



“Ramkrishna Forgings Limited
Q2 & Half-Year FY2022 Investor Conference Call”

October 11, 2021



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Moderator: Ladies and gentlemen, Good Day and welcome to the Ramkrishna Forgings Q2 and Half Yearly FY2022 Investor Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities Limited. Thank you and over to you, Sir!

Rushad Kapadia: Thank you. Good evening, ladies and gentlemen and welcome to the Q2 and H1 FY2022 Results Conference Call of Ramkrishna Forgings Limited. We have with us from the management, Mr. Naresh Jalan – Managing Director, Mr. Chaitanya Jalan – Whole Time Director, Mr. Lalit Khetan – Executive Director and Chief Financial Officer and Mr. Rajesh Mundhra – Company Secretary. Without further ado, I would now like to handover the floor to Mr. Lalit Khetan for his opening comments. Thank you and over to you, Sir!

Lalit Khetan: Thank you Rushad. Good evening and a very warm welcome to everyone present on the call. Along with me, I have Mr. Naresh Jalan, our Managing Director, Mr. Rajesh Mundhra – Company Secretary and SGA, our Investor Relations Advisors. Hope you all have received our investor presentation by now, for those who have not, you can view them on the stock exchanges and the company website.

We trust and pray that you and your families are safe healthy and secured. We hope you all are following the safety protocols and ensuring safety against COVID-19 pandemic.

We at Ramkrishna Forging to ensure safety of all employees during the pandemic have followed strict safety culture and COVID-19 protocols. We had conducted all the necessary vaccination drives in all facilities and ensure that its entire workforce who are vaccinated. We also organized several vaccination drives for public at large.

With recent signing of MoU for the development of EV powertrain components with US-based technology partner which follows our first order in EV segment from Foreign Multinational Tier 1 OEM in India.

We are well placed to capitalize on the fast growing EV market in Indian market. This breakthrough in EV market is also testimony of our strong R&D as well as product offering in terms of complexities and designs.



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The PLI scheme which focuses on the EVs and hydrogen fuel cell vehicle manufacturing will act as a strong catalyst and catapult the domestic industry into net growth orbit.

The domestic auto industry is still on its way to recovery after the second wave; the silver lining in the commercial vehicle segment which has performed relatively better and this augurs well for us.

In the European markets commercial vehicle registration for the period January to August saw a high growth this year for the sector as the economy emerges from the pandemic. Nearly 1.3 million new commercial vehicles were registered in European Union during the eight month period making growth of 24% compared with the same period of 2020.

Demand is driven by Central Europe where sales continue to remain strong. US new light vehicle sales in January to September is 11.75 million units. Sales for nine month of the year are up by 13% compared to same period in 2020. We have added customers in Europe and North America and started supplying to South America and we expect to add more customers going forward and expect improved contribution from exports.

During the quarter we managed to receive contracts worth Rs.620 Crores from eight contracts from various geographies and business verticals. As mentioned earlier, we have also signed MoU for the development of EV powertrain components with US-based technical partner. With the help of this contract we have expanded our product offerings in EV market.

During second quarter we commenced commercial production at 2000 ton warm forging press line as well as our fabrication facility. With this our capacity has been increase to 187100 metric ton and this also marks end to our current capex cycle.

As part of our growth strategy we continuously work on de-risking our product portfolio by diversifying across different segments, customers and geographies. During the quarter, we added customers across various segments and geographies and we are confident to get repeat orders from the customers and foresee a strong performance in upcoming quarters.

That is it from my side. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Raghunandhan from Emkay Global. Please go ahead.



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Raghunandhan NL: Thank you Sir for the opportunity. Congratulations on stellar numbers. My first question was on the order contract for \$6.2 billion congratulation on winning these orders which gives visibility for outperformance of the company versus the industry. Here I just wanted to understand, of this orders how much will be new orders, how much would be replacement orders and this quantum of \$6.2 billion would it represent single year order or would it represent the lifetime order and lastly another clarification would most of all of these orders commence by FY2023? I would understand that some of it would start in FY2022 but would it be fair to assume that everything would have started off by 2023?

