RAMKRISHNA FORGINGS LIMITED

Date: 3 November, 2022

To The Listing Department **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **BSE SCRIP CODE: 532527**	To The Listing Department **National Stock Exchange of India Limited** "Exchange Plaza" C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai- 400 051 **NSE SYMBOL: RKFORGE**

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Call Q2 H1 of FY 2022-23

This is further to our intimation dated 22 October, 2022 w.r.t conference call with the Analysts/ Investors for the Q2 & H1 FY 2022-23 Financial Results (Standalone & Consolidated).

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Call for Q2 & H1 FY 2022-23 Financial Results with the Analysts/Investors, held on Thursday, 27 October 2022 at 16:30 Hours (I.S.T).

Same is also being made available on the website of the Company at www.ramkrishnaforgings.com.

Request to kindly take the same into record.

Thanking you.

Yours faithfully,

For Ramkrishna Forgings Limited

RAJESH MUNDHRA Digitally signed by RAJESH MUNDHRA Date: 2022.11.03 10:10:44 +05'30'

RAMKRISHNA FORGINGS LIMITED KOLKATA

Rajesh Mundhra
Company Secretary & Compliance Officer
A12991

Encl.: As above

THE ECONOMIC TIMES INDIA'S GROWTH CHAMPIONS 2020 statista

REGISTERED & CORPORATE OFFICE
23 CIRCUS AVENUE, KOLKATA 700017, WEST BENGAL, INDIA
PHONE : (+91 33)4082 0900 / 7122 0900, FAX: (+91 33)4082 0998 / 7122 0998, EMAIL: info@ramkrishnaforgings.com, WEB: www.ramkrishnaforgings.com
CIN NO. :L74210WB1981PLC034281

"Ramkrishna Forgings Limited

Q2 FY '23 Earnings Conference Call"

October 27, 2022

MANAGEMENT: **MR. NARESH JALAN – MANAGING DIRECTOR – RAMKRISHNA FORGINGS LIMITED**
MR. CHAITANYA JALAN – WHOLE-TIME DIRECTOR – RAMKRISHNA FORGINGS LIMITED
MR. LALIT KHETAN – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – RAMKRISHNA FORGINGS LIMITED
MR. RAJESH MUNDHRA – COMPANY SECRETARY AND VICE PRESIDENT-FINANCE – RAMKRISHNA FORGINGS LIMITED

MODERATOR: **MR. PRATIT VAJANI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '23 Earnings Conference Call of Ramkrishna Forgings Limited hosted by ICICI Securities. 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 star then zero on your touchtone phone. Please note this call has been recorded. I now hand the conference over to Mr. Pratit Vajani from ICICI Securities. Thank you, and over to you.

Pratit Vajani: Thank you, Yashashwini, Good afternoon, everyone. Welcome to the Q2 FY '23 Results Conference Call for Ramkrishna Forgings Limited. From the management we have; Mr. Naresh Jalan, Managing Director; Mr. Chaitanya Jalan, Whole-Time Director; Mr. Lalit Khetan, Whole-time Director and CFO and Mr. Rajesh Mundhra, Company Secretary and VP Finance. Now I would like to invite Mr. Lalit Khetan for his opening remarks. Over to you, sir.

Lalit Khetan: Good evening. And a very warm welcome to everyone present on the call and wish you all a very Happy Dipawali and New Year from the entire Ramkrishna Forgings Team. We hope and pray for the safety, health and security of you and your loved ones. Along with me, I have Mr. Naresh Jalan, our Managing Director; Mr. Chaitanya Jalan, Whole-Time Director, and Mr. Rajesh Mundhra, our Company Secretary.

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. I will briefly speak about the business landscape and update on performance in the preceding quarter, following which we will be happy to respond to your queries.

Before delving into the company's performance this quarter, I would like to provide some context in the industry. The Indian auto and auto ancillary have faced numerous headwinds in the last two to three years. From managing emission and safety rated regulatory changes followed by COVID'19, two semiconductor supply shortages and the most recent steep commodity inflation, the auto industry has seen it all.

