



“Ramakrishna Forgings Q1 FY-18 Earnings Conference Call”

August 14, 2017



MANAGEMENT: **MR. NARESH JALAN – MANAGING DIRECTOR**
MR. SIKANDER YADAV – CHIEF FINANCIAL OFFICER
MR. RAJESH MUNDRA – SENIOR GM (FINANCE & COMPANY SECRETARY)

MODERATOR: **MR. RUSHAD KAPADIA – ICICI SECURITIES**



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Moderator: Good day ladies and gentlemen and welcome to Ramakrishna Forgings Earnings Conference Call hosted by ICICI Securities. 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, you may signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you sir.

Rushad Kapadia: Thank you, hi and good morning everybody. Thank you for joining us today for the Ramakrishna Forgings Q1 FY18 Earnings Call, we have with us from the management, Mr. Naresh Jalan, Managing Director; Mr. Sikander Yadav – Chief Financial Officer and Mr. Rajesh Mundra – Senior GM (Finance & Company Secretary). I now handover the call to Mr. Rajesh Mundra, thank you and over to you sir.

Rajesh Mundra: Thank Rushad. Thank you and good morning to everyone. We welcome you to the con-call hosted by our company for the quarter ended 30th June 2017. We have achieved a domestic tonnage of 15,345 ton for this quarter as against 15,802 in the corresponding quarter. The domestic manufacture realization has been around 88,825 per ton in the quarter as against 84,020 in the corresponding quarter. We have achieved an export tonnage of 7665 tons for this quarter as against 5,360 tons in the corresponding quarter. Export sales for this quarter has been 103.41 crores as compared to 70.06 crores in the corresponding quarter. The export realization has been around 1,34,920 per ton in this quarter as against 1,30,640 in the corresponding quarter. We have achieved a total tonnage of 23,000 tons in this quarter as compared to 21,165 tons in the corresponding quarter.

The total operational revenue net of excise for this quarter has been around 257.61 crores as compared to 217.45 crores in the corresponding quarter resulting in an increase of 18.47%. The company has achieved an EBITDA of 51.90 crores for this quarter ending 30th June 2017, as against 43.41 crores for the corresponding quarter resulting an increase of around 19.56%. The EBITDA margins stood at 20.06% this quarter as compared to 19.90% in the corresponding quarter where we have uploaded the investor presentation, and in the NSE-BSE site and all the requisite details are over there. We request the investor not to raise any customer specific queries during the con-call. I am accompanied by Mr. Naresh Jalan, Managing Director and Mr. Sikander Yadav – CFO on this con-call today.

With these opening remarks, I request all the participants to provide their questions as to be answered by the management.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Nishant Vass from ICICI Securities. Please go ahead.



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- Nishant Vass:** Yes, hi sir, sir I just wanted some sense how you see the ramping up in terms of both domestic and export markets and what is the possible trajectory of revenue growth and also in terms of profitability can we expect these levels of EBITDA performances to be maintain in through the year?
- Naresh Jalan:** I think going forward we feel that this should be in terms of profitability we should be I think one of the lowest in terms of performance for this year as well as what we feel that both domestic and international markets are looking up and we should be able to scale up in a better manner in coming quarters.
- Nishant Vass:** Okay, my second question, we saw a slide in terms of the ramp up of the press plant so we would we think that the volume that we are doing currently in the quarter is going to be sustained or we would see an increase from this or the press plant specifically?
- Naresh Jalan:** Going forward, we would see increase in utilization in the press plant.
- Nishant Vass:** what is the current utilization on an annualized basis?
- Naresh Jalan:** Annualized basis close to around 50%.
- Moderator:** The next question is from the line of Ravikanth from SBI Securities. Please go ahead.
- Ravikanth:** I just wanted to know how is the working capital cycle versus exports compared to the domestic one and going ahead I believe that expect a good growth in our export volume, the contribution of export is expected to increase, so how that would impact your total overall working capital requirement.
- Naresh Jalan:** export cycle is round about 150 to 160 days on the normal basis but as we have been saying that we are tying up with a bank for the export factoring and that has reduced our export debtor days by about 60 days, so technically once we have the factoring in place, debtor days would be round about 85 to 90 days for that.
- Ravikanth:** So any timeline for that?
- Naresh Jalan:** Within one and a half months we will get close to that.
- Ravikanth:** Okay and how is that in domestic one.
- Naresh Jalan:** Domestic one including Tata Motors is round about 35 to 40 days.
- Ravikanth:** Okay that is pretty under control and I did not see the mix going ahead in the next couple of years sir?
- Naresh Jalan:** I did not get you.