Naresh Jalan : Raghunandhan, first to answer your questions one-by-one these are all new orders, there are not any replacement orders. Number two this are all orders which go into production in terms of sampling this year and bulk production is in different quarters of FY2023 and the entire full year production is going to be from FY2024 orders.

Raghunandhan NL: Thank you Sir that was very helpful. Sir like the new orders seem to be flowing and thank you for the timely updates on the exchanges on the new orders and here Naresh Sir if I can take your opinion where are you seeing the traction in terms of the geography and within industrial which are the segments from where you are seeing the traction for new orders?

Naresh Jalan: New orders in terms of auto sector, is coming mostly from Europe and in oil and gas is coming both from US as well as Dubai to be country specific.

Raghunandhan NL: Sir that on the industry side on a quarter-on-quarter basis there has been a very strong improvement Q1 was closer to 45 Crores whereas Q2 has come in at closer to 108 Crores. So this QoQ improvement has been led by the segments and just wanted to understand you expect the momentum to continue going forward as well?

Naresh Jalan: No, in industrial segments we are majorly now the sales are being contributed from tractor and earth moving equipments in domestic and exports both, and we expect this to more expand in coming quarters, and you will see new order wins also in coming quarters making it more clear that how we are derisking our entire model going forward.

Raghunandhan NL: Congratulations on the EV powertrain components where you have made progress. Can you elaborate on what are the products we are focusing upon and what is the size of opportunity and also if you can talk a bit about the initial EV orders which you have got please?

Lalit Khetan: Our initial EV order is basically in terms of manufacturing parts for motors and controllers and our joint venture also our first thrust is into manufacturing motors and controllers for



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two-wheelers, three-wheelers and four-wheelers. Right now I would not comment on the size of the business. We would still wait for another quarter before we have a direct clarity with because we are in process of right now we have only signed that definitive agreement, but we are in process of finalizing a joint venture agreement. So we would wait for once the joint venture is concluded before we put anything to light in this.

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

Abhishek Jain: Thanks for the opportunity. Congratulations for a strong set of numbers. Sir during this quarter there is a big difference in standalone and consolidated performance although on revenue basis, there is hardly any differences but EBITDA and PAT is lower by 8 and 6 Crores, where all these losses incurred please throw some light on it?

Lalit Khetan: Abhishek, this is basically a mix of the loss incurred by our travel subsidiary that is around 1.5 Crores to 2 Crores is on account of that another 5.5 Crores is on account of Ind AS accounting adjustments done on the sales to the US subsidiary.

Abhishek Jain: Will it be continued in the coming quarter?

Lalit Khetan: The process will continue depends upon how much of the sales go in the quarter and certainly there will be some adjustment every quarter on account of this.

Abhishek Jain: So on consolidated basis that EBITDA margin would be around 21%, 22%?

Lalit Khetan: It may improve in the upcoming quarters; we have seen more sales there in the US subsidiary. So subsequent adjustment is not going to be this kind of it, I will say this quarter the gap is I will say one off.

Abhishek Jain: The company was also looking to buy assets of the ACIL, Amtek Auto what is the progress right now?

Lalit Khetan: Abhishek, it is still pending with the NCLT and we are awaiting the next phase of hearing is on 26th of October.

Abhishek Jain: Sir can you throw some light what is the capacity there and how much revenue it may add if you want this business?



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Naresh Jalan: Abhishek that is a machining of crankshaft basically and so that is where in terms of three-wheeler, four-wheeler crankshaft, two-wheeler crankshaft, they may hubs, on-boards all the materials we have also earlier given the guidance there is a revenue from 500 Crores to 800 Crores from that unit at an optimum capacity utilization.

Abhishek Jain: Sir that company is also looking to raise fund of around 500 Crores. So just wanted to understand what is the objective for you, how much equity dilution will be possible in the coming quarter?

Naresh Jalan: Abhishek, we have not yet decided on that so still that needs to be decided how much fund is to be raised and when so we will inform you as and when we will decide on that.

