



“Ramkrishna Forgings Limited Q2 FY 2018
Earning Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Ramkrishna Forgings Limited Q2 FY 2018 Earning conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you Mr. Kapadia!

Rushad Kapadia: Thank you. Good morning everybody. Thank you for joining us today for the Ramakrishna Forgings Earnings Call. We have with us from the management, Mr. Naresh Jalan, Managing Director, Mr. Sikander Yadav, Chief Financial Officer, and Mr. Rajesh Mundhra, Senior GM (Finance & Company Secretary). I would now like to hand over the call to the management for their comments. Over to you Sir!

Rajesh Mundhra: Thank you, Rushad. Good morning to everyone. We welcome you to the concall hosted by our company for the quarter ended and half-year ended September 30, 2017. We have achieved a domestic tonnage of 23012 tonnes for this quarter as against 11203 in the corresponding quarter. The domestic manufacturing realization had been around 96300 per tonne in this quarter as against Rs.84100 in the corresponding quarter.

We have achieved an export tonnage of 6626 tonnes for this quarter as against 4300 tonnes in the corresponding quarter. The export sales for this quarter has been 89.34 Crores as compared to 49.43 Crores in the corresponding quarter. The export realization has been around 134845 per tonne in this quarter as against 114757 in the corresponding quarter.

We have achieved a total tonnage of 29738 tonnes in this quarter as compared to 15511 tonnes in the corresponding quarter and a total tonnage of 52747 tonnes in the half-year ended as compared to 36676 tonnes in the corresponding period. The total operational revenues for this quarter net of excise and other income has been 333.26 Crores as compared to 155.69 Crores in the corresponding quarter and a total operational revenue for the half-year ended, net of excise and other income has been 590.87 Crores as compared to 373.14 Crores in the corresponding quarter.

The company has achieved an EBITDA net of other income of 65.1 Crores for this quarter as against 27.85 Crores in the corresponding quarter and the EBITDA for the half-year period net of other income has been 116 Crores as compared to 70.48 in the corresponding quarter. The EBITDA margins net of other income stood at 19.54 in this quarter as compared to 17.89 in the corresponding quarter.

The finance cost for the quarter and half-year includes notional foreign exchange difference of 2.67 Crores as per para VI of Ind-AS 120 and AS23. The company has uploaded an investor presentation providing the requisite detail. We request all the investors not to raise any customer specific queries during the concall. I am accompanied by Mr. Naresh Jalan, our Managing

Director and Mr. Sikander Yadav, CFO on this concall today. I hand over the proceedings to the floor. Thank you.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Nitesh Sharma from Phillip Capital. Please go ahead.

Nitesh Sharma: Thanks for the opportunity. Congratulations on a good quarter. Sir, we have seen a very strong momentum in our domestic business during the quarter apart from the market growth could you highlight what has worked for us in the quarter?

Rajesh Mundra: I think basically apart from the market growth the capacity utilisation has worked for us and we are getting better capacity utilisation from our new investments as such we are adding more market share and we are able to utilise that capacity more as such the momentum continues for us.

Nitesh Sharma: We have attained whatever share gains we were trying to achieve?

Rajesh Mundra: Not completely, but yes. We have considerably gained market share.

Nitesh Sharma: Sir, on the export front, the overall tonnage was a bit disappointing. Any key reasons for the same? Have you seen any delay in shipments or is it because of the utilisation levels at peak in the machining segment? What would be the key reasons for weaker export tonnage quarter-on-quarter?

Rajesh Mundra: Basically due to better premix we have got from domestic as well as domestic volumes going up, our capacity utilisation in the other plants of machining and others, we had to debottleneck them, so we will again see considerable return back to exports this coming quarters back to normal.

Nitesh Sharma: The machining segment is we fully utilised as of now?

Rajesh Mundra: We are fully utilised.

Nitesh Sharma: So what is the plan now of debottlenecking? By what percentage would we increase our machine capacity?

Naresh Jalan: We are not increasing our machine capacity. It is basically what we are doing some PPM activity and automation activity by which we are debottlenecking the capacities as of today.

Nitesh Sharma: Okay, so what kind of percentage increases that would be?