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- Ravikanth:** Where do you see the domestic export, mix moving ahead in the next couple of years. So will you be back to their previous level of around 40% to 45% level?
- Naresh Jalan:** Here we are, of course we will be there. See in this quarter we are 60:40 and I think moving forward we will be around 50:50.
- Moderator:** The next question is from the line of Jai Kale from Elara Capital. Please go ahead.
- Jai Kale:** Sir my first question is regarding your volume growth guidance for this year. You are seeing some pickup in the export markets. What would be your overall volume growth guidance for this year and secondly on your debt status QIP money, how do you see your debt profile going forward?
- Naresh Jalan:** In terms of our yearly tonnage, I think we stick to the same guidance which we had given for the full year ended results when we are done. We are targeting around between anything between 1,00,0010 to 1,00,0015 tons for the full year and as well as for debt right now the QIP money has been utilized as of now to reduce the short-term capital requirement and for the full year we have a direct repayment liability of close to 85 crores which will be additional to whatever we hire right now after the QIP money and in case we are utilizing QIP money somewhere else, the total debt reduction of 85 crores from internal accruals is going to happen.
- Jai Kale:** And in this 110 to 115 K volume growth guidance, what is your assumption for the domestic MNSV industry?
- Naresh Jalan:** Domestic MNSV industry is doing well as of today. It had picked up given in the presentation also we see that there has been a robust pickup post GST, so we feel that we should be doing close to 60:40, 60% is going to be domestic and 40% is going to be exports.
- Jai Kale:** Okay, expect around 5% to 7% type of a growth for domestic MNSV industry and back of that we are expecting this volume growth?
- Naresh Jalan:** Yes.
- Moderator:** Next question is from the line of Kapil Singh from Nomura. Please go ahead.
- Kapil Singh:** Yes, one thing I wanted to understand, our domestic revenue performance has been significantly better than the kind of production decline we saw for the industry, so if you can just help us understand that why that has happened?
- Naresh Jalan:** This basically only due to two reasons, one is that we have gained market share as well as with the new press plant which has started the new components which have been approved vis-à-vis last year has gone into production in last quarter, so all those gains has added into performance for the domestic industry.