Abhishek Jain: Sir your debt is increasing continuously. There are some pressures on the working capital side as well. So what is your effort to generate FCF and start to return net debt because this quarter also we have seen that net debt has gone up to the 13.2 billion versus 11.3 billion of last quarter?

Lalit Khetan: Yes, Abhishek the net debt has gone up by about 140 Crores if you look at the six month performance but you can see the pressure on the working capital, trend has gone up by about 300 Crores against that so that is due to the increase in exports basically more increase in exports and little bit increase in the VMI stocks so that has created and the kind of growth trajectory we are in there will be some pressures on the working capital for the time being but once we reach the optimum level then it will start moderating and certainly we will start to generate free cash flows.

Abhishek Jain: My last question is related with the gross profit per ton which used to be the 65000 to 70000 that has gone up to the 110000 per ton in last couple of quarters what are the key reasons of this sort of the expansion in gross margin despite the higher RM cost?

Naresh Jalan: Basically, Abhishek I think it is a premix of job and better value addition on the jobs which we are trying to do as we move forward.

Abhishek Jain: So is it because of the better mix or because of the BSVI, increase in the content per vehicle because of the BSVI and other things?

Naresh Jalan: It is not basically BSVI it is basically we are slowly but steadily graduating from only forging supplier to fully finished product and now fully finished product are getting



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converted into assemblies so as we ride up the valuation by which gross margins are going up.

Abhishek Jain: Sir what is the current capacity of machining and how much change in the machining in last couple of quarters?

Naresh Jalan: Almost I think in last six months, we have moved from 45% to 50% to almost 75% plus in terms of machining and assemblies.

Moderator: Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: Thank you for giving me this opportunity. Congratulations on a very strong performance. Sir I have first question on your average selling price per KG which shows roughly 7% improvement on a sequential basis quarter-on-quarter. So I would like to know much more is the price hike purely and how much would be whether product mix or value addition?

Lalit Khetan: Mitul, I think it is extremely difficult for us to say how much is for raw material price increase and how much is for product mix change it is extremely difficult to comment.

Mitul Shah: Sir I am asking how much price hike we have taken in this quarter?

Lalit Khetan: We have taken Rs.5.90 price hike of steel which has happened in this quarter.

Mitul Shah: Sir on the second question on the RM side. RM by sales since last two, three quarter is a huge fluctuation for example Q4 was 51% then it fell down to 39% in previous quarter that is Q1 FY2022 and now it has again come to 45% so what should be the stable range one to consider?

Naresh Jalan: Mitul, I think it is extremely difficult right now to predict that the raw material prices changing every quarter, it is very difficult to say because how much inventory we are left with, how much inventory will go into next quarter with, it is, and when the price increase, actually basic things which are difficult to predict is the retrospective effect of the raw material price increases which are happening because of that we are unable to predict how things are moving.

Lalit Khetan: Little bit to add Mitul what happens when you see the last quarter number or the current quarter see when do you get the increase, decrease component in the cost of goods



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consumed there are lot of costs other than the raw material also involved in that, that is reduced for the purpose of presentation from the raw material like processing costs, other manufacturing cost so that is why you find that only but the 46% to 50% is always a benchmarked number to consider this.

Mitul Shah: So at least on a near-term whatever visibility we have that 46% to 50% would be a probable range?

Naresh Jalan: Yes.

Mitul Shah: Sir my question on the again export and LCV side can you give more detail on what is situation now of LCV segment in terms of utilization, margin improvement and new orders?

Naresh Jalan: I think gradually we are winning new orders. I think we have been keeping our investors posted with whatever new orders we are winning in terms of LCV we are doing exceptionally well in the North American market and we feel that in coming years lot of new orders are going to come in which is going to make a significant progress in LCV side.

Mitul Shah: For the quarter LCV would be how much as an overall percentage of revenue?

Lalit Khetan: In terms of export overall revenue I think there are two parts to it lot of material is right now sitting in LLC in terms of North American sale in LCV and the sales which we have already taken into accounts I think close to around 5% to the LCV sales but there are material in warehouse and in LLC.

