



“Ramkrishna Forgings Limited Q3 Earnings Conference Call”

January 18, 2022



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Moderator: Ladies and gentlemen good day and welcome to Ramkrishna Forgings Q3 earnings 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. Basudeb Banerjee from ICICI Securities. Thank you and over to you Sir!

Basudeb Banerjee: Thank you. Thanks to management of Ramkrishna Forgings for giving us the opportunity to host the Q3 fiscal 2022 results concall. I would like to invite Mr. Naresh Jalan, Managing Director of Ramkrishna Forging and Mr. Lalit Khetan, Chief Financial Officer of Ramkrishna Forging to give initial comments on results and then go with the Q&A. Over to Sir!

Lalit Khetan: Thank you, Basudev. Good evening and a very warm welcome to everyone present on the call. Along with me I have Naresh Jalan, our Managing Director, Mr Chaitanya Jalan, our Wholetime Director , Mr. Rajesh Mundra, Company Secretary and SGA, our Investor Relation 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 hope and pray that you and your loved ones are safe, healthy and secure. We hope you all are following the best safety protocols and staying safe from this pandemic. I would like to start my opening remarks with key business highlights for the quarter.

During the quarter we managed to receive contact worth Rs.220 Crores from six contracts from various geographies and for different business verticals. These orders include an LOI for front axle wheels which is a new business addition. During the quarter, one of the leading European OEMs in the mining and earthmoving industry has approved our new Jamshedpur Fabrication Facility, which will result in start of serial production from that facility. This facility has enabled us to expand our presence in the railway sector which is an important component of sector diversification strategy.

We are in continuous discussion with domestic and international customers for further orders to deepen our reach and strengthen the customer's relationships, we have opened new offices in South America, Russia and two more offices in Europe. These new offices in addition to our existing offices in United States, Mexico and Turkey will enable us to pursue our strategy of increasing our exports business more rigorously.

Overall, we have a strong inflow of orders and with new capacity commissioned during last quarter we are very well placed to convert these orders to revenue which could lead to improvement in operating leverage as well as profitability. With strong demand, improved



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capacity utilization, the addition of new contracts and disciplined cash management would help us generate adequate cash flow and help us to be debt free in next three years time.

We are continuously working to reduce the risk of our product portfolio by diversifying across segments, customers and geographies. During the quarter, we added customers from various customers and geography and also signed an MoU which ePropelled, USA to capture the growth in EV segments.

Highlights for the quarter is our foray into EV space, we signed MoU with ePropelled to manufacture their patented dynamic Torque switching PM that is EDTS Technology. This technology will offer India's light EV manufactures on an innovative energy saving solution for the rapidly growing e-mobility market. According to the terms of the agreement, we will both collaborate on the development of e-Axle products based on ePropelled patented dynamic for this EDTS technology. This increases power deficiency by at least 15%, allowing manufacturers to reduce the size and cost of their battery pack.

On the sustainability front, we have hired PwC during the quarter to assist us in integrating and implementing our ESG roadmap. Our ESG commitment will be reflected in our business practices which will be environmentally and seriously responsible and will be supported by strong corporate governance and led to long-term business sustainability.

We are also working towards increasing automation and incorporating latest technology into our manufacturing process, a step in that direction is the implementation of industry 4.0 at our manufacturing unit. We are targeting that within the next one year all our manufacturing units will be industry 4.0 compliance.

I would also like to highlight that recently we have been awarded the prestigious overall supplier excellence for Engineering Components Award for the year 2021 at Volvo Eicher Commercial Practice Supplier Conference. This award reflects our commitment to customer satisfaction and our focus on quality. Even though the pandemic situation remains uncertain the robust demand in the domestic market and our export gives us confidence that we will do well in the future, the high global demand for Indian made components combined with the emphasis on EV has created a slew of opportunities for component manufacturers like us.

Our components have been well accepted by the global OEMs and we have started growing our business with them. The automotive industry is heading into 2022 with a positive attitude in its pursuit of pre-pandemic level of sales value and having laid a solid foundation in 2021. Thank you. That is all from my side.