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- Kapil Singh:** Okay, but you know the industry was down, production was down from 40% to 45%, so did we see that kind of decline in existing products on a YOY basis?
- Naresh Jalan:** Sir, basically with BS a lot of products have changed and we were well in time to change our product before and ramp over our internal productions in-line with the requirement for the OEM, so we were able to en-cash all those and with the ill-preparedness of other people we were able to en-cash on whatever volumes were available at that period of time.
- Kapil Singh:** Okay, so have you been able to gain some market share post BS4?
- Naresh Jalan:** Yes, we have been able to gain considerable market shares, that is good.
- Kapil Singh:** Second question was on exports, what was the currency realization we had for the quarter and what is our hatching policy?
- Naresh Jalan:** Basically, in terms of currencies, we most of our contracts are basically passed through, in our hedging we basically take plain PCFC from the bank in terms of our 6 months PCFC for planned exports. Rest is basically pass on from the customer and on terms of any increase or decrease in Forex, every half year it is passed on to the customers.
- Kapil Singh:** Okay sir, every six months it will be a pass through, so currently can you tell me what are the realizing currently?
- Naresh Jalan:** Rate.
- Kapil Singh:** Yes, the currency.
- Naresh Jalan:** Currency rate is drawn about 64.3 to 64.4%.
- Kapil Singh:** Okay, I will follow up in the Q.
- Moderator:** Next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Sir, you did mention on your call that this Q1 these margins are one of the lowest which we could see going forward, so if you could just give some sense on what kind of a margin improvement are we expecting from your on and what would lead to that margin improvement. I understand, one would be the volume growth and secondly even in your presentation you have mentioned some approvals of the new products so I just wanted to know what kind of improvement would those products give you and what contribution would the new products give you and are those on a higher margin.
- Naresh Jalan:** The new product development are obviously on the higher margins as well as with the ramping up of the capacity, we feel that we will be able to operationalize a lot of our fixed cost, but in terms of what can be the increase, it is very difficult to ascertain at this stage but obviously



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with the volume ramping up, we are extremely confident that going forward we will be able to better of the current margins but exactly to put a number to it, it is extremely difficult for us at this stage.

Kunal Bhatia: Okay and sir the new products would be contributing what percentage of the portfolio now?

Naresh Jalan: Basically as the utilization improves upwards, so obviously the new products only are going to cater to the utilization going upwards. So every quarter we will find, actually this year the entire every quarter move is going to be basically with the utilization improvement, basically all the components wherein we have sent samples over the last previous years, all those samples getting approved, all this is going to basically add on to the utilization and as the utilization improves, the realization and the bottom-line both are going to improve.

Kunal Bhatia: Okay and sir finally last five years, what has been your peak EBITDA margins and are you envisaging reaching those levels again?

Naresh Jalan: Well the last EBITDA margins that we had in 2016 was in the range of 20.3%, so we are very much near to that 20.06% we are already there and we are going to better in the coming quarters. We expect it will become better in the coming quarters.

Kunal Bhatia: Sir, 20.3% was your peak margin in the last 3 to 5 year period?

Naresh Jalan: Yes.

Moderator: The next question is from the line of Nishant Vass from ICICI Securities. Please go ahead.

Nishant Vass: Sir I had two questions; one on the non-auto side in India, can you highlight in terms of what traction are we seeing on railways, what are the key projects that we might be working on and what can we expect in the next couple of years in terms of traction from non-auto?

Naresh Jalan: Nishant as of now we are working on two different sectors in non-auto in India, one is railways and one other is power. In railways we are indigenously developing lot of components for the new generation coaches which has been implied with railways, this German coaches which is named as LHV, so we are developing lot of components which were previously imported or had not been developed in large scale, so we are developing that and I think next year we are going to have in FY19 basically we are going to have a considerable sale close to around if I put a number to it, it should not be less than 50 to 55 crores Rs. Sales from that next year and in terms of power sector yes, we have started developing lot of components for power sectors in India and I think this will at least take another year's time for have full approvals and other things in place.



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Nishant Vass: Okay, sir second in terms of domestic commercial vehicles when do you think sir in the next few years would you be in terms of share of business deeply entrenched to all the major guys or do you think you are already there, any timeline in that sense, we were kind of new?

Naresh Jalan: In most of the large OEMs, we are almost operating at anything between 60% to 80% share our business in the components where we are and I do not think as of now we are still in process with one or two OEMs to increase our share of business or get approvals of new components. In totality if we talk about pan India, I think it will be I think by the last quarter of FY18, we should have a considerable leverage on all the OEMs in India.

Nishant Vass: Whether if I can just sum our direction and this broadly 60% this is what you said, few years back this would be what?

Naresh Jalan: Zero.