Mitul Shah: Out of this revenue it would be roughly 5%?

Lalit Khetan: Yes.

Mitul Shah: On the export side Sir?

Naresh Jalan: I think we are going to remain strong. What we feel only in our presentation we have clearly highlighted we cannot predict the semiconductor issue what is going to pan out for it but putting a semiconductor issue aside I think we should do continuously do well during the entire quarter.

Mitul Shah: Because earlier we were expecting roughly 900 Crores kind of annual revenue now it seems with this run rate, it could be definitely much higher than that so what could be...



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- Naresh Jalan:** We would not like to give any forward looking number but only thing what we can say that we are going to remain or working in a consolidated manner and we should look at doing much better than what we are doing right now.
- Mitul Shah:** Sir last question on the margin side this 24% EBITDA margin historically high. So any view of course I am not talking about next one or two quarters based on the fluctuation of raw material as well as uncertainty on semiconductor side. But sustainability wise 24% is it sustainable or it could be one off and stable margin would be 21%, 22%?
- Lalit Khetan:** No. We are looking at sustainable margins at this level and I think whatever work we have done post COVID is resulting in this kind of margins for us . I think in last quarter we had attained 23% plus of margins that is the sacrosanct number for us and I think we are doing all what is require to improve on those numbers so we are not surprised with what number 24 plus number what has come. We are working on improving the margins from what we had done in first quarter.
- Moderator:** Thank you. The next question is from the line of Yash Sarda from Daiwa Capital. Please go ahead.
- Yash Sarda:** My questions have been answered. Thank you once again.
- Moderator:** Thank you. The next question is from the line of Dhimant Shah from OneUp Finance. Please go ahead.
- Dhimant Shah:** One clarification on the Amtek you said the capacity is related to machining, so, if you can help me just kind of rewind that number that you mentioned which it can add in terms of incremental sales on a full year basis?
- Lalit Khetan:** Yes that we have said on optimum capacity utilization we can go up from 500 Crores to 800 Crores.
- Dhimant Shah:** You mentioned a very interesting thing and it is partly reflected in your improving gross margins and of course the overall EBITDA margins that you are guiding for. So as we move from smaller products to finished products to assembly, where do you think given the current capacity will plus give or take whatever will this mix reside it, will it be very crucially in favour of the assemblies or as we embark on this journey of more and more value addition as we move forward?



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Naresh Jalan: I think with our capex cycle almost over, now it is time for us to fix our utilization and improve capacity versus what we had in terms of whatever better utilization we can do from the capacity. So I think going forward you will find more and more improvement in terms of machining, assemblies and this is the thing which we have to continuously do for next four quarters before we look at further adding in capacity with the market growing. What we have said in our openings is Lalit also said we are seeing green shoots in Indian economy and Indian auto sector now reviving so we are looking at doing such things to improve our utilization in terms of machining and assembly to ensure that we are at the upward trajectory of the capacity.

Dhimant Shah: Can you give us just some broad range that okay machines and assemblies put together would be at least upwards of 60%, 70% of the total turnover?

Lalit Khetan: I think we are looking at going up to 85% to 90% of our forgings in machine condition or assembled condition in next two quarters itself.

Dhimant Shah: Given the kind of growth and geographical expansion that you are seeing would it be one year before you will need to consider the next leg of capacity expansion if any?

Naresh Jalan: I think nothing before FY2024.

Dhimant Shah: That means that we would possibly overall the complete as you rightly pointed out towards the higher value added products?

Naresh Jalan: Yes, once we are at the optimum of our current capacity and we are debt light that is the time when we start getting free cash flows and we are able to repay most of our debts then we are looking it to go out with doing any expansion now is the best addition.

Dhimant Shah: But the lead time would be Sir at least even if you can let us say in FY2023 by the time you order and it come it will always it will be beyond the FY2024 so how early do you need to plan for the next leg of expansion?

Naresh Jalan: I think it is extremely difficult at this stage to give any comments.