Naresh Jalan: In capacity wise, overall growth should be close to around 5% to 7% in the machining capacity in this quarter.

- Nitesh Sharma:** Sir on the growth margin front, we have seen some disappointment, I believe this could be because of delay in price hikes, so do you see this returning back in this quarter?
- Naresh Jalan:** I think there are two things to it. There are basically continuous rise in raw material pricing while we are able to get one hike again another new hike has come in so commodity pricing is regularly increasing and we are unable to get customer approvals in faster manner which is effecting the operating profits.
- Nitesh Sharma:** So, is it just a lag effect or customers are reluctant?
- Naresh Jalan:** It is a bit reluctant.
- Rajesh Mundhra:** We have back-to-back contracts. So there is no question of customer being reluctant on this, basically there is a lag effect.
- Nitesh Sharma:** Thank you. I will come back in the queue.
- Moderator:** Thank you. Next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Thanks. Congrats for good set of numbers. A few questions; one is like presently you have done fabulous almost close to 30000 tonnes this quarter with domestic truck numbers coming up pretty well and US Class 8 also. Now you have somehow in the verge of stabilizing your balance sheet. How do you see yourself with the next down cycle in both these markets managing your margin and PBT down the line? Any strategies you are now planning out to face the down cycle?
- Rajesh Mundhra:** No, we are not working on any down cycle. Basically what we are visualizing that the next two years is going to be extremely good. So we are working on capacity debottlenecking and utilisation to improve, so rather being optimistic on the market we are not yet looking into the downward cycle of the market.
- Basudeb Banerjee:** Sir, this positivity of the market is because of your own client addition and product addition or you expect the markets in general be that much of positive?
- Rajesh Mundhra:** It is on both sides, basically market is also doing well as well as we have earlier question I have answered that we have gained market share and the development speed of the components which we are going with gaining enough new components to basically improve the capacity utilisation going forward.
- Basudeb Banerjee:** Sir, any emission norm changes in Class US 8 market down the line?
- Naresh Jalan:** 2019.
- Basudeb Banerjee:** CY2019 beginning?

- Naresh Jalan:** Yes.
- Basudeb Banerjee:** Do you see demand prebuying coming in CY2018 because of that?
- Naresh Jalan:** As of now demand is very good, so I do not see if demand goes anywhere further we have increase from here on, it is difficult for us to cater. I think we are right now at a very exciting zone wherein at this level itself we expect much more better capacity utilisation. So we are not looking at any growth in the market from here on.
- Basudeb Banerjee:** Last time we discussed about usage of the money raised for enhancing machining capacity so somebody asked also in the call, so what is the outlook on that.
- Naresh Jalan:** I think there is no money raising. We have just completed our QIP and basically that money we are cash ready for any inorganic or going forward as and when our capacity utilisation exceeds the requirement then we go in for a Greenfield or Brownfield project, but as such we have not enhanced any machining capacity. Whatever capex we are doing this year 85 Crores maintenance capex which we have planned at the year start that is only the machining as well as the maintenance as well as machining capacity add on which is going on.
- Basudeb Banerjee:** Sir last thing, why this tax rate is so low, I did not get, any reason behind it, tax rate this quarter is much on the lower side?
- Rajesh Mundhra:** You see the tax rate is low because we had the capex of new plant and due to that the depreciation level is so high so this is the MAT rate, not the actual tax rate, because this is the main reason and so we have unabsorbed depreciation lying on the balance sheet.
- Basudeb Banerjee:** The interest outgo per quarter which was going to reduce post the fund raising so this is now stable level of interest outgo and be it further lower down the line?
- Rajesh Mundhra:** We are looking towards further reduction in interest rates and as we mentioned that for 2.67 Crores was forex gains so technically we have produced 2.67 from 18.9 Crores.
- Basudeb Banerjee:** Sure so it will be closer to 16.5 times?
- Rajesh Mundhra:** Yes, 16.2 Crores.
- Basudeb Banerjee:** Thanks.
- Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities Limited. Please go ahead.
- Jinesh Gandhi:** Couple of questions from my side. First is given that there has been a significant increase in underlying steel prices what kind of price increase further we will have to take to fully pass on the commodity price inflation?