During the COVID period, the China-Plus-One theme gained traction with several OEMs around the world constituting and acting on diversifying component sourcing away from China, which began with the United States is posing tariffs and trade barriers to China with Indian OEMs and auto ancillary benefiting from this progress. Because of India's low manufacturing costs, scale of vehicle production and maturity of its auto ancillary industry, companies like us are gaining from it as we have the capacity to meet our demand.

Furthermore, the ongoing festive season as well as adequate rainfall across the majority of the country will shape the industry in the coming months. Infrastructure and real estate are expected to post this industry as is e-commerce as well as transportation and logistics, which are critical to the economy. As a result, there is a lot of optimism about the growth and OEMs are very bullish. Our conversations with customers have been encouraging, which gives us hope for the future.

Our international business has witnessed a sustained traction over the last few quarters with new business order flowing in at a steady pace. A strong order backlog from Europe and United States and a healthy recovery for new truck orders in the end month works well for us. And we expect our export revenue to grow by more than 15% in FY '23 as compared to last fiscal year.

I would now like to highlight some business enhancement. As we are all aware of our long-awaited acquisition of ACIL. We expect it to be completed this fiscal year if we receive favorable order in the next one month two months from the Supreme Court. Our business to the electric vehicles has shown good traction, and it will form 3% to 4% of total revenue in the near future. Our railway business is also showing a good development, and we are confident that it will contribute more than 4% of our total revenue, which is at present 2% only.

Coming to our business operation front, our revenue increased by 32% in Q2 FY '23 over Q2 FY '22 on the back of robust and diverse business. Our EBITDA margins for the quarter were 22.3% and for H1, we are 22.2%. During the quarter, we increased our capacity utilization by 300 basis points to 82% in Q2 FY '23 from 79% in Q2 FY '22, while the sequential improvement was 400 basis points. Such revenue growth and stable margins have been added by improved product mix and managing supply chain cost despite high commodity prices. We are confident that by improving capacity prices, we will be able to deliver similar results in the second half of the year, resulting a higher operating leverage and margin expenses.

We have received five orders amounting to INR 408.5 crores in the first six months of FY '23, and we are confident that we will receive additional orders in the second half of the year due to strong pipeline and positive business visibility. We are making concerted efforts to diversify our product portfolio and geography by introducing value-added products across the board.

During the quarter, we received approval for a fund raise via preferential allotment of convertible warrant of INR 94 crores and the majority of which will be used for reduction of debt. We are at aiming to our capital allocation policy in order to reduce debt and our gross debt position as on 30th September '22 is INR 1,319 crores down from INR 1,577 crores or as on 31st of March 2022. Our target to become net debt-free company by FY '25 remains intact. And also, as for the policy on the dividend front, the Board of Directors has declared a second interim dividend of INR 0.50 per equity share of face value of INR 2 each.

That is from my side. We can now open the floor to question and answer.

Moderator: Thank you, very much. We will now begin the question-and-answer-session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have a first question from the line of T. S Vijay Sarathy from Anand Rathi. Please go ahead.

T. S Vijay Sarathy: So we've seen very strong sequential growth in the revenue to the extent of 17% comparing Q1 FY '23 versus Q2. Now out of this 11% has been by realization. So we had strong growth. Why did we experience 300 bps gross margin fall between the same quarters? Could you please help us understand? That's my first question. And I mean, the realization have -- export realizations would have also been very good. So given this, why margins have fallen sequentially, gross margins?

Lalit Khetan: You're talking about the year-on-year margins. Correct?

T. S Vijay Sarathy: I'm talking of sequential margin, sir Q1 FY '23 versus Q2 FY '23?

Lalit Khetan: The Q1 FY '23, if you're looking at a consolidated number, it has gone down a little bit. But if you look at the standalone, it has gone up.

T. S Vijay Sarathy: Yes, I'm referring to the consolidated number.

Lalit Khetan: Yes. So consolidated number is a little bit down because there has been little lesser profit on the subsidiary front. There has been a little bit traction on the profitability on account of performance of Subsidiary. And that's also marginal. If you look at the half year number is 22.2%, and for the quarter, it's 22.3%. for the standalone and consolidated number is in the range of 21.5% and for the last year, there were very less number of Subsidiary for the console and whatever will be the standalone performance, that was the console performance in terms of turnover,. And that was also on account of higher export, recalls if you remember, Q1 FY '22, that was due to the second wave of COVID there was very less domestic sales and export percentage was around 60% and that has resulted in the higher margin.