Nishant Vass: Okay, that is great sir. Sir, another question was on the finance cost, considering that we will have obviously the deleveraging portion happening post QIP also we will have the possible increase of the BCFC credit because of higher exports so what kind of interest cost can one assume possibly for the balance of the year or say the second half of the year if you can give some guidance on that?

Naresh Jalan: Well what we expected that in this quarter we had about 18.53 as export as the interest cost, the total year interest cost should be in the range of 55 to 60 crores.

Nishant Vass: Perfect.

Moderator: The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.

Ajit Motwani: On railway sir, I just wanted to know this is the 50 to 55 crores you know number that will be for FY19, how much is our railways as of our business today?

Naresh Jalan: As of today, the railways are close to around anything between 20 to 25 crores this year is going to be, so this is going to just double in the next year.

Ajit Motwani: So the 50 to 55 is total and not incremental?

Naresh Jalan: No, it is total.

Ajit Motwani: Okay, now the business that they are talking of, this is for altogether newer component or is it the ramp up of the existing sort of component?

Naresh Jalan: No it is for the newer component.



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- Ajit Motwani:** What kind of products are this on the railway?
- Naresh Jalan:** Basically this is under carriage components for the railways, the LHV coaches which has been high speed coaches which has just been launched by Indian railways in last six months, so they are components for this high speed coaches.
- Ajit Motwani:** Okay, secondly on the outlook side you know you have mentioned that encouraging response is there from the OEMs in Europe. This was the one which started in 4Q I guess right FY18?
- Naresh Jalan:** No, already I think it is not only one OEM, now as we increase our visibility in Europe that in FY17 March which was only large OEM which we have received orders, now we have got approvals on several OEMs and commercial discussions have and are at advance stages with all those OEMs also. We are getting a great response from the European OEMs and we feel very confident by this year end, we should make major breakthroughs in Europe also.
- Ajit Motwani:** In the con-call last time around you had indicated that apart from that one OEM was started on the European side, there were two more which was due to line up.
- Naresh Jalan:** That has also started.
- Ajit Motwani:** Okay, those, the two others which were actually supposed to start in December that you are saying are already started.
- Naresh Jalan:** Yes.
- Ajit Motwani:** Okay, so now in terms of the customers which are yet to come on the European side on the revenue recognition side, what is the count there.
- Naresh Jalan:** About three OEMs we are in advance stages of commercial discussions, so I think this we should expect I think something to happen, major breakthroughs, only happen in the last quarter of FY18 and we should see considerable volumes basically only in FY19 mid or FY19 third quarter.
- Ajit Motwani:** Okay, so the three that we were talking of in the last call, all of the three have started and these are three new commercial discussions. On the oil and gas side, we were also indicating that you had won a small order.
- Naresh Jalan:** Yes, we have already started commercial products from this quarter onwards.
- Ajit Motwani:** The shipments will start in Q2.
- Naresh Jalan:** Already started.



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- Ajit Motwani:** Okay, got it. And one bookkeeping question, when I was you know looking at you know your tonnage and what I did is a divided ASP domestic revenue the excise from that, I see the ASPs and the domestic have fallen from Rs.107 a Kg to Rs.100 a Kg, so is this a mixed impact you know which is visible here because export ASPs seems to be okay at about Rs. 135.
- Naresh Jalan:** Domestic selling prices you are saying on sequential basis?
- Ajit Motwani:** Sequential basis as compared to June quarter as oppose to March quarter. The domestic realizations seem to have dropped by Rs. 7 a Kg.
- Naresh Jalan:** Yes.
- Ajit Motwani:** Is this a mixed impact of the product?
- Naresh Jalan:** Technically it is a mixed impact and as you have seen in the last quarter, we had more tonnage from the press plant, the press plant has contributed more in the last quarter, it was about 1400 tons was more from the last quarter in the March quarter from the press plant. So technically as a mix from the press plant has reduced this quarter, so but going forward as I have said in the call that we are running about of 49% to 50%, so we are expecting this to increase in the coming quarters.
- Ajit Motwani:** In a sense if the mix were to remain same, have we got the price hike for the rise in steel prices from the client.
- Rajesh Mundra:** What we have mentioned in the presentation also that is awaited.
- Ajit Motwani:** That the negotiations are on, right?
- Rajesh Mundra:** Yes, we have mentioned in the presentation also.
- Ajit Motwani:** Sir are these negotiations now concluded in between the OEMs and you? You said that negotiations are on, so now they should be visible in the quarter going ahead, right.
- Rajesh Mundra:** Yes.
- Ajit Motwani:** But what is the impact of let say because the negotiations are not complete and you have not got the hike. What is the impact of those on margins, let say if those negotiations were complete and you were to get those prices today in this quarter.
- Rajesh Mundra:** About Rs.2.5 per kg.
- Ajit Motwani:** Rs.2.5 per kg on the domestic side.
- Rajesh Mundra:** Yes.