- Naresh Jalan:** As of now OEMs are supposed to give us around Rs.2000 per metric tonnes price increase, which is already being decided by the OEMs. As of now we are aware of only that. Any further price increase we are unaware of that and going forward we may with the commodities cycle as such we expect further around Rs.2 to Rs.3 price increase next half of the year.
- Jinesh Gandhi:** Rs.2 to Rs.3 per kg.
- Naresh Jalan:** But as of now passing on pending with the OEMs is only Rs.2000.
- Jinesh Gandhi:** Does the similar pricing arrangement work in exports also, because if I look at our exports realization QOQ has been flat whereas domestic we have seen reasonable?
- Naresh Jalan:** Basically it is quarter-to-quarter. It does not have within the quarter the export raw material price hike has happened only first day of the quarter. So already October 1, 2017 we have already on our export contracts, got the pending raw material price increases.
- Jinesh Gandhi:** Sir, any reason then our realization should be flat vis-à-vis previous quarter?
- Naresh Jalan:** Previous quarter we did not get this price increase. October 1, 2017 we have got this price increase. So now any other in mid month if there is any price increase in the mid quarter but that will only be passed on January 1, 2018. So if there is any mid month price increases only it happens in the first day of the next quarter.
- Jinesh Gandhi:** So, effectively in exports price increase could be as high as Rs.3 to Rs.4 from January?
- Naresh Jalan:** As of now already October 1, 2017 we have got close to around 7% price increase and January 1, as of now we are not aware we need to really work on that. I think it is very difficult to tell you as of now, but as on October 1 we have got 7% increase.
- Jinesh Gandhi:** That is good enough. Last question pertains to we have mentioned in our presentation that we have got sample approvals for 133 new items and new development of 66, can you just throw light on how does this process work now since sample approval is in place, we get orders directly or how does this process work?
- Naresh Jalan:** Samples are made only after we get the confirmed order and contracts in place, but after getting the sample approved there is a PPAP lot and field trial which is supposed to take another three to five months time, so only after that all supplies start.
- Jinesh Gandhi:** These 133 items, which you have talked about should this be across commercial vehicles and non-autos as well or this would be larger?
- Naresh Jalan:** Across all platforms.
- Jinesh Gandhi:** Thanks. All the best. I will come back.

- Moderator:** Thank you. The next question is from the line of Ajit Motwani from Bharati AXA Life. Please go ahead.
- Ajit Motwani:** Good morning Sir. Sir, my question is on the non-auto domestic part, is there a ramp up there over last six months that you have seen for you?
- Rajesh Mundhra:** We have in domestic non-auto segment it is absolutely flat. We will only see ramp up in FY2019.
- Ajit Motwani:** Because if I just look at the absolute revenues that you have done on the domestic side is 243 Crores against 208 Crores done in the March quarter of 2017 so versus March your revenue is higher by about 20%, but on M&HCV production basis the volumes are not that much so just wanted to understand is it completely market share gain or is it some new non-auto business has been added on the domestic side?
- Rajesh Mundhra:** No, new non-auto business has been added in. it is basically market share gain as well as new component development for M&HCV space.
- Ajit Motwani:** Secondly on the press plant volumes that you have given, so that has gone up from 7000 in the quarter June to now 12000. So despite the 4500 tonne increase in press volume, so export volumes QOQ were down, any comment on that?
- Naresh Jalan:** I have already answered to that question, most of our exports happen only on finished components and we have capacity constraints in our machining as of today and we are already in a process of debottlenecking and export volumes are going to again go up from this quarter.
- Ajit Motwani:** So based on your capacity of machining, would it be possible for you to fully utilise the plant if the orders are there, if the 12500 tonne capacity on an annual basis is about 46000 or 50000?
- Rajesh Mundhra:** Full utilisation of the capacities is only going to happen in FY2019 and we will be at that time ready with almost everything in machine division.
- Ajit Motwani:** Sir, the machining capacities would go up gradually you are saying?
- Naresh Jalan:** Yes.
- Ajit Motwani:** In that case, any change to your annual guidance on volumes?
- Naresh Jalan:** As of now we stick to our 110000 to 115000 tonnes volume for this year and we are confident to make up that volume in a significant manner.
- Ajit Motwani:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Nishant Vyas from ICICI Securities. Please go ahead.