Dhimant Shah: Normally what is the lead time?



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Naresh Jalan: It depends on the market condition if the market is hot as it is today it will take 12 to 16 months but if market lightens from here it may take happen in 6 months itself it all depends on the market condition at that time when we start looking at capacity expansion.

Dhimant Shah: Lastly, if you can comment on the working capital cycle, will it improve for us the thing observed in the quarter was it one off or can this working capital kind of improve, was it that only because of sampling, because of certain export order?

Naresh Jalan: I think if we continue to grow at the pace we are doing from first quarter of 400 plus Crores to almost 580 Crores if that kind of expansion happens and mostly from exports I think it will take some time before the working capital cycle reaches out because shipment starts reaching and then we get paid it is a full three month cycle when things start looking at. So we should be from fourth quarter onwards start looking at things to normalize and debt coming down in the lower side.

Dhimant Shah: One last question Sir if I may, how do you think on an overall basis both domestic and exports is the pass through of the raw material happening for us?

Naresh Jalan: I think it is 100% pass on except the government contracts and the domestic side all raw material is 100% pass on for us.

Dhimant Shah: Thank you so much and all the very best Sir. Thank you.

Moderator: Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: Good evening. Thanks for the opportunity. Sir my question is pertaining to the passenger vehicle side so any progress over there as we are looking to inroad into that segment?

Lalit Khetan: Yes, we have started making progress in the domestic side in PV.

Dhiral Shah: Is it contributing right now or this is going to contribute from next year?

Naresh Jalan: Maybe going to contribute next year only.

Dhiral Shah: Sir on the railway side how much it has contributed to the non-auto side?

Naresh Jalan: I think Lalit can give you the exact number of railway in first half.



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Lalit Khetan: Railways we have not done very well in the first half altogether and I will say we have done a very nominal sales so far but we are looking now the orders are getting and railways are fructifying and railway segments are also looking up and in the next upcoming half year we are looking a much better number on the railways.

Dhiral Shah: Sir lastly on the EV side are we looking for low capex in the EV segment or it will be entirely catered through the existing capacity which we have?

Naresh Jalan: In case we put up a full assembly plant for motors and controllers which we are talking to our joint venture partners we will require a capex but that maybe extremely small capex of \$5 to \$6 million only.

Dhiral Shah: This 620 Crores worth which we are talking about it will be from FY2024 right and this will be for how many years of orders Sir?

Naresh Jalan: It is for five years.

Dhiral Shah: Okay Sir distributed equally right evenly?

Naresh Jalan: Yes.

Dhiral Shah: Thank you so much Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Viral Shah from Enam Holdings. Please go ahead.

Viral Shah: Thanks for the opportunity. Sir firstly just a clarification. What will be your net debt number at the end of the quarter?

Lalit Khetan: Net debt number right now we just reached at 1210 Crores right now.

Viral Shah: Has it come up from second quarter or this was the number at the end of September quarter?

Lalit Khetan: This is the number at the end of September quarter I am saying.

Viral Shah: Because in the balance sheet it is showing...?



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- Lalit Khetan:** I will clarify. There is a bill discounting of Tata Motors that is notional we have to add in debtors as well as in borrowings that is 113 Crores apart from that 26 Crores was cash balance we have reduced from arriving at this net debt balance.
- Viral Shah:** Secondly Sir on capex if I get the number right in H1 capex outflow was 150 Crores so what should we consider for the full year?
- Lalit Khetan:** On the capex, I think we have already completed a major part of our capex and there are some small capex are pending. I think now that 25 Crores to 30 Crores will come in the next part of the year on the capex side.
- Viral Shah:** Sir is it fair to assume that our capex also for FY2022 would be below 200 Crores?
- Lalit Khetan:** Yes.
- Viral Shah:** One more question Sir on the inventory we have seen a fairly large rise on the inventory side if you could clarify what was the reason why we have seen such a hike in inventories?
- Naresh Jalan:** Yes, basically it has been on account of increase in the stock as warehouses at Europe and US. The vendor management inventory it has gone up and it has also gone up because their building up inventory for the improvement in domestic market and that has not happened so far so that is why little bit build up on inventory.
- Viral Shah:** Just one last question Sir on the steel price for the export contracts our steel price is related to the domestic market or international market and how do we pass through?
- Naresh Jalan:** It is related to international market and basically we rely on contractual indexes. We have different indexes in different contracts and based on the increase and decrease on those indexes the steel prices are passed on every quarter.
- Viral Shah:** Is there any further pass through which is remaining Sir or we have largely kind of covered for all the steel price pass through increase?
- Naresh Jalan:** Up to September 30, we have got all the increases.
- Viral Shah:** Thank you so much for answering all the questions.
- Moderator:** Thank you. The next question is from the line of V P Rajesh from Banyan Capital. Please go ahead.