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- Ajit Motwani:** So basically 15000 into 2.5 this would have been your incremental EBITDA.
- Rajesh Mundra:** Yes.
- Moderator:** The next question is from the line of Abhishek Jain from HDFC Securities. Please go ahead.
- Abhishek Jain:** Sir can you share the top five plant contribution in Q1 FY18.
- Naresh Jalan:** Well, I said we do not mention in the client wise, so we will refrain from this question, sorry.
- Abhishek Jain:** Sir, in exports the company has shown a significant growth in Q1 FY18, so is there any client acquisition in this quarter?
- Naresh Jalan:** No, there is no client acquisition in this quarter.
- Abhishek Jain:** And for FY18 and FY19, what is your CAPEX plan?
- Naresh Jalan:** FY18, already we have shared our CAPEX plan last quarter during the con-call, I think Rajesh will be able to clear, but FY19 is yet to be freed.
- Rajesh Mundra:** Yes, FY18 it will be round about 70 crores.
- Abhishek Jain:** 70 crores.
- Moderator:** The next question is from the line of Kapil Singh from Namura. Please go ahead.
- Kapil Singh:** Sir just two to three follow ups. Firstly, on the oil and gas side, what is the product that we are making ?
- Naresh Jalan:** This is onshore drilling components we are making, so basically is a consumable for drilling.
- Kapil Singh:** Okay, it is for US geography I suppose right.
- Naresh Jalan:** Yes, for US.
- Kapil Singh:** So this is mud pump kind of thing ?
- Naresh Jalan:** I am not able to really tell you the components but is basically for consumers for onshore drilling.
- Kapil Singh:** Secondly, I wanted to check if you can just help us understand how is the raw material cost factored into our contracts in general. You mentioned the 2.5 Rs per kg is the impact on domestic?



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Naresh Jalan: It is basically pass through, basically as and when raw material prices are increased, we submit our invoices and with a one-month time lag we get those increases but until we get the confirmation, we cannot raise invoices and other things so it is basically in discussions with the OEMs right now. We have submitted all the proof of price increases and everything. So we are yet to get a confirmation and rework done from the customer end, so we have not been able to raise invoices but it is approximately 100% pass through.

Kapil Singh: Okay, so will you also get a lagged benefit for Q1 and Q2?

Naresh Jalan: Yes.

Kapil Singh: Okay and how does it work for export order?

Naresh Jalan: It is same.

Kapil Singh: Sir what is the lag over there in export?

Naresh Jalan: Exports basically on first of every quarter, we get all our purchase are rectified and we get the price increases every quarter. Increase or decrease is settled in the first week of every quarter.

Kapil Singh: Okay, and it is linked to the actual steel price being the cost for you or it is linked to some steel index.

Naresh Jalan: For exports it is linked to export index of the respective country, like for North America, it is linked to US based metal index, for Europe, it is London Metal Exchange.