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- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Thanks for the opportunity and congrats for a strong set of numbers. Sir, in last quarter you had higher than normal inventory that was lying at your warehouses as material was not pulled by the customer due to the semiconductor issue. This quarter also semiconductor supply challenges continue and your nine month FY2022 production was 35% higher than the sales. Despite there is an impressive dispatches in export, so I just wanted to understand the growth strategy behind all this of building high inventory. Are we expecting sudden ramp up in demand as far as the inventory has got up significantly?
- Naresh Jalan:** Basically Abhishek we are working with our export customers on daily basis because of semiconductor issues in terms of building inventories in warehouses and I think we are seeing green shoots in the semiconductor issue and pull from the customer end. Right now the logistics is a very big issues in terms of dispatches from India to Europe or North America so considering that we are working with the customers to build inventory in the warehouse so that as and when the semiconductor issue is resolved and the demand is there we do not get stuck with their shipments.
- Abhishek Jain:** So, what is the inventory level now? Is it higher than the normal and can it impact numbers in the coming quarters?
- Naresh Jalan:** I think first six months there was a higher level, but last three months we have been able to liquidate some of the inventory and I think this quarter there will be a significant inventory reduction both in plant as well as the customer end.
- Abhishek Jain:** But this quarter the production is much higher than the sales, so once probably there is?
- Naresh Jalan:** I am talking about the current quarter.
- Abhishek Jain:** Is there risk related with the inventory build up because of this change in the prices because the commodity prices have almost topped out. So going ahead if prices goes down?
- Naresh Jalan:** I do not think commodity prices have topped up. Commodity prices are pretty stable and we do not expect any major downturn in the commodity prices.
- Abhishek Jain:** But despite the commodity prices the export realization has improved 5% quarter on quarter is it because of high utilization of the heavy pressline and geography mix means higher revenue from Europe in this quarter?



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- Lalit Khetan:** It is almost static, Abhishek. Last quarter Q2 and Q3 export realisation is almost at 227,000 per ton.
- Abhishek Jain:** 227,000 okay fine, but as far our calculation it is coming 251,000 because we are not including the tax?
- Lalit Khetan:** The portion freight realized from the customer that has to be excluded from the purpose of realization, 24 Crores we have realized on account of ocean freight during the quarter so if you reduce that will drop to 227,000 this quarter.
- Abhishek Jain:** So it means the change in the realization because of the change in the freight rate during this quarter?
- Lalit Khetan:** No. We always calculate realization without freight. What extra freight we are getting from the customers on account of increase in freight that we are excluding for the calculating per ton realization so that is why you will see there is consistent realization from the last quarter. We are almost near to last quarter realization.
- Abhishek Jain:** Sir I had the next question on the non-auto side we have seen a significant jump in the revenue contribution in the nine months and now it appears about 20% of the total sales so what is the status in terms of the different segment. You had also mentioned that you had won a large order in oil and gas segment for US and Dubai. Have you started supply that is why the non-order segment has jumped in the last nine months?
- Naresh Jalan:** Abhishek, oil and gas whatever order wins have been there, they are going to get into serial production only in the next financial year. We have sent samples, which are on field trials and other thing. They are going to convert into major sales in the next financial year.
- Abhishek Jain:** What is the reason of jump in the non-auto side contribution that is around 20% in last nine months?
- Naresh Jalan:** Basically existing components have started which were developed previously and were not on non moving side has started moving and because of the crude pricing the demand is back in the oil and gas segment.
- Abhishek Jain:** So this revenue you are getting from the oil and gas segment?
- Naresh Jalan:** Oil and gas segment we are getting and we are getting from the earthmoving equipment segment.
- Abhishek Jain:** Earthmoving equipment also. So what is your revenue guidance for the non-auto side in the next financial year in FY2023?



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- Naresh Jalan:** I think FY2023 is still to come. I think we will wait for sometime before we get into FY2023 guidance.
- Abhishek Jain:** Sir my last question is related with the tax rate that has gone up to 35% so just wanted to know what would be the effective tax rate in the coming years. I mean FY2023 and 2024 that will be quite helpful for us?
- Lalit Khetan:** Abhishek, FY2022 and FY2023 we are carrying right now some MAT credit which will be utilized fully then we will shift to the 25% tax rate that is sometime in FY2023 and FY2024.
- Abhishek Jain:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.
- Mitul Shah:** Sir thank you for giving me this opportunity and congratulations for strong performance. Sir my question is pertaining to conversion of this production volume to the finished products which appears to be very high on Q-on-Q basis. For example, last quarter our production was close to 37,000 and we sold around 29,000 tonnage whereas in this quarter our production is around close to 34,000 whereas sales is 29,000 so if I do that maths conversion of whatever we produce and the finished good sales it comes to 85% compared to last quarter 73%, so of course there would be some inventory adjustment also, but is there any benefit or any coming home a change of process or product mix anything on this?
- Naresh Jalan:** No. I think there is no change in product mix or anything coming in. Basically we had consciously built inventory in previous quarters. Looking into the spurt in demand both in export and domestic and from the third quarter onwards we have started reducing inventory in a strategic manner along with discussions with our key buyers and you will see significant reduction what you are seeing right now of 73% odd it has moved to 85%, you will see further improvement in this quarter.
- Mitul Shah:** So Q4 that number could be even higher than 85% is what you are saying?
- Naresh Jalan:** Yes.
- Mitul Shah:** But on a steady basis after may be one or two quarter once the inventory normalizes what should be this conversion range for FY2023?
- Naresh Jalan:** It should be around 85% to 87%.