- Nishant Vyas:** Thanks for the opportunity. Sir, continuing with the question the earlier participant asked, just want to get a sense without getting absolute direction as to when do you think the step up in the exports will happen because of all the efforts we will be taking through and in terms of the empanelment that have happened, so what timeline can we access in terms of step up, in terms of exports revenue?
- Naresh Jalan:** Nishant, significant step up include the exports will happen in the first quarter of financial year 2019, but there will be an improvement in terms of QOQ will start from this quarter only.
- Nishant Vyas:** Sir, one question on the quarter results. When I see the employee cost, there is a significant increase on a QOQ basis and also from March. Can you highlight is there any one-time in that?
- Rajesh Mundhra:** There is a one-time cost of 2.6 Crores of paid for performance for the last year and as well as there is a Rs.70 lakh last quarter, means first quarter increments, which have got finalised in the second quarter, basically first quarter Rs.70 lakhs of increments were paid in this quarter. Approximately 3.2 Crores of previous quarter tax was out in this quarter.
- Nishant Vyas:** Sir on the working capital side, there seems to be some improvement. What can we expect on the working capital side on an annual basis. What kind of improvement can we expect?
- Rajesh Mundhra:** By the working capital you are saying that we have reduction and you can notice in the debtors that the inventory days and the retail together and we are working towards it and the same would be maintained. We can improve it further from there.
- Nishant Vyas:** So one can reasonably expect these levels?
- Naresh Jalan:** Better than that.
- Nishant Vyas:** Thanks. Those are my questions.
- Moderator:** Thank you. The next question is from the line of Priya Ranjan from Systematix Shares and Stock. Please go ahead.
- Priya Ranjan:** Thanks for taking my question. Most of my questions have been answered. Sir, coming back to the previous question on the working capital, despite our significant revenue is skewed towards domestic volumes, or domestic sales, I think more than two-third is domestic sales, but still our inventory level and receivables days are much, much higher. Ideally it should be lower, if it is domestic, right?
- Rajesh Mundhra:** Actually you can see the debtor days have reduced considerably, it was about 26 days and it has improved by 10 days and inventory days also reduced from 134 days to 103 days. So there has been a considerable reduction in both the fronts and moreover as we are increasing our sales with Ashok Leyland and other people where we have a little higher DA. Technically although we are

working to reduce it further as we have said earlier we are working towards getting our export bills discounted. We are still working on that and it will help to further reduce our days.

Priya Ranjan: Sir what is our net debt as of now by end of this quarter?

Rajesh Mundhra: Total net debt as of now it is 745 Crores.

Priya Ranjan: Thanks. That is all from my side. Thanks.

Moderator: Thank you. The next question is from the line of Anupama Goswami from SMIFS. Please go ahead.

Anupama Goswami: Good morning Sir. Congratulations for good set of numbers. Can you throw a light of the current order book status and are you expecting any future for the end of the year and next year?

Rajesh Mundhra: I mean we work on customer schedules basically. We do not have any particular order book. As of now visibility what we have is that we are running to full capacities for the next couple of quarters.

Anupama Goswami: Sorry Sir, I joined a bit late. Can you tell me the capacity increase that you are looking forward?

Naresh Jalan: I think we are not doing any capex in terms of capacity increase. Our annual guidance has been 110000 to 115000 tonnes this year and we stick to that guidance and we expect to meet those guidance.

Anupama Goswami: Thank you.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Axis Capital. Please go ahead.

Ronak Sarda: Sir, just one question, if I look at your product portfolio we are not as much impacted from the EV trend, as and when it happens, but any thoughts on getting into that kind of product portfolio, any tie ups, which can fructify our next two to three years?

Naresh Jalan: Ronak I think at my current portfolio we are just not at all impacted in case any time EV comes in also because we are mostly on the power train segments of the vehicle or the gearbox and we will not be at all effected, but to your question in terms of going forward as our vision is that we are already trying to get into the EV segments also with our capacity utilisation improving going forward the new capex cycle which are going to start in calendar year 2019 probably we are also looking at getting into consolidating components into electric vehicles, which are basically aluminium forgings.

