challenge persist in this quarter and we are already half way through the quarter. So don't you think that 25,000 number is actually optimistic number and kind of difficult to attain?
- Naresh Jalan:** Pritesh, if you see we did last quarter around 19,000 tonnes and domestic last quarter if you see was after second quarter where a lot of pre-buying was there. So Q3 in domestic was also not that great which the Q4 will be. If you see the first month number of Tata Motor and Ashok Leyland there was huge demand on domestic front, both has grown 20%, 30% and even if you see from last quarter they are growing. So there is that one factor, second is as I just told you we will be selling some component on 12,500 tonnes press also to domestic suppliers, so which will also give you some tonnage. So all taken together we are targeting that 80,000 tonnes.
- Pritesh Chheda:** Can you give me the Q2 tonnage number on exports?
- Naresh Jalan:** Q2 was 8200 tonnes.
- Pritesh Chheda:** And that was your peak number ever?
- Naresh Jalan:** No, before that we did 8700 tonnes, I think if I remember correctly, previous quarter.
- Pritesh Chheda:** In Q1 of this year?
- Naresh Jalan:** Q1 was 8600 tonnes and Q2 was 8200 tonnes.
- Pritesh Chheda:** Can you go back to this peak number in Q4 or you go back to the peak number next year only?



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Naresh Jalan: Next year only.

Pritesh Chheda: So lot depends on domestic?

Naresh Jalan: Obviously.

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

Alok Sharda: Thank you everyone for coming to the call and discussing about the company. We will keep you updating about the developments which happen in the company. Any specific queries please call me on my official number and we can discuss one to one also. Thank you for coming on the call.

Moderator: Thank you. Ladies and gentlemen on behave of Ramkrishna Forgings and YES Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.