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- V P Rajesh:** Thanks for the opportunity. Congratulations on a good set of numbers. My first question is on the new orders wins that you mentioned earlier are we willingly against other competitors or are we getting incorporated in the new models of these customers vehicles?
- Naresh Jalan:** I think Rajesh, we will not be able to answer to this question because we do not know whether we are replacing any other supplier or whether it is for new models we do not know we do not ask all these questions to. When RFQ comes to us we basically deal with the RFQ and basically close those RFQs with our customers. We do not ask them questions related to who are the current suppliers or whether it is a new customer.
- V P Rajesh:** The other question you said you are looking to reduce your debt so is there a target which you will bring it down to and by when?
- Naresh Jalan:** I could not get you can you repeat your question?
- V P Rajesh:** Yes, you mentioned that you are looking to reduce your debt by Q4 as the working capital cycle eases?
- Naresh Jalan:** There was a pressure on working capital and once the working capital level starts to improve the debt will automatically go down.
- V P Rajesh:** Any targets which you want to share with us for next year in terms of what it will be?
- Naresh Jalan:** We have earlier given the target that our debt level will remain at certain level I think at 1070 Crores I think that number we should achieve.
- V P Rajesh:** Thank you. That is all I have for now. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Sir there is a forex loss of Rs.11 Crores in first half FY2022 it is because of the foreign dominated debt and second do you count it in our other expenditure or interest cost?
- Lalit Khetan:** No. We have a forex gain Abhishek in the first half we do not have a forex loss.
- Abhishek Jain:** Do you have any hedging policies for this part?



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Lalit Khetan: Of course we do our part of our export forward sale that we do but we do not do 100% of the exports ready. We do around 50% depending upon the circumstances we do hedge.

Abhishek Jain: Sir during this quarter we have not seen any revenue performance from the subsidiary side only we have incurred losses so can you throw some light on the business and operational performance of the subsidiaries?

Lalit Khetan: See we have the revenue but due to Ind AS application on the US subsidiary that revenue has been set off that is why we are seeing a loss in this quarter, not revenue but from the next quarter you can see both on the topline, on the bottomline the reflect are the same certainly we have only 163 Crores in the travel segment where we have essentially to be adding business or may diversifying some business in that segment only and we have a foreign subsidiary where we are selling goods produced by Ramkrishna Forgings Limited to our customers.

Abhishek Jain: My last question is related with this export side. You want to revisit your guidance for the 50% growth in exports by FY2022?

Naresh Jalan: No. We would not like to revisit right now.

Abhishek Jain: So what sort of the growth can we assume for the second half because the growth was quite strong in the first half?

Naresh Jalan: I think we would continue with that growth only the statement we would like to attach with it that this is just a beginning of the journey.

Abhishek Jain: Thank you Sir. Thank you so much.

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

Arjun Khanna: Thank you Sir for this opportunity. Just a question in terms of working capital if I look at numbers we have actually given the production numbers also. Is my understanding right so we had roughly 28729 tons of sales and our production was 36863 tons so essentially we built roughly 8100 tons of inventory is that the correct understanding?

Lalit Khetan: No. That is the post production and that is the sale quantity that is the mix of machine and forge. So there is some gap between the stock and the production we have.