Ronak Sarda: If you can just highlight how different is it from a current product portfolio, what are the new?

- Naresh Jalan:** Nothing is different in terms of manufacturing process. Only the commodity from steel changes to aluminium and the heating of the steel gets into a different mode, rest the requirement of equipments in terms of success or other things remain the same.
- Ronak Sarda:** We would be looking at the entire forging plus machining or it would be initially just forging?
- Naresh Jalan:** I think it is quite nascent as of now to speak on that. We are talking to several OEMs as well as to the current manufacturing people who are doing this job so it is quite an early trend right now to speak of this. I think as the time comes we will be more convergent with the technology and other things, and then we will come up with our details with the investor community.
- Ronak Sarda:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Akash Manghani from BOI Axa Investment Managers. Please go ahead.
- Akash Manghani:** Thanks for taking my question. I had a question on your domestic volume growth. I mean you are looking at the first half of FY2018 versus FY2017. Volumes are up around 40% to 42% whereas for the industry the M&HCV volumes are down by around 6%. You mentioned that there is market share gain as well as new components that you have developed. Talking about how much of that would be like-to-like market share gain and over the last one year what is the component of revenue coming from these new products and what are these new products, if you can talk about that?
- Naresh Jalan:** We will not be able to tell you exactly to which product, but basically what has happened previous with the comparison of last year similar time, I think first half, our capacity utilisation and the new investments were pretty low and this year the utilisation and the new investments have been doing well and it is improving every month. Basically we have got customer approvals from the new places and lot of new components have been started shipments to the domestic industry as well as the export customers and in the domestic industries we have been able to gain market share, exactly putting to a number to how much and what is the quantum of gain in terms of market share is extremely difficult, but around components whatever we supply as of today, we have a market share or a share of business with the customers of close to around 40% to 70%.
- Akash Manghani:** So indicatively this year versus last year your share of businesses across the top two to three OEMs would have gone up by how much?
- Rajesh Mundhra:** Close to around 30%.
- Akash Manghani:** So that means a lot of the volume increase first half versus first half last year would be because of market share gain and some of it is the new product?
- Rajesh Mundhra:** Yes.

- Akash Manghani:** That is helpful. You talked about the guidance for FY2018 and could you speak about how exports can shape up going to FY2019 also with regards to what kind of order visibility you have?
- Rajesh Mundhra:** As of now you see next year also in North American market to continue on the upper trajectory as well as European market is also improving every day. As of now we have a very small visibility as such that everybody is doing well, but throwing a number to it, it is extremely difficult but for us next two quarters in exports is going to be a catch up in terms of whatever we have missed out in the last quarter and next two quarters we are going to catch up with the exports.
- Akash Manghani:** Exports also is there a case of new products coming on stream or it is market share or share of business increasing?
- Rajesh Mundhra:** Yes. I think mostly new components, which are coming in, and major thrust will be seen in the Q1 FY2019.
- Akash Manghani:** This is from the heavy press line, 12500 tonnes?
- Rajesh Mundhra:** Yes.
- Akash Manghani:** With regards to mix between North America and Europe, how would it stand right now?
- Rajesh Mundhra:** As of now it is 80:20, but going forward into calendar year 2018 and financial year 2019 first quarter the mix is going to change to close to around 60:40.
- Akash Manghani:** You are only doing Class 8 in North America?
- Rajesh Mundhra:** In North American market yes, Class 8, and Class V.
- Akash Manghani:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.
- Sanjay Satpathy:** Congratulations on good set of result. Sir my question is on exports. Sir you said that you missed out something in first half due to the capacity through. Is there a possibility that some of your competitors who would have grabbed that opportunity?
- Naresh Jalan:** No we have a long-term contract and it cannot be correct. Basically we have a warehouse in which we keep inventories. Inventories are pretty low in the warehouse and we are basically running short of inventories in the warehouses, so we are trying to fill those warehouses as fast as possible.