T. S Vijay Sarathy: So what is the steady-state margin that we are looking at, sir? Whatever you spoke about EBITDA margin, so you could highlight that? What is the number if you could?

Lalit Khetan: Certainly, **c**urrent margin levels are here to sustain. We are going to sustain current margin and endeavor will be to improve upon these margins.

T. S Vijay Sarathy: Sure. And the other small question is, again, between sequentially, Q1 FY '23 to Q2 FY '23, the power and fuel costs have come down from 45.8% to 43.3%, while the activity has gone up, production activity has gone up, what led to this fall in power because I'm given to understand that the per rate is per unit is fixed, so the activity has gone up, why power cost has come down? What is that we have done? And is it sustainable? This is a second question.

Lalit Khetan: M. D. sir, are you taking that?

Naresh Jalan: This is basically on account of better utilization, if you see sequentially the there has been a significant improvement in utilization and power and fuel costs are directly affected with the better utilization. As you have -- you also said the power cost is fixed. So if in number of hours we utilize the equipment, the better utilization gives us a better yield in terms of efficiency in the cost.

T. S Vijay Sarathy: You're referring to the per unit cost, per tonne cost, rather, right?

Naresh Jalan: Not per tonne cost.

T. S Vijay Sarathy: Absolute cost also.

Naresh Jalan: Absolute cost of the power vis-a-vis the number of tonnage we produce.

T. S Vijay Sarathy: Does it have a bearing on the kind of press lines that you operate, sir or is it to do with only merely higher utilization?

Naresh Jalan: It is the way our press lines are placed and as well as other utilization, both may take part into it.

T. S Vijay Sarathy: Finally, you had mentioned some order book in your initial remarks for the first half, I mean is that or you did not mention, I don't know. So could you just help us? You said five orders, new orders, yes?

Lalit Khetan: Five orders are totaling INR 408 crores in the first six months.

Moderator: Thank you. We have a next question from the line of Mumuksh Mandlesha from Emkay Global. Please go ahead.

Mumuksh Mandlesha: Sir, what led to the 19% volume growth sequentially for the exports market? And if you look at the North America CV basic body was flattish sequentially. So what led the strong growth sir, volume growth of exports?

Naresh Jalan: No. Basically, it's because of past order wins now orders are getting converted into revenue. And we have been able to convert them faster and all those conversions have helped us in getting the growth in exports.

Mumuksh Mandlesha: Sir, in the commentary you mentioned China-plus-one beneficiary, Ramkrishna been beneficial that move happening. Sir, can you talk about the opportunity there? And you mentioned some input duty on Chinese inputs from USA market, just can you share a bit on that?

Naresh Jalan: In terms of import duties, we are not aware of any import duties. And I don't think Lalit's opening statement has anything to do with import duties. China plus basically because of the supply chain and COVID restrictions, lot of supplies, customers are shifting their supply chain from China to other places and one of the biggest beneficiary of that is the Indian industry. And it is not alone RKFL, it is across the board, pan-India and across all segments, Indian manufacturing sector is getting legs up due to this shifting?

Mumuksh Mandlesha: Sir, just on the update on ACIL. Can you just share what kind of opportunities you see for that business…

Management: And it is very, very early until we get the company, it is very difficult to say about the opportunities. Once we get the company, we will appraise the investors on the opportunities. But as a management, when we have a bided for the company, we are very confident of getting new customers, new sectors and maintaining a good top line and bottom line from the assets over there.

Moderator: Thank you. We have our next question from the line of Varun Basrur from Julius Baer Wealth Advisors. Please go ahead.

Varun Basrur: So, I have two questions. The first question is, if I look at the other expenses on a quarter-on-quarter basis, between quarter one, '23 and quarter two '23 there's been a jump -- any commentary there? Are there any one-off items in these other expenses? Sir, second question while there was very positive commentary which you gave, especially on your export order book and new businesses flowing in. I just want to understand in Europe, has there been any deferments on the existing new programs or on the existing order book? I'm done with my questions.