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Arjun Khanna: Sir basically machining some parts obviously the way it comes off because we right sided that is the correct understanding?

Naresh Jalan: Yes correct.

Arjun Khanna: This is helpful. If we look at inventories by itself would you characterize it as a naturally large maybe because of what we have seen with container issues etc., or you think this is largely a normalized inventory?

Naresh Jalan: No. I think this is largely because of delays in right now shipments and material getting accumulated in the warehouse also because of semiconductor issue material has not been pulled to the extent we thought it will be pulled by the customer from the warehouse in RKPL LLP and our European operations. So that is the reason we are seeing this kind of inventory.

Arjun Khanna: That is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Congrats on good set of numbers. My question pertains to the capacity of 187000 tons so what kind of revenues we can do from that capacity considering the mix change which we are trying to attain?

Naresh Jalan: I think it is extremely difficult for us to right now tell you what is the kind of revenue we can attain. What we are talking about is right now is we are looking at almost 80% to 85% utilization in the installed capacity by FY2023 and to get a topline to it, it is extremely difficult right now because the way dynamics are changing for us on day to day basis we cannot predict what is the revenue number going to be with that.

Jinesh Gandhi: This order book which you talked about 620 Crores so effectively annualized run rate is about close to 130 odd Crores from this that is the correct understanding right?

Lalit Khetan: 680 is annualized and it is a five-year contract.

Jinesh Gandhi: Great Sir. Thanks and all the best.



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- Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.
- Mitul Shah:** Thank you for giving me opportunity once again. Sir I have a question on non-auto side apart from railways what is the status in terms of other segments where we were trying to enter and expanding?
- Naresh Jalan:** Mitul, I think we have already started expanding in tractors, in earth moving and this is already started showing in our balance sheet also and I think our entire endeavor and thrust is that in next couple of quarters non-auto segment which is oil and gas, tractor and as well as earth moving construction equipment and other things become equally big as auto sector for us.
- Mitul Shah:** For this quarter Sir how much contribution was from this?
- Naresh Jalan:** I think the number I think Lalit will be able to give you the exact number precise what is the indexes segment number.
- Lalit Khetan:** Do you want the number right now?
- Mitul Shah:** Yes, Sir but Sir in our presentation other segments we have shown as almost like 19% so how much or can you give some breakup there?
- Lalit Khetan:** See that number actually we have from the sales customer wise to say 19% fairly on the non-auto side what we are looking at it contains certainly oil and gas, railway and the earth moving equipment basically and so if you look a broader numbers certainly it will be somewhere because see the domestic side given this content, scrap also there known so this is a mix kind of thing so number certain from this 80%, 90% which coming to around 100 Crores we have got the number I think that we have from the presentation.
- Naresh Jalan:** Around 45 Crores if I may put an approximate number it is around 45 Crores from this non-auto segment of railways tractors and construction.
- Mitul Shah:** That is very helpful Sir. Sir second is on the margin side Sir new order wins are generally slightly higher margin segments and most of them are again from the overseas which is again higher margin territory for us?



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- Naresh Jalan:** I think it is very difficult for me to comment on margins from new order wins. I think once we take up manufacturing for those components then we will be able to understand what margins. Right now it is basically a calculated margins and as I said in my earlier statement 23% is sacrosanct for us in terms of attaining and working at an EBITDA working. I think we are trying to improve more than that and this is our effort for continuous improvement is already showing in our current results and it will continuously show in the coming quarter results.
- Mitul Shah:** Sir lastly just to reconfirm on the capex side for FY2023 we are saying our majority of the capex is done it is only maintenance related capex so it should be roughly like 40 Crores, 50 Crores kind of annual debt should be the range right?
- Naresh Jalan:** Yes.
- Mitul Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Utkarsh Somaiya, individual investor. Please go ahead.
- Utkarsh Somaiya:** Thanks for the opportunity. Can you please tell me the replacement cost of current capacity of 187100 tons?
- Naresh Jalan:** I am unable to understand exactly what do you mean by that?
- Utkarsh Somaiya:** How much does it cost you to put up 1 ton of capacity?
- Naresh Jalan:** We do not have any such figure of 1 ton of capacity how much do we take to put up. But in case anybody wants to replicate what our RKFL is right now he will make at least 2500 Crores to 3000 Crores in his pocket to replace our RKFL as a whole in terms of only assets.
- Utkarsh Somaiya:** Another question assuming that your product mix is only going to improve from here and if I take the current quarter as just a base can I assume look at the 3500 Crores to 4000 Crores of revenue?
- Naresh Jalan:** I would not like to comment on what revenue we can achieve. What we are talking about is close to around 85% to 90% utilization in FY2023 of our installed capacity of 187000 tons and as the capacity commodity prices moves up and down or the premix changes because