Kapil Singh: Okay and last question, I wanted to check, you have also written in the presentation about enrichment of product mix with leading OEMs, so any light you can throw on this topic?

Naresh Jalan: Like, we have already mentioned the size of approvals which we have got, so in earlier questions also what I have replied that we have been able to get lot of approvals over last several quarters and with the utilization of capacity is going up, we feel that we are very confident of utilizing all those approvals in getting into components in large volumes and basically that will help us in better utilization as well as improve our contribution per ton.

Kapil Singh: And sir which are the products that you see ramping up?

Naresh Jalan: Is basically most of the products are for the press plant.

Moderator: The next question is from the line of Jai Kale from Elara Capital. Please go ahead.

Jai Kale: Sir I just want to get a sense in the plant side tonnage of 7400 tons of tons that you have done, what would be the mix of exports in domestic in that?



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- Naresh Jalan:** 60:40, 60% is domestic and 40% is exports.
- Jai Kale:** And this would be largely similar in the last 2 to 3 quarters.
- Naresh Jalan:** In the previous quarter ended March, domestic was on the higher side but because of GST and another thing, destocking and all this, we had lesser tonnage in terms of overall but going forward I think it will be close to around 60:40, going forward.
- Jai Kale:** Okay sir, it is fair to say that the decrease of around 1400 tons on a QoQ basis is largely come to consider decrease in the domestic tonnage?
- Naresh Jalan:** Yes.
- Jai Kale:** Okay, and sir if you can just list down the products on this tonnage, any new products that have been added on this plant side tonnage, they were crankshaft, front-axle beams for the 12500 ton press?
- Naresh Jalan:** No, we are basically operating on same components but customer wise visibility is increasing on both the components and in terms of share of businesses also increasing in both the components. Ideally for plant side most of the things are related to front-axle beam, crankshafts only and basically customer is getting added to it and share of business is increasing.
- Jai Kale:** And how is the machining mix in this moved in the last one or two quarters, does the mix that you advance mix hampering the domestic realization also got to do with the machining mix movement?
- Naresh Jalan:** No nothing related to machining mix movement. Basically domestic realization has dropped because of only lesser utilization in the domestic category because we were able to whatever export, because suddenly the export had ramped up so we had put more efforts to ramp up our exports as well as we saw a lot of de-stockings happening because of September, this GST 1st July, so basically we had reduced our inventory going forward in all the warehouses across the customer location. That is the reason, these are the impact.
- Moderator:** The next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.
- Sagar Parekh:** Sir, first question on your CAPEX on 70 crores, how much would be for the machining CAPEX for front-axle beams or it is completely maintenance CAPEX, what is the mix?
- Naresh Jalan:** Basically for front-axle beam, I think CAPEX is going to be close to 30 crores out of this 70 crores.
- Rajesh Mundra:** The total machining CAPEX is round about 50 crores out of 70 crores.



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- Sagar Parekh:** And after that how is it going to change from FY19?
- Naresh Jalan:** I think machining mix is going to remain with the addition utilization improving I don't think the ratios are going to change much.
- Sagar Parekh:** Okay sir, how much was the realization change then?
- Naresh Jalan:** I think we should be at least Rs. 5000 to Rs. 6000 from the current levels realization could go up.
- Sagar Parekh:** You are talking about the blended realization?
- Naresh Jalan:** Blended realization.
- Sagar Parekh:** And current machining mix would be about 70% from the new press plant?
- Naresh Jalan:** 60%.
- Sagar Parekh:** 60% and overall machining mix would be how much?
- Naresh Jalan:** Overall machining capacity should be close to 55%.
- Moderator:** The next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Just wanted to understand from a long-term perspective, I am not seeing from 1 or 2 years but seeing 4 to 5 years, how can you insulate your business from the cyclicity of US Class 8 per se because the whole of this investment of this plant 4, this 12500 ton press which you put in, so after that, the US markets went to weaker footing for a prolonged period, now it is showing signs of revival. Down the line suppose again for an extended period of 2 to 3 years, if that market does very badly and as you can see your realization of domestic is almost 30% lower than that of exports and so the margins, so your cashflows and ROCs will be weak severely in those years if you can insulate from that how any strategy on that regard?
- Naresh Jalan:** We are already working like the presentation also shows we are concentrating on a big on the European OEMs and we are extremely confident that within a year's time, we will be able to get most of the approvals from the big OEMs in Europe also and basically we are working on both the strategies as well as increasing our exposure in European vis-à-vis US customers and as well as we are ramping up on the domestic industry and domestic industry also we are working on the higher tonnage as well as higher contributing components. So in this three way working, basically we are extremely hopeful that basically by the first quarter or may be mid of FY18, we should be able to come out of this aftershocks of any sector or any particular zone wherein industry starts performing badly and we get into shocks for those.