Lalit Khetan: Yes. So let me address your question on other expenses, which basically other expenses jump is due to the increase in export expenses, because the export ocean freight, which that was in the Q1 last year. And now you're looking at certainly that's why the gap, though it is coming down. But last year, it was quite steep, and it has increased over the quarters. And that level we have not gone back to those levels right now. That's why there is gap and slowly, it will go down. And on the -- I think Europe and this order Nareshji will answer it.

Naresh Jalan: We are not seeing any cancellations or deferment from our European OEMs.

Varun Basrur: Can I ask one more question? Yes, I just want to ask one more question, where I'm just going through the Capex guidance and there's some press lines which are being added. Just what is the incremental Capex in tonnage that has been added in the press line or that will be added in the press line?

Naresh Jalan: I think 56,000 tonnes roughly. We don't have the exact calculation.

Lalit Khetan: Yes, sir, effective 56,000 tonnes will be added.

Varun Basrur: Over and above 1,17,000 tonnes?

Lalit Khetan: 1,87,000 tonnes. Total capacity, 1,87,000 tonnes plus 56,000 tonnes.

Varun Basrur: Okay. And this is all added in press, which is 117,000 tonnes today?

Management: Yes, it will be added in the press.

Moderator: Thank you. Reminder to participants to press star and one to ask a question. We have a next question from the line of Sunny Gosar from MK Ventures. Please go ahead.

Sunny Gosar : And congratulations on a strong set of numbers. My first question is relating to the freight cost. So you mentioned in one of the previous responses that freight costs have started coming down. And when we -- basically, if you can help us understand what's the freight cost as a percentage of the revenue? And how much benefit can come in the coming quarters due to the decline in the freight cost?

Management: Sunny, the freight cost as a percentage of revenue, you can look at it, it should be in the range of around 15% to 16% right now in terms of export revenue, because it should be linked to export revenue. And it was if you look at earlier it was more than 20% and now it has come down to 15% to 16% level, and it is expectedto go down further.

Sunny Gosar: Any ballpark number in terms of how much further it can go down?

Management: It's very difficult to predict -- really difficult to predict.

Sunny Gosar: My second question is on the debt number. So as of March '20 number, which was about, say, INR 1,570 odd there was some factoring component of about INR 150 crores. So in the current gross debt number of September '22, is there any in factoring number or not?

Management: Yes, it is .There are the factoring number. So net debt has gone down by INR 110 crores in H1 FY '23. So the net debt as on 31st March 22 was INR 1,336 crores and currently is INR 1,225 crore.

Sunny Gosar: Okay. So your reported gross debt of about, I think, is about INR 1320 crores, I think. So there 90 crores of factoring

Management: Correct. That's the Tata Motor bill discount basically.

Sunny Gosar: And my third question is basically, if you look at RK Forging historically had has always been classified as an MHCV ancillary -- so if you can help us understand with the new orders in EV and LCV and passenger vehicles, -- so out of the 80% automotive revenue, what would be broadly the mix between, say, your MHCV, which includes India and North America class 8 and your other automotive, which will include LCV, passenger vehicles, class 5 trucking, maybe North America?

Naresh Jalan: Sunny, I think in terms of MHCV, we are no more an MHCV supplier. MHCV as a basket is only 50% of our automotive volume balance 50% of my automotive volume comes from Class 8, LCV, every vehicle, which is below 9 tonnes basically. It includes all varieties.

Sunny Gosar: And going forward, will this mix further improve away from MHCV or this business mix will broadly remain likeway?

Management: No, like for North America, we have entered the off-highway segment also, tractor trailer segment these are going to add on into in terms of new varieties, which are going to come in near future?

Sunny Gosar: Right. So basically, MHCV dependence will go down further?

Management: Yes.

Moderator: Thank you. We have our next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Sir, currently rising energy cost in Europe is a big challenge. Are any shift of business from Europe to India? And will it benefit to the Indian forging company, for export in the US and Europe?

Management: I think I cannot comment on the other forging companies. In terms of RKFL is concerned, like I said in my earlier questionswe are not witnessing any cancellations or deferment in terms of our new order wins and order book, we are experiencing new order intake in a steady manner. And I think one of the major contributors to it is the energy prices, which prevail right now in Europe and US both.

Abhishek Jain: So you want to say that you are getting benefit of increasing energy costs in Europe. That's why the business is coming to the Indian company.

Management: That is one of the factors.