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the market is so dynamic, we would not like to comment on what in terms of rupee or monetary terms what is the revenue can be.

Utkarsh Somaiya: Is it fair to assume that your product mix will only improve from here?

Naresh Jalan: It is fair to assume that the product mix is going to further improve from here on.

Utkarsh Somaiya: The 500 Crores to 800 Crores of revenue from Amtek Auto when do you think that would come into the consolidated number?

Naresh Jalan: When the court handovers that plant to us. We are eagerly waiting for the Indian courts to decide. The day they handover it in 12 months time post 12 months time from the handover I think this revenue looking to get consolidated into balance sheet.

Utkarsh Somaiya: Thank you so much.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: Can you talk a bit about your next set of growth plans in terms of something about the kind of new initiatives that you would be looking at? Would it be more of the same or can you talk a bit about your mind share some of your thoughts please?

Naresh Jalan: I think it is premature to talk about anything what is going to happen tomorrow. Right now whatever we have done, we would like to consolidate on that like I said in my earlier statement that we are looking to become in FY2023 to be debt light company and once that is done we would like to grow from thereon and in terms of what we would like to do I think our growth path is very clear, I think we are looking at adding in terms of value add and in terms of assemblies and that is our endeavor that now we would like to be in the upper side of the value adds.

Karthikeyan: Would that mean it will be less capital intensive going asset?

Naresh Jalan: In terms of return ratio to sales to investment yes, obviously it is going to be on the lower side, but I think it is very, very premature right now to comment on what kind of investment or what we are going to do post FY2023, but I think our plates are full till FY2023 and I would like to comment only on when the D day comes.



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- Karthikeyan:** Just to clarify I did not clear very clearly did you mention that the annualized run rate of new orders one is 620 Crores or is that cumulative I am sorry I could not hear that clearly?
- Lalit Khetan:** Annualized run rate of 600 Crores per year for some contracts are there for four years or some are five years, I cannot, I do not have the best of contracts in front of me I think we have announced it pretty clear and I think we have mentioned details in every announcements to our investors.
- Karthikeyan:** Fair. I was not very clear about that. Thank you so much and best wishes.
- Moderator:** Thank you. The next question is from the line of Utsav Shrivastava, individual investor. Please go ahead.
- Utsav Shrivastava:** I wanted to know what is the dividend policy of the company because we have got a 0.50 paisa dividend this quarter because I just wanted to know rationale behind this 0.50 paisa dividend?
- Naresh Jalan:** Utsav, we have uploaded our dividend distribution policy on the website you can go through that and the rich dividend distribution is always decided by the board depending upon the quantum of profit earned or the cash flow available to the company and there will be lot of other things with lot of dynamics are involved so that will be already uploaded on the website you can go through that.
- Naresh Jalan:** To correct you is not 0.50 paisa and now we have for the half year it is Re.1.50 we have already given in first quarter and 0.50 paisa is the second quarter dividend.
- Utsav Shrivastava:** Thank you and I will come back in the queue. Thanks.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.
- Rajesh Mundhra:** Thank you operator. We have been very thankful to all the folks who have participated in the concall today. We wish you all a very Happy Durga Pooja going ahead and if there is any query further we are there to reply to all the queries and the questions that you have for us. Thank you all for attending this call.
- Moderator:** Thank you. Ladies and gentlemen on behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.