- Sanjay Satpathy:** Sir, as far as pace is concerned, can you just tell us how much of it caters to exports market?
- Naresh Jalan:** I did not understand your question.
- Sanjay Satpathy:** I see the new places are the ones where really the capacity utilisation is low and that are where the most of the growth will come in right Sir?
- Naresh Jalan:** Yes.
- Sanjay Satpathy:** Sir what I wanted to understand is that how much of this new places caters to the domestic market and to the export market.
- Rajesh Mundhra:** As of now 70% is to domestic market and 30% is to exports.
- Sanjay Satpathy:** Of all the places.
- Rajesh Mundhra:** Yes.
- Sanjay Satpathy:** $30+30=60$ that is.
- Rajesh Mundhra:** 70% is domestic and 30% is exports.
- Sanjay Satpathy:** Is it going to change substantially as we go ahead?
- Naresh Jalan:** Our ultimate goal is to move to 60% domestic and 4% exports overall. So I think going forward the premix is going to change.
- Sanjay Satpathy:** Last thing I just wanted to understand from you, you mentioned that your non-auto business is flat and real ramp up in non-auto will happen in fiscal 2019. Is it something, which was preplanned in terms of your new product development, or is this something to do with the market?
- Naresh Jalan:** No, it was preplanned because the time lag required for development as well as to get the approvals in place is almost six to eight months time.
- Sanjay Satpathy:** Sir, last question is that in this quarter since that your average realization on places fell down a bit sequentially, I mean, I just want to understand from you is that the case and it is some kind of temporary product mix is huge that will correct itself going forward?
- Naresh Jalan:** I think there is no average realization in our business. Basically our exports average realization has been flat and domestic average realization has gone up.
- Sanjay Satpathy:** So then it is a mix?

- Naresh Jalan:** Yes.
- Sanjay Satpathy:** Thanks a lot. All the best.
- Moderator:** Thank you. The next question is from the line of Aryn Pirani from Deutsche Bank. Please go ahead.
- Aryn Pirani:** Thanks for the opportunity. Most of my questions have been answered, but just wanted to revisit the machining capacity question. So globally we are seeing that more and more OEMs are wanting now that the machining be done at the vendor end because they want to divert their capex somewhere else. So my first question is that within India also are you seeing that trend incrementally where OEMs are now not wanting to do the machining at their end?
- Naresh Jalan:** Nothing as such. Basically we are also planning because of shipment cost and other things forging being heavy, machining is always a viable option in terms of exports. So gradually we are also moving to most of our components in fully finished condition only and like I told you this year with the maintenance capex of 85 Crores most of the capex has been spent on machining capacity. So going forward this is going to be the trend, which continues, quarter-on-quarter and we will further see improvements in terms of our machining.
- Aryn Pirani:** But you do not foresee that say sometime next year you will require maybe you are saying that debottlenecking should work for you in the medium term? You would not require like a separate capex or machining line to be setup says sometime next year given the way the trend is going?
- Naresh Jalan:** I think next year with the capacity utilisation improving, we will have to see in the last quarter the visibility what we have and accordingly plan. Because things are changing absolutely very fast, so we are also moving with the time.
- Aryn Pirani:** Sir, on the aluminium forging that you mentioned was something that you are thinking in a slightly medium-to-long-term will that require a fresh capex as well or that can be done because you said that the heating treatment is something different from the metallurgy is different, but the stamping part is the same, so will that require separate capex for aluminium size whenever you plan to do it?
- Naresh Jalan:** This is not a medium-to-long-term. It is a long-term proposal basically mixed capex, which we do in calendar year 2019. Once our current capacities are at a peak utilisation that is the period we will need to think of this, but it will be a new capex because existing capacity, your existing customers will need to continue supply from the existing setup.
- Aryn Pirani:** Actually my question was that is the capex fungible between your existing steel forging and aluminium forging?
- Naresh Jalan:** It is fungible. Presses have to be added for a capacity for new capacities.

