"Ramkrishna Forgings Q4 FY2022 Earnings Conference Call"

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Moderator: Good morning, ladies and gentlemen, welcome to Ramkrishna Forgings Q4 FY2022 Earnings Conference Call 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 the 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: Thanks, Lizaan. Good morning all participants. Thanks to Ramkrishna Forgings management for giving us the opportunity to host the call. We have the management represented by Mr. Naresh Jalan – Managing Director; Mr. Chaitanya Jalan – Whole Time Director, Mr. Lalit Khetan – ED and CFO and Mr. Rajesh Mundhra – Company Secretary and Senior General Manager (Finance). Over to you, Jalan Sir!

Lalit Khetan: Good morning. This is Lalit Khetan. A very warm welcome to everyone present on the call. We hope and pray for the safety health and security to you and your loved ones. Along with me, I have Mr. Naresh Jalan, our Managing Director, Mr. Chaitanya Jalan – Whole Time 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 had a good fiscal year with revenue increasing by 77% of FY2021 due to a strong recovery in the EV industry from the impact of COVID-19 and efficient order execution. We were also able to sign new businesses across segments and geographies keeping our order book healthy.

Our EBITDA margin increased by 521 basis points over FY2021 with improved capacity utilization, various cost cutting initiatives, increasing automation and incorporating latest technology into our manufacturing process. We also completed our expansion plan and we are ready with a capacity of 187,100 tonnes.

During the year, overall capacity utilization was about 77% which we believe will improve in the next couple of years resulting in operating leverage benefit. When compared to FY2021, our exports sales has increased by 96% and domestic sales has increased by 66%.

As we create deeper into customers by increasing content per vehicle. We have introduced new products, added new customers, expanded into new geography. As the economy improved, we will increase the sales to South American markets allowing us to expand our exports business. We also saw strong demand for Europe which led to de-risk our export reliance from the United States.

In Q4 FY2022, we managed to bag new three contract aggregating 144 Crores and during the entire year we bagged new businesses were 984 Crores from 18 contracts. We received PPAP clearance and confirmation from European OEM for a multiyear order.

Our new Jamshedpur fabrication facility was approved by one of the leading European OEMs in the mining and earthmoving industry resulting in start of year production. This facility has also enabled us to expand our presence in the railway sector which is an important component of our diversity and strategy. We have commissioned our warm forging plant, and which begins shipping product samples and this will enable us to add a new product to our baskets.

Furthermore, to expand our global needs and to strengthen customer's relationship we have opened new offices in various geographies, these new offices which will be added to our existing offices in United States, Mexico and Turkey will allow us to pursue our aggressive strategy of increasing our export business even further.

While talking about the industry dynamics, despite fuel inflation, chip shortage and geopolitical concerns, the commercial vehicle industry remains optimistic about its growth prospects due to favorable growth drivers. Aside from the E-commerce boom, increased activity in road construction, mining and improved infrastructure spending by the central and state government added to Commercial Vehicle (CV) industry in 2021-2022.

Medium and highly commercial vehicle sales increased by double-digit as a result of increased fleet utilization levels caused by increased economic and infrastructure activity. The semiconductor shortage is likely to persist for some time, the industry has been coping by implementing alternative measures which we expect to resolve in coming quarters; however, the Central governments increase in prices on infrastructure and for development is likely to drive demand in the CV industry. We also see good demand coming from railway and oil and gas segment during the current period.

We are continuously working to derisk our business by diversifying across segments, customers and geographies. We will continue to focus on debt reduction by utilizing a major portion of net operating cash flow for our debt payment. PWC has been engaged in the integration and implementation of ESG which will be environmentally sustainable and socially responsible and will be supported by a strong corporate governance roadmap.

That is all from my side. We can now open the floor for Q&A. Thanks.

Moderator: Thank you. Ladies & Gentlemen, we will now begin for the question-and-answer session. Anyone wishing to ask questions may please press '*' then '1' on your touchtone phone. Participants are requested to use handsets while asking a question. The first question is from the line of Mumuksh Mandlesha from Emkay Global. Please go ahead.

Mumuksh Mandlesha: Thank you so much Sir for the opportunity. Revenues from EVs expected to grow strongly over the next few years, can you share which products company is targeting and your order book size and what are plans to reach the target?

Naresh Jalan: I think we cannot name the products because of the policy of the company but actually in our presentation if you see, we are already putting the geographies, we are already working on the programs which are going to result in this volumes as predicted in the market in terms of total equipment sales and accordingly we have budgeted the total volumes which we are going to clock in next couple of years.

Mumuksh Mandlesha: If possible like is it for CV segment, PV segment?

Naresh Jalan: It is basically for mix of three-wheelers and PV.

Mumuksh Mandlesha: Okay sir, company is targeting to increase the addressable content per vehicle to 84% by FY2027, so which are the products company is targeting and what is the plan to reach the target?