Abhishek Jain: And sir, during this quarter, we have seen a sharp jump in the realization of and around 11% quarter-on-quarter growth. Despite the sharp fall in the steel price is around 25% to 30% -- so what is the reason for the increase in the realization? And how do you see impact of the realization because of the fall in steel cost in the coming quarter?

Management: In terms of realization, I think it is purely -- there is a part play of raw material pricing as well as part play mainly due to change in product mix and new geographies and new order book coming into play in terms of getting into revenue. In terms of future steel prices right now are extremely volatile and extremely difficult to comment how this is going to shape up in the future. But if steel price decreases from here, in similar quantum, the realization also may change.

Abhishek Jain: So why there is no impact on your realization front despite the falling steel prices. And if I say that the product mix as well, there's not a significant improvement on the press line utilization. So in that case,

Management: I think, in terms of utilization never speaks of the product mix, utilization speaks of the tonnage being used. Product mix is purely what -- as a company, we know what product mix we are changing.

Abhishek Jain: So you want to say that the products like the heavy products like axle and all they have gone up?

Management: No, I would not like to comment on that. Basically, company has done better product mix. That's the reason realizations have gone up. And partly due to raw material prices, this has been there.

Management: There was no decrease in raw material prices for us during the quarter. Yes. Because the first H1, there is no decrease in Raw Material price, what we have witnessed last year in the steel we are using.

Abhishek Jain: And sir, as you mentioned that you are going to acquire the ACIL in the coming months. So just wanted what is the cost of the ACIL acquisitions and how much incremental revenue will be from that?

Management: In terms of cost I think we have already appraised the investors, I think regularly basis is around INR 110 crores, which we will need to spend to acquire the assets. And in terms of revenue right now, it is extremely difficult to say. -- in the current environment, what is going to be the revenue. It is after we get the acquisition completed, we obviously will inform all our investor community on exactly the status and what is the revenue expected out of that

Abhishek Jain: And it is the machining capacity only?

Management: Yes, it's a machining capacity.

Abhishek Jain: And 2-wheelers and tractors?

Management: 2-Wheeler, tractors.

Abhishek Jain: And so what is your Capex guidance? You have already done around INR 1.7 billion in the first half, are you are going to acquire the ACIL and it will get around INR 1.1 billion. So for FY '23, what is your Capex guidance?

Management: See, for FY '23, we have not considered ACIL so far. Lets' ACIL comes, then we will decide on that, and that will be in the SPV. And for RKFL stand-alone, we are looking to spend another INR 100 crores in FY'23 whatever we have spent so far apart from there.

Abhishek Jain: And you are just adding the capacity of around 56,000 tonnes, so most probably all Capex would be completed in this year?

Management: It still will spill over to the next financial year also, our Capex will be not completed in this Financial Year.

Abhishek Jain: So for the 56,000, what Capex is required?

Management: I don't have the exact number. I think another INR 150 crores, to NR 160 crores will give us this 56,000 capacity, whatever we already spent the money on this Capex and another INR 150 crores to INR 160 crores will give us capacity of another INR 56,000 tonnes.

Abhishek Jain: And my last question on this, what is the outlook for the North America classic truck for the next two quarters?

Management: We will not be able to answer specifically to what is going to be the outlook as we can only say that whatever we hear right now from our customers across North American geography across all our portfolios, we maintained the same statement that we are running a healthy order book, and we will be sustained to continuously grow on the geographies.

Moderator: Thank you Reminder to participants to press star and one to ask a question. We have a next question from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah Sir, first question, again, on average selling price only the realization has improved Sir, can you elaborate something on this product mix change maybe just by one or two example? Does it mean increasing more machining within a product or a complete change of design or maybe tonnage wise, how you will define better product mix?

Naresh Jalan: It's mostly changed from some products have changed from machining to assemblies and some products from forging to machining. And some we have -- because of current order book, we have been able to utilize better the press, getting more higher tonnage into the same presses. All three have been factors contributing to higher realization.

Mitul Shah: The kind of sub-assembly type of model we start having?

Naresh Jalan: Sub-assembly and assemblies, both.

Mitul Shah: Second question, sir, this quarter, geography wise mix, how was this North America, Europe? We have given half yearly in presentation. Can you just repeat the quarterly for the quarter also?