- Amyr Pirani:** Thank you Sir. Thanks for the opportunity.
- Moderator:** Thank you. The next question is a follow up from the line of Ajit Motwani from Bharti Axa Life. Please go ahead.
- Ajit Motwani:** Sir some more on the business update, particularly the oil and gas, and there were two European OEMs, which you had bagged earlier at the year end which were supposed to start in 3Q and 4Q so if you can update us on both of them?
- Naresh Jalan:** For oil and gas sector, shipments have already started from last quarter. There were no major shipments in the last quarter, but this quarter there is going to be significant shipments in the oil and gas sector. In terms of our European customers both telcos have started doing and rig tests have started. So we are in line for starting major supplies to them in first quarter of calendar year 2018.
- Ajit Motwani:** In terms of their ramp up of these two orders?
- Naresh Jalan:** Yes.
- Ajit Motwani:** Have they got a lead because early you were indicating 3Q and 4Q in terms of ramp up of these?
- Naresh Jalan:** I think samples, rig tests and other things we will complete this quarter or probably in the first month of next quarter and supplies are going to start.
- Ajit Motwani:** You had earlier indicated of your full year revenue broadly 40% on the revenue side will be coming from export, if I look at the first half numbers, it is more like 31% or 32%?
- Naresh Jalan:** I think in the next half we are going to catch up with that.
- Ajit Motwani:** Because typically you know the fourth quarter the domestic revenues is usually far higher than exports, so unless and until you know these plants are ramping up you still remain confident of 40%?
- Naresh Jalan:** Yes we are still remaining confident of achieving 40%.
- Ajit Motwani:** Thanks a lot Sir. Best of luck.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** Thanks for the opportunity. Sir, a question on domestic market. What kind of outlook you are getting from your customers in domestic market in terms of what kind of trucks you are looking to manufacture at their end and are you seeing any perceptible shift in trend over there?

- Naresh Jalan:** We have seen a considerable shift from a low tonnage to high tonnage vehicle. The number of vehicles will not go up, but for us 20% to 30% components are going to go up because of shift of manufacturing at the OEM end and from a low tonnage vehicle to a high tonnage vehicle. 16-tonne and below is selling less, most of the requirements are coming in 35 to 40 tonner vehicle. So basically the number of axles and number of dummy axles are going on, so we will require it to manufacturing more than 20% to 30% of the components extra.
- Chirag Shah:** But is it a sustainable trend or it is more of a one-time set that you are seeing because demand has been very weak?
- Naresh Jalan:** It is sustainable. This is basically shift because of overloading restrictions happening in UP and other places so basically right now if you see in the northern part of India as well as western part there has been overloading restriction in terms of volumes as well as tonnage. So there has been shift in demand from 9 to 16 tonner vehicle to 35 and 40 tonner vehicles and as per feedback from OEMs it is going to continue.
- Chirag Shah:** It is going to continue and from your perspective if the tonnage is going up from the 15 tonner to 35 tonner even your revenue or your tonnage output would go up proportionately or is there a bigger delta over there?
- Naresh Jalan:** We have a bigger delta over there.
- Chirag Shah:** Is it possible to give us some indication, is it the ratio 1.5x?
- Rajesh Mundhra:** No, I think it is extremely difficult to give a ratio to it. Yes we have a fair amount of chance of getting into higher delta because of demand side.
- Chirag Shah:** Great Sir. These were really helpful. Thank you very much. All the best.
- Moderator:** Thank you. We have a follow up question from the line of Nishant Vyas from ICICI Securities. Please go ahead.
- Nishant Vyas:** Thanks again. Sir, I had a directional question on the 12500 tonne press. You indicated earlier saying that the mix between the domestic and the exports is around 70:30, which you would probably like to change a bit towards more skewing towards exports, is that essentially correct?
- Rajesh Mundhra:** Yes.
- Nishant Vyas:** So, just hypothetically at a specific utilisation if this mix gets inverted what kind of broad profitability change happens between for that press?
- Rajesh Mundhra:** I would not like to put a number to the profitability but whatever changes happens in terms of our product mix and shifting gears more on export side we will have much better realization in terms

of per tonne realization as well as that will automatically transform into much better bottomline from the export market.

Nishant Vyas: Sir, basically it would be meaningfully higher is what we can say?

Rajesh Mundhra: It should be meaningful.

Nishant Vyas: Thanks a lot. That is my query.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand over the floor to the management for their closing comments. Over to you Sir!

Rajesh Mundhra: On behalf of the management, I Rajesh Mundhra thank all the persons who have taken their time to attend our investor concall. Thank you very much.

Naresh Jalan: Thank you very much.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference call. Thanks for joining us. You may now disconnect your lines.