Naresh Jalan: I think if you see our presentation, you will be able to visualize that when we started our journey in auto, we started at the back of the vehicle and now we are almost at the entire, when we are targeting we are looking at reaching the entire platform of the whole vehicle, so that is the way we are targeting, we were one of the biggest suppliers for rear axle now we have got into front axle and we are looking at complete value add fully built front axle and that is our target by 2027.

Mumuksh Mandlesha: Thank you Sir and non-auto which contribute 19% revenue in FY2022, so out of which some 10% comes from railways, mining, construction, equipments and oil and gas, can you share what are the other 9% revenues?

Naresh Jalan: They are mix of industrial components in different industries, it may be from steel, it may be from cement, there are lot of industries where we do small portion of activities which result in higher value but not volume, so in total together and like power sector, these are the places where we cannot exactly plot the percentage, but we have kept it as others basically.

Mumuksh Mandlesha: And Sir, what would be the outflow for FY2023 for the industrial segment?

Naresh Jalan: We are looking to maintain the same, volumes as same revenue.

Mumuksh Mandlesha: So, next year you say that mix should be similar compared to FY2022?

Naresh Jalan: Yes.

Mumuksh Mandlesha: Sir the last question has there been any change in the outlook by overseas CV players players on account of chip shortage and slower free trades?

Naresh Jalan: I think if you see our exports while these problems are there since about three quarters now, we have been constantly able to maintain our exports because of the break up in the geographical segments and we believe that with addition of new segments such as South America, Thailand and other places, I think we will be able to maintain the same growth may be some country specific, it goes further down but we as RKFL do not believe that our overall portfolio is going to decline in terms of exports.

Mumuksh Mandlesha: Sir, basically, there is no change has been happened recently, right in terms of a demand outcome by OEMs?

Naresh Jalan: No, there has been demand but changes by the OEMs but we cannot reflect on a particular OEM who has changed but in overall if you see country specific or our journey in exports we have been able to grow or maintain the same levels despite this challenge is already been there.

Mumuksh Mandlesha: Okay and Sir you have mentioned that there would be some inventory correction over next few quarters, so what kind of impact would be there?

Naresh Jalan: We do not foresee any impact due to any of this and we as projected we will continue to grow and we have never said that there is going to be an inventory correction because of build rate is so slow, I do not think there is any built up of inventory at export platform.

Mumuksh Mandlesha: Okay, thank you so much Sir.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you very much for the opportunity Sir and I must congratulate you some of the cost cutting measure that I can see in the line items, they are really impressive, I was expecting quite a bit of hit on you P&L but you guys have managed cost very well, my first two questions are on cost itself. Is there any component of the RM pricing which has not been passed given as a pass through by your clients and which we can expect going froward and what would be the impact of gross margins because of that and a related question is on fuel, can we expect these prices as a percentage of revenues to be constant going forward or slightly better, is this the peak fuel cost that we have seen?

Naresh Jalan: I think in terms of peak fuel we are trying to make some changes in terms of our usage converting lot of our internal capacities, moving out from usage of gas and furnace oil over LDO to electricity, so I think you will be able to see in this year lot of this thing is happening by which it may not happen in the next quarter itself but over the whole year, you will see that lot of actual fuel usage going down and electricity usage increasing by which I think we will be able to save huge both on cost in terms of fuel as well as we will be saving RM because of the heat loss.

Agastya Dave: Okay brilliant Sir and on RM costs, is there any component of the normal pass-through mechanism which has not been paid because of lag?

Naresh Jalan: I would not be able to comment on this because I am exactly not aware in terms because this has been dealt by marketing but as we know we have most of the RM we have a contractual obligation with all our OEMs to pass on RM with one quarter lag or one month lag, so this happens on a cyclic basis, so I think as far as balance sheet is concerned, 99% of the RM has been captured in terms of pass through but it happens in a due course, so complete P&L will never get hit because of non-pass through, it may happen with one quarter lag but it is not that it is going to have P&L effect.

Agastya Dave: Right, Sir in terms of additional freight that we have paid because of extraordinary rates as of now, can you quantify that number and what are you seeing on the freight side because at least as far as US shipments are concerned, there are like some reports which are coming out that situation is improving, it is not as bad as it was earlier, so first of all, can you quantify the additional extraordinary freight cost that you have incurred during the year and what is the situation as of now?

Naresh Jalan: I think quantum of exact freight, I think Lalit will be able to answer this question but in terms of availability of containers right now, yes situation is better than what it was in the month of December but this war again things have started becoming difficult because of the crude oil prices the cost what we thought will come down, we are not seeing the same happening but yes in terms of availability, the availability has improved but it is at a cost, it is not without a cost. Lalit, can you answer the quantum of freight cost we have incurred extra?

Lalit Khetan: Yes, the freight cost has risen in all the geographies and steepest being in the North America it has gone to almost four times to four and a half times up from the rates what we are paying in the last year.

Agastya Dave: Right, even now Sir, as of now or were you saying the year as an average?

Lalit Khetan