Lalit Khetan This is almost similar to that what we have done in the half year. Same in the quarters.

Mitul Shah: No major change.

Management: No major change.

Mitul Shah: Sir, outlook on Europe side?

Management: I think outlook is steady, and we will keep on growing.

Mitul Shah: And sir, one thing is that as you highlighted that because of the better supply, particularly in the export geographies our production volume as well as production level of MHCVs in those areas have increased. So it must be to some extent, backlog of past few months where the semiconductor and other component supply were the issue. So probably even next 1 quarter, we can see similar bump-up type of thick. But after that, it may normalize. So what is your judgment that after one or two quarter or it may be from next quarter onwards, it should normalize

Naresh Jalan: I don't think there is anything in terms of normalization of pent-up demand. We are seeing a steady demand. And with new order wins, I think our basket is filled up to the extent we require in terms of keeping on with predicted growth of 20% CAGR a year

Mitul Shah: And lastly, on this realization, you highlighted that it is all product mix. There is no change in the raw material side, right, sir?

Naresh Jalan: No decrease. There is no decrease in raw material.

Mitul Shah: No decrease right. There is no change. So going forward, probably, it would be a slightly correction as and we earlier highlighted also, it is a pass-through type of thing. So it would be reflected in Q3? Or still there would be some lag effect and may come entirely in Q4?

Naresh Jalan: See, every quarter raw material is increases or decreases. So if the trend continues or decrease, every quarter, you'll see a decrease. And if it stops after one quarter, you will not see after one quarter.

Moderator: Thank you. We have our next question from the line of Shashank Kanodia from ICICI Securities.

Shashank Kanodia: I just wanted to understand on the Capex part. So we are operating at roughly 65% utilization as of first half. So was the pressing need for us to do a good amount of Capex at this point of time? And will it be adhering to a broader capital allocation strategy wherein we intend to spend upto30% to 40% of cash profit for Capex?

Naresh Jalan: I think, first of all, we are not augmenting the same capacity, which we already have. We are creating new capacities in new-generation press lines with new technologies and specifically going into cold and warm forging. And in terms of overall utilisation, our capacity utilisationis close to 82%.

So we will need to augment -- and this these are all time taking capacity additions. These do not happen overnight. It takes its own time to first plan, put and stabilize the capacity. So company as a whole is planning way ahead of time so that when capacities are required, we have those.

Shashank Kanodia: And sir, so we have outlined a capital allocation strategy a couple of quarters back. So will this Capex there into that allocation strategy? Or is it diverting from that front?

Naresh Jalan: We have already committed to it. And in our presentation also, you can see any Capex, which will happen that will happen from free cash flow generated by the company during the year, and we'll surely adhere to those plans of debt reduction and allocating balance capital for dividend and Capex.

Shashank Kanodia: So sir, so what kind of debt reduction we can expect for this year, FY '23?

Naresh Jalan: I think we have already had a net debt reduction of close INR 110 crores and company wishes to repay another INR 100 crores of debt by year-end.

Shashank Kanodia: And the target for being debt free by which fiscal year for us?

Naresh Jalan: 2025.

Moderator: Thank you. We have our next question from the line of CA Garvit Goyal from NVest Research. Please go ahead.

Garvit Goyal: So my question is from the cash flow, working capital management side. I was basically going through your historical numbers. And I found that in last three years, that is 2020, 2021 and 2022. There has been a significant increase in the percentage of inventory to your total revenue. So can you please explain the reasons and how inventory management or basically the working capital management going to shape up in the next one to two years, sir?

Management: Last three years, if you see the prices of steel and other goods have also considerably gone up. So if you're only seeing on the valuation part yes, there has been an increase. In terms of tonnage, there has been a decrease. And if you see the sequential growth of the company year-on-year, there are substantial growth. And I don't think inventories you really calculate, inventory has gone up as much as the growth. And going forward also, company emphasizes or feels to preserve cash rather than inventory -- so we are already working on inventory reduction, and this is going to happen over next quarters.

Garvit Goyal: And sir, basically, that 56,000 new capacity addition. You mentioned in the presentation that your Capex for half year, '23 is already INR 153 crore. So this INR 153 crore is the entirety of that capacity? Or is it for any other…

Naresh Jalan: Entirely on that capacity.