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- Mitul Shah:** Second question is on, outlook on the North America truck side as the majority of this customers generally indicate it is a beginning of calendar year indication about the CY2022 so what is the reading from their discussion?
- Naresh Jalan:** Probably if you see the order backlog is very huge and as and when this order book, this chip conductor issue is resolved we will see a sudden spurt in dispatches and equally demand. Right now there is a demand but there is no point booking orders where in there is no clarity of delivery that is the reason when you see the Class 8 numbers in first week of every month, they are not very encouraging only because there is a huge backlog in the system because of this semiconductor issue and that is the reason demand is not reflecting, but we are expecting from February onwards the semiconductor issue should get partially resolved wherein you will start seeing from March onwards encouraging numbers in order book.
- Lalit Khetan:** Generally it should be one to two months, if it came down from our getting orders and delivery to their production so we get at least intimation two months before so right now if you are indicating March as a normal we are getting got orders.
- Naresh Jalan:** We have already started seeing green shoots in the pipeline and we expect that in this whole year calendar year 2022 should be equally good as calendar year 2021 was.
- Mitul Shah:** In other word what could be the loss of business in terms of volume towards in this nine months which may get until or to next financial year because of this semiconductor thing?
- Naresh Jalan:** I do not think there is any loss to us in terms of finances. If you see our exports in this month, last quarter also has been encouraging and for the whole year we are close to around much above the guidance. We had in the year starting looked at exports of 850 Crores to 900 Crores and I think we are well above nearing the target of 900 plus Crores of exports for full year. As per me I do not think we are making any loss of business.
- Mitul Shah:** My question is in the sense that whatever loss to this customers, your customer OEMs in terms of loss of production due to semiconductor what they could have made which did not happen because of the semiconductor which can go to the next level?
- Naresh Jalan:** I cannot predict what my customer has done in terms of their balance sheet or what losses they have made. I can predict only as per my requirement. I do not see any downtick in the requirements for offtake, which customers buys from me, so I will not be able to more elaborate that what customer loss has been or what customer has made losses, these things I do not go and ask customers.
- Mitul Shah:** I am coming purely from the volume point of view that what volume we can see as an extra volume in this calendar year which did not happen last year?



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- Naresh Jalan:** Vis-à-vis last year what I can say basically we should expect a similar export volumes in North America. What we have done in the last year should reflect in the current year in the same volumes.
- Mitul Shah:** Yes Sir that is helpful. Sir on the LCV side if you could throw some more light what is our now current status in terms of contribution as well as market share?
- Naresh Jalan:** It is gradually growing us. We are making big indoors into LCV market and that is the reason LCV market is more predictable and stable and that is the reasons our exports are not falling and we are doing considerably well. We have also opened a new geography in LCV, Russia and I think we are doing pretty well. Our field trials are over and last quarter we dispatched close to three containers worth of material which was worth about three and half to four Crores rupees to Russia also.
- Mitul Shah:** Sir lastly on railway side?
- Naresh Jalan:** Railways have started opening up. I think this quarter onwards we should start seeing good order uptick for railways. I think we should be back to normal close to around three and half to four Crores per month business in railways and from first quarter of next financial year I think we should at least double what we are doing currently.
- Mitul Shah:** Sir just last clarification or more detail if you can help us with this PwC helping on ESG side, so can you give more details on this and what is the industry 4.0 compliant in which we highlighted in our PPT as well as press release?
- Lalit Khetan:** I will repeat. This PwC is right now evaluating the ESG target for the company and they are in the process of preparing the entire ESG roadmap and once that roadmap will be ready and then we will decide on our ESG target and that we will appropriately announce what is the target of the company on the ESG front and I think it is two or three months away right now.
- Vipul S:** Sir this industry 4.0 compliant, what is that exactly?
- Naresh Jalan:** Industry 4.0 is basically mapping the efficiency of each plant and with this being compliant we will be able to understand what are the opportunities within the plant to ramp up the production and improving capacity utilization, right now we are fully dependent on the operator but after implementation of industry 4.0 it will be automatic deliverables in terms of capacity of the machine and what has been delivered by the operators, so we can look at ramping of capacity with this.
- Mitul Shah:** It will improve efficiency as well as margins also going forward.