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- Basudeb Banerjee:** And in case I missed, how much of this 100 odd crores revenue from exports was from Europe this time?
- Naresh Jalan:** Around 30%.
- Basudeb Banerjee:** 30%, so basically industry leader in the forgings space in the Indian market as you know that they were operating at a free cashflow generating free cashflow even in the down cycle years, so when we can see RK reach such level, I am not seeing in terms of margin or size but at least in terms of cashflow sustainability so that in two bad years then on this high debt balance sheet goes for the toss, so that is the only risk?
- Naresh Jalan:** Next two years I think we should be also at a free cash flowing on a sustainable basis.
- Basudeb Banerjee:** On a sustainable basis. And sir when are the supply of machine crank shaft to US will be starting.
- Naresh Jalan:** No, I think in the near term, we don't have any such plan. I think machine crank shaft is a large size project getting investment of close to 150 crores is required, as of now we are not prepared to invest that, we will wait for sustained growth and continued capacity utilization in the current capacities whatever we have and probably once we have more clarity into electrical vehicles going forward then only we will make any investments into crankshaft machining.
- Basudeb Banerjee:** And nonmachine crankshafts also you won't be exporting per se?
- Naresh Jalan:** Nonmachine crankshafts we are on discussion with our European customer to supply forge crank shafts.
- Basudeb Banerjee:** Forge crankshafts and sir what will be your utilization at its peak level. I hope not 100%, so at what level you can operate?
- Naresh Jalan:** I think, we have never declared our capacities at 100% as of our capacity declaration is also concerned we have only declared our capacity at 80% utilization only.
- Basudeb Banerjee:** That is the peak level whenever you continue.
- Naresh Jalan:** Yes, any forging industry pure 80%.
- Rajesh Mundra:** What MD wants to make understand is the capacity that has been declared of 150,000 tons out of estimated 80% capacity.
- Basudeb Banerjee:** Yes, sure. That itself is 80%, okay, that's what I wanted to know, it is not 80% of 150,000.
- Rajesh Mundra:** No, 80% is what is estimated coming to 1,50,000.



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- Basudeb Banerjee:** Can you target ROC on your existing asset base?
- Rajesh Mundra:** Well it is just fiction, as we say that as we are improving our capacities and as we are improving our performance, ROC would improve because we will milk existing assets, so gradually it will increase and we don't per se keep track it like that but here the gradual increase in ROC will be witnessed in the coming quarter.
- Basudeb Banerjee:** Sir, but just to understand that any level you see that with your expectation of improvement in business, that level is possible for you achieve in next two to three years?
- Naresh Jalan:** I think we will refrain from giving some targets but yes what we say is that ROC will be seeing a constant improvement in the coming quarters.
- Basudeb Banerjee:** Sure.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Mr. Rushad Kapadia from ICICI Securities for his closing comments.
- Rushad Kapadia:** Thank you gentlemen for being a part of this call and have a great day, thank you.
- Rajesh Mundra:** Thank you Rushad.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen on behalf of ICICI Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.