Garvit Goyal: And this INR 100 crore you are mentioning in the half -- second half, that will also be for that capacity?

Naresh Jalan: Yes.

Garvit Goyal: And then next year also, you're mentioning INR 150 crore, so…

Naresh Jalan: No, I think, Lalit has said, overall, we feel that another INR 150 crores of Capex will be required to complete this 56,000 tonnes of Capex. Out of this INR 153 crores have already been spent and another INR 150 crores will be required.

Garvit Goyal: And what is your guidance for the top line by the end of financial year '25?

Naresh Jalan: No, I think we have said that we look and a company's desire is to continue with the growth path which we are in and we look at 20% CAGR growth continuously.

Garvit Goyal: And EBITDA margins, any guidance or do we sustain 22%?

Naresh Jalan: We will be able to sustain these margins and company looks to improve its internal parameters and improve on the margins.

Moderator: Thank you. We have our next question from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Actually, both of the questions are answered by Shashank's question as I had the same question for CapEx and inventory level, both of them are answer. Thank you so much. No more questions.

Moderator: Thank you. We have our next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Sir, you were talking about a 20% CAGR growth for the next two years. For FY '23, what is your volume growth target?

Naresh Jalan: See, we have already sold around 62,000 tonnes in the first half and we are looking at around 68,000 tonnes in second half so 1,30,000 tonnes is our target for FY '23.

Abhishek Jain: And what would be the mix export versus domestic, likely?

Naresh Jalan: That's like in the range of 40% to 42% on the side of exports rest is domestic.

Abhishek Jain: And sir, in last two quarter production was slightly higher than the sales. And as the transit time is now going down for the exports. So are you looking for some destocking in the coming days?

Lalit Khetan: Could not got you Abhishek, can you repeat?

Abhishek Jain: Sir, as a production in the last two quarters that was slightly higher than the sales. And transit time is also going down for the exports as you mentioned. So are you looking further some de-stocking in your export market?

Lalit Khetan: No. See, only issue is the concern of demand from the customers and then what is the consumption is happening. So it depends upon the entirely the demand supply demand scenario. And we are not looking at the, we have a feeling that demand will be more and the export will improve from here quarter-on-quarter.

Abhishek Jain: So generally, how much inventory do you maintain for the export market or how many days?

Lalit Khetan: No, we don't maintain the inventory. We have inventory in Europe a little bit, and that's in the range of INR 50 crores to INR 60 crores, and a little bit in the US, that is INR 30 crores to INR 40 crores. So that's the inventory we are maintaining in overseas market.

Abhishek Jain: And sir, how much of foreign debt in the balance sheet and how much Forex losses this quarter?

Lalit Khetan: We have gained about INR 12 crores of net foreign exchange on this quarter, that is perceiving the loss on account of debt on the restatement to debt on the Forex, but we have the debt also in the euro where we are gaining also. So it's a mix of the entire thing. Net gain is INR 12 crores for the quarter, considering all foreign exchange assets.

Abhishek Jain: And sir, what was the LCV contributions in this quarter in the first half FY '23 in total revenue?

Naresh Jalan: No, we don't have a breakup of that roughly. But LCV should be closed down 6% to 6.5%.

Abhishek Jain: Sir, my last question is related with this non-auto segment, what is your plan to ramp up your business already for contribution has increased around 19%? So what is your target?

Naresh Jalan: It is going to continuously grow. I think we are looking at making basically non-auto segment at 25%. So I think our endeavor is to continuously improve on that till we achieve a 25% level in terms of our non-auto business.

Abhishek Jain: So what is your current order book in the Railways segment? And what is your revenue target for FY ’23?

Naresh Jalan: Railway order book is approximately around INR 100 crores plus, and we are looking at doubling the railway orders in the order book in this year. And I think we are looking at close to INR 200 crores to INR 250 crores in FY '24 in terms of our Railway sales.

Moderator: Thank you. We have a next question from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: Sir, two-three clarification. This 56,000 tonnes new capacity coming, and you said it will be fully operational by next year. So I believe that it will be operational in a phased manner, so what could be the likely capacity by end of current financial year, initial first phase?

Naresh Jalan: I think 50% of the capacity will be ready by March 2023 and balance 50% by September 2023.