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- Naresh Jalan:** Yes.
- Vipul S:** Thank you very much. All the best.
- Moderator:** Thank you. Next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.
- Rishikesh Oza:** Sir my question if you could please indicate what revenue growth and EBITDA margins we would be maintaining in FY2023 and FY2024?
- Naresh Jalan:** I think FY2023 or FY2024, we are yet to budget our annual business then and we will wait for this quarter to be over before we comment on FY2024.
- Rishikesh Oza:** Okay no problem and margin side if you could comment.
- Naresh Jalan:** Only after the business plan is made we will be able to comment on the margins or anything. Whatever margins right now we are working is already up and you can see it. We are consistently maintaining 23% and above margins in the last three quarters. I think we can safely say this trajectory is already there and we are aiming for much higher margins going forward.
- Rishikesh Oza:** If you could share any outlook on debt going ahead. What debt numbers can we see going ahead?
- Lalit Khetan:** Debt already I said, we target to be at net debt free end of FY2025, so we are looking to reduce the debts considering the markets remain like this and we continue to perform the way we are performing we are targeting to be free by FY2025.
- Rishikesh Oza:** Okay and one more question Sir. Just wanted to confirm about Amtek Auto, so that is already gone right like the deal is completed with some other parties, just wanted to confirm?
- Lalit Khetan:** We were not in the Amtek Auto fray never. We were with ACIL. AmtekAuto was always with other party.
- Rishikesh Oza:** Okay so what is the status now on there?
- Lalit Khetan:** It is still pending at NCLT and getting time with the court. There is no definite timeline right now, but we are hoping it should be done as early as possible.
- Rishikesh Oza:** Okay no problem. Thank you.
- Moderator:** Thank you. The next question is from the line of from Raghunandhan from Emkay Global. Please go ahead.



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- Raghunandhan:** Thank you Sir for the opportunity. Congratulations on very strong set of numbers. Firstly my question is on auto wins, spectacular order wins since March 2021 and if I just add up all the orders which the company is receiving roughly the order indicate that more than 6 billion or 600 Crores can get added to the topline. I mean roughly would this be a correct calculation and execution of the orders may commence in the coming quarters in both domestic and export markets, so just wanted to understand whether these orders will get fully translated into revenues by FY2024?
- Naresh Jalan:** Raghu partially the orders have already started getting converted in revenue and 100% of the orders which we have already highlighted is going to get converted to revenue within FY2023 itself. We will not need to wait until FY2024 to get converted to orders.
- Raghunandhan:** Sir led by these order wins, how will this diversify the revenue mix of the company, Europe share seems to be increasing. Company has also won orders in South America, CIS countries, how do you see the export mix over the medium term or what would you be happy about? What kind of a mix would you want to have?
- Naresh Jalan:** In terms of order percentage outlook, we feel that company should in FY2023 be at 50%, 50% exports and domestic, but our ultimate aim is to increase exports to 60% plus and domestic at 40% which we feel that by FY2024 we will be able to achieve that.
- Raghunandhan:** And how will see the geography mix?
- Naresh Jalan:** I think North America is going to remain as the biggest portion of the cake but equally big is going to be Europe. South America will continue to be about 8% to 10% of my export.
- Raghunandhan:** Sir like if you can also talk about how you see the share of non auto panning out over the medium term because diversification has been on our goal so just wanted to understand the steps and the thought process?
- Naresh Jalan:** In terms of non auto overall in my export mix it should BE FY2023 we should be reaching around 15% to 20% but overall in terms of my balance sheet it may be more than little but of 20% because we have added earthmoving in a significant way in the domestic industry.
- Raghunandhan:** Got it Sir. On the debt reduction targets congratulation on setting up this target of going to achieve , so if you can give some clarity in terms of what would be capex that would be required say in FY2023 or 2024, I mean directionally whether it will be increasing or reducing compared to the current year and also based on the current capacity of broadly about revenue potential?