Mitul Shah: And as you highlighted, it's a specific purpose type of capacity. So based on existing order, can you just give broader indication?

Naresh Jalan: I think it is very early. I think, obviously, we'll wait for another quarter before we give guidance on that. We would like the capacity shape to shape up before we start giving guidance on that.

Mitul Shah: But we must be having a few orders related to that capacity.

Naresh Jalan: We already have development orders in hand, but in terms of if you want exactly what is going to be the volume and revenue and profitability. It is very early for us to comment on that.

Mitul Shah: Okay. Sir, secondly, on the MHCV side, in earlier remarks, you highlighted that MHCV contribution has now come down to 50% of automobile segment. So that is 80%, 50% means as you would want to say that only 40% of the revenue is MHCV right now?

Naresh Jalan: Yes.

Mitul Shah: And does this include Class 8 truck or it is only domestic MHCV you are talking?

Naresh Jalan: I am talking about entire MHCV.

Mitul Shah: Okay. So 60% is all known MHCV, LCVPV, non-auto everything?

Naresh Jalan: We are not into PV in anyway, we are into LCV, any vehicle from 9 tonnes to below, I'm talking about.

Moderator: Thank you. Ladies and gentlemen to ask a question please press star and one on your phone. We have our next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Sir, I've got two questions on my side. One is what is our total order book as on September end? And second is how much are we spending on 4 megawatts of solar, the solar power actually?

Naresh Jalan: In terms of order book, it is very difficult to mention because we work with OEMs who work on three month schedule or a month schedule. So order book, it is very difficult to define what is the order book right now? And in terms of 4-megawatt solar power plant, we are looking at spending somewhere around INR 12 crores to INR 12.5 crores right now to install this 4 megawatt power plant.

Vignesh Iyer: And this is including this INR 12.5 crores is part of the INR 100 crores you intend to spend, or is it over and above that?

Naresh Jalan: Part of the overall Capex spending plan of the company.

Vignesh Iyer: And what was the first six months order we have received, total?

Naresh Jalan: I think first six months is reflected in the topline we have achieved because basically, we don't have an order book as such, basically working with railways, yes, we have an order book of close INR 100 crores, but we work with PSUs, we have order, but when we work with auto OEMs, there is no order book as such, which basically depends on the vehicle plan they produce, and that's on monthly basis on a three months basis.

Moderator: Thank you. We have a next question from the line of Dhruv from Edelweiss. Please go ahead.

Dhruv: Sir, could you please just give the margin bifurcation for all your business segments like in rolling margins and maybe forging and cash margins, if that's possible?

Naresh Jalan: No, that's not possible. We don't work on individual plants. We cannot give you margins.

Dhruv: So also, I just wanted to ask you, currently, we are at 65% capacity utilization for your fresh business. And we are adding 56,000 tonnes of capacity there, but why are we not looking at capacity expansion in ring rolling and forging segments where we are at 100-plus utilization?

Naresh Jalan: Basically, like I said that it is new capacity with new technology and new components with our capacity is basically need based with the discussions with the customer. So we don't feel the need of right now adding any capacities in ring rolling or other places as far as customer indication in terms of future demand

Moderator: Thank you. Ladies and gentlemen to ask a question please press star and one on your phone, now. To ask a question please press star and one on your phone. We have a question from the line of Shaukat Ali from Monarch Networth Capital Ltd Limited. Please go ahead.

Shaukat Ali: Sir, a small question from my side. How the effective tax rate is going to fare for the entire year, FY '23? How effective tax rate will fare from here?

Lalit Khetan: Effective tax rate is in the range of around I think we will move to around in the range of 22% to 24% for the full year.

Moderator: Reminder to participants to press star and one to ask a question. Participants are requested to press star one to ask a question. As there are no further questions, I would now like to hand the conference over to the management team for closing comments. Over to you, sir.

Rajesh Mundhra: Thank you. We take this opportunity to thank everyone who has joined our call. We hope we have been able to answer all the queries that were addresses to our management. For further information, you can get in touch with us or Strategic Growth Advisors our investment advisor. Thank you very much, and have a good pleasant evening. Thank you.

Moderator: On behalf of ICICI Securities that concludes this conference. Thank you for joining us. And ou may now disconnect your lines.