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- Lalit Khetan:** On the capex plan we have also stated we have the capex plan of only 50 Crores to 75 Crores each year for the next two years and that will take care of maintenance capex or it will take balancing is what we would like to add so that is all we need for the next two years.
- Raghunandhan:** Got it Sir. Thank you so much Sir I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of from Dhiral from PhillipCapital. Please go ahead.
- Dhiral:** Good afternoon Sir and thanks for the opportunity so for next year Sir, we will be generating 600 Crores more. So for FY2023 is it fair to assume that incrementally we will be generating 600 Crores more revenue because of the order which we have, when in large maybe eight to nine months plus whatever will be the industry growth rate?
- Lalit Khetan:** No this entire 600 Crores will not be done in the next year because some orders for a period of two year or three years so it will be depending upon the quantity. we are going to start supplying in the next year.
- Naresh Jalan:** Also basically these orders are going to get into commercial production in different quarters of this year FY2023 so I think it is safely to say that the entire Rs.600 Crores will be in the topline in FY2024, but partially each part of orders will be in commercial production in this year and we will be in the balance sheet and by end of financial year FY2023 the entire Rs.600 Crores will go into revenue.
- Dhiral:** Again in the auto side we are seeing in fast transition towards EV so even this may come even in the truck segment so any threat to our business because of this emergence of EV?
- Naresh Jalan:** My entire exposure to EV is 0.8% of my balance sheet. In case EV is fully operational, I will get affected by only 0.8% of my balance sheet. It is pretty significant. In terms of IC engines, we supply only 0.8% of the total sales is only to IC engines.
- Dhiral:** Okay so that is good to hear that and Sir we were also looking to enter into passenger vehicle segment anything in pipeline for that?
- Naresh Jalan:** I think you will need to wait for couple of days or a month to hear some good news in passenger vehicles segment.
- Dhiral:** Sir lastly whatever capacity which we have right now is it suffices for the orders in which that we have in the last few months or we will be incurring capex for that?



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- Naresh Jalan:** No we will not incur any additional capex to put this in commercial production and like Lalit has answered to the previous question everything whatever in terms of capex has to be done is included in the number Rs.75 Crores for the annualized budget of FY2023.
- Dhiral:** Thank you so much Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Raghunathan from Emkay Global. Please go ahead.
- Raghunathan:** Thank you Sir for the followup opportunity. The company has been improving its content per vehicle so wanted to understand how you see that triggers for improving the content? For instance, there were efforts happening from like front axle components to front axle assembly so just wanted to understand what are the steps here and how things will pan out over the next few years?
- Naresh Jalan:** Raghu, if you see my topline for only domestic industry and put it across with what has happened in commercial vehicle or in LCV in domestic industry. You will be able fully gather that the amount or the topline we are able to achieve is only because of the change in premix and improved content of vehicles has given us that topline while vehicle production has not increased we have been able to do significantly well quarter on quarter on domestic industry only because of improvement in content.
- Raghunathan:** Perfect Sir and how do you see the potential going forward?
- Naresh Jalan:** It is a continuous effort from us in terms of improving content and getting into more compensating components basically getting into more assemblies, getting buyers to agree for buying in aggregate rather than buying any loose components. This is a continues effort, which we are working with the buyers of the OEMs and he is going to plan out in every quarter and like I said in my first call of this year, we are in here for a long run and whatever industry does we will be much ahead of the industry in terms of the growth in revenue of our topline.
- Raghunathan:** Got it Sir. Sir on the industry side especially the Class 8 trucks like recently there has been that infra bill in US which were passed and within that some \$110 billion is towards construction of roads and bridges? Are you hearing anything from your customers that given this strong spending, which the government is doing over the next five years it might lead to elongation of the CV upcycle or further strengthening of the CV upcycle over the next two to three years?
- Naresh Jalan:** I think Raghu CV cycle nothing is going to happen in terms of drop in calendar year 2022 or 2023. What you are seeing right now is only because of semiconductor issues. Semiconductor issue as is ongoing gets resolved you will see a sudden spurt in demand in Class 8. Right now the backlogs of orders are so huge that I do not think the OEMs are even prepared to takes orders



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because of the commodity pricing changing every month so everybody is on a wait and watch policy and waiting for the semiconductor issue to get resolved and as and when you see that you will be able to see the jump in demand also.

Raghunathan: Sir I just wanted to better understand the drivers of margin expansion ahead? Would it be an improvement in the product mix where we are shifting from components to assemblies, would it be the improvement in the machine ratio or increase in export mix which should drive mass? How do you see the trajectory and what are the triggers and also if you can share what is the current machining mix and what is the target for you say one year down the line?

Naresh Jalan: Raghu these are all basically premix of lot of things. While we are working on assemblies we are working on aggregates with the customers, but cost saving is an opportunity, which is always there in the organization and we are aggressively working in terms of cost savings. As of now, we do close to around 80% plus components in fully finished or semi-finished condition to our customers in different stages and our intention is that by FY2023 end we should be 95% in fully machined or semi-finished condition as per customer requirement, but margin expansion from here on you will be able to see the significant cost savings which we are continuously doing in terms of bringing in automation into the system and getting away with the costly manpower in the plant. That is one of the biggest drivers, which is going on and it is continuous effort which will keep on improving our margins going forward.

Raghunathan: Got it Sir. Thank you very much. I will get back to the queue.

Moderator: Thank you. The next question is from the line of V P Rajesh from Banyan Capital. Please go ahead.

V P Rajesh: Thanks for the opportunity. Most of my questions have been answered. Just one question In terms of the Rs.600 Crores order wins you had so far this year how much of that will translate into revenue in fiscal year FY2024?

Naresh Jalan: In fiscal year FY2024, 100% of those will be in the revenue from day one. In FY2024 so partially you will be able to see it is coming into serial production because right now we are at sample changes and other things, field trials so we expect by quarter on quarter this revenue is going to come into commercial production, but we are pretty confident by end of FY2023 the entire 100% of the order is going to get into commercial production.

V P Rajesh: Then will it continue each year after that or how will it work? Will it drop off from there 2025 or 2026?



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- Naresh Jalan:** In each contract we have mentioned the validity of the contract also. Some contracts are for two years. Some are for three years and some for five years so it depends on the validity of each contract how many years it is going to continue.
- V P Rajesh:** Thank you. That is all I had.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Thank you Sir for the followup opportunity. Your interest and net debt is increasing continuously. There is some pressure on the working capital side as well because of the inventory buildup so what is your plan to generate absolute requirement of the debt? Are you also looking to raise equity capital?
- Naresh Jalan:** We had got approval from the shareholders to raise fund to the extent of Rs.500 Crores and we will let you know at appropriate time when we decide on that and then we will announce it appropriately.
- Abhishek Jain:** What is the objective of raising of this fund? Is it debt repayment or the capex?
- Lalit Kumar:** Certainly the fund whatever will be raised will be used for the repayment of debt. That will accelerate. If we raise the fund it will accelerate our debt repayment period. What we have targeted debt free by FY2025 we will be achieve it much earlier.
- Abhishek Jain:** Sir a book keeping question. How much is the gross block addition and capex for FY2022?
- Lalit Kumar:** FY2023 we have the gross block addition of around Rs.200 Crores so far another Rs.185 Crores.
- Abhishek Jain:** Gross block addition is the Rs.200 Crores right Sir? The Rs.185 Crores for FY2022 so far?
- Lalit Kumar:** Sorry FY2022.
- Abhishek Jain:** It is including CWIP?
- Lalit Kumar:** Yes.
- Abhishek Jain:** How much capex for FY2022?
- Lalit Kumar:** I am not able to hear you Abhishek properly.
- Abhishek Jain:** How much capex for FY2022 Sir?



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- Lalit Kumar:** FY2023?
- Abhishek Jain:** FY2022 Sir?
- Lalit Kumar:** FY2022 already I said we have done Rs.185 Crores and another Rs.10 Crores to Rs.15 Crores for the last quarter. It should be near Rs.200 Crores for the full year.
- Abhishek Jain:** How is the current debt situation Sir?
- Lalit Kumar:** we are around Rs.1300 Crores of debt.
- Abhishek Jain:** Thanks Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.
- Aditya Sen:** Congratulations on the numbers Sir. Here the target to utilize 90% of your capacity by Q4 this year so can you please throw some light on the present and going forward capacity utilizations?
- Lalit Kumar:** Can you repeat your question please?
- Aditya Sen:** You have a target to achieve 90% of your capacity utilization by Q4 this year right so can you please throw some light on the present and going forward capacity utilization?
- Lalit Kumar:** We have right now achieved a 73% capacity utilization and that is also because we have very minuscule sale on our fabrication capacity which is going to increase quite significantly next year and the capacity utilization are likely to remain at this level by Q4 this year. It is nearby.
- Aditya Sen:** Thank you. Got it.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Enam Holdings. Please go ahead.
- Viral Shah:** Thank you for the opportunity. Sir just one clarification did I understand it correctly that when you mean you want to become net debt free by FY2025 it does not include any funds raised from the QIP?
- Naresh Jalan:** We are not talking about any fund raise right now because we have not decided on the fund raise. Without fund raise, we are targeting FY2025 as zero debt company and in case we raise funds if at all it will only accelerate our ambition to be net debt free before FY2025.
- Viral Shah:** Just to clarify this would be short term as well as long term debt right?



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- Naresh Jalan:** For me it is a total debt and total debt is going to be zero. That is what we are talking about.
- Viral Shah:** Perfect. Thank you for this clarification. Thanks.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.
- Mitul Shah:** Thank you for the followup opportunity. Sir as far as our presentation over 20% plus volume is or revenue is from others that is non-auto so can you give broader bifurcation or details on this non-auto side? What this includes and what percentage?
- Naresh Jalan:** Mitul percentage is extremely difficult, but non-auto is basically oil and gas, tractors and earthmoving equipments and railways all these taken together is others basically.
- Mitul Shah:** Can you please just ballpark for only oil and gas part? Is it sizeable? It is like more than 20%?
- Naresh Jalan:** . I think it is close to around 10%.
- Mitul Shah:** Sir secondly on the utilization side in most of the past occasions in case of ring rolling as well as forging we have surpassed 100% or even in some cases which range to 125% of the utilization for example in Q1 FY2022? Up to what percentage beyond 100% like can we go to 130% to 140% in which segment out of these three ring rolling, forging and press?
- Naresh Jalan:** Mitul I think it is extremely difficult to predict that. Right now whatever Lalit is giving figures is on a mean value of utilization and if at all we get everything on the top end of the utilization, I think then you can see more than 100% utilization in every place, but it is only premix which plays the part in terms of utilization improvement.
- Mitul Shah:** But can we go to like on a blended basis 110% to 120% also and if we get that type?
- Naresh Jalan:** If at all tomorrow we get 100% of our jobs or more than 100% of our jobs at the top end of the tonnage obviously we can go at 110% or 120% because our declared capacity is in the mean value.
- Mitul Shah:** So there is always cushion up to like 15% to 20% extra?
- Naresh Jalan:** Yes, but that will only depend on how the economy shapes up and if the demand is full on and we are back to the old days of demand I think then yes you can see the 100% plus the best utilization every single place.
- Mitul Shah:** In other words we may not require any major capacity expansion for the next two or three years?



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Naresh Jalan: I think already Lalit said next two years capex is freeze and we are looking at close to around Rs.75 Crores approximately as capex spending in terms of next two years FY2023 and FY2024. Our ambition is very, very clear that by FY2025 we would like to be a net debt free company and until the debt is zero we would not like to go for any major capex to improve the capacity.

Mitul Shah: Sir lastly on the domestic series side as you highlighted earlier that we have enough inventory built up on the export sides because whenever semiconductor issue get resolved there could be a spurt so what is our situation on the domestic series side and what is the outlook for the next two to three quarters?

Naresh Jalan: I think domestic series is pretty stable right now. We are seeing green shoots, but I do not think we are going to see anywhere demand back at 2018 levels, which was one of the highest in the industry so I think it is going to be a stable as what we are doing right now is going to continue for the next three quarters.

Mitul Shah: The Q4 would be also more or less similar to Q3, but will not be major?

Naresh Jalan: I think in terms of RKFL's performance I think we will do much better than the industry average so I would not like to put a number to it. I think the whole year target is pretty much on track and I think we should do better than what we had committed at the starting of the year.

Mitul Shah: Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now would like to hand the floor over to the management for their closing comments. Thank you and over to you!

Rajesh Mundhra: Thank you all. We take this opportunity to thank everybody who has joined our call. I hope that we have addressed all your queries. If you have any further information or queries that you want to address or understand from the management, you can get back to us or you can get back to our Investor Relation Advisors, Strategic Growth Advisors. Thank you very much for joining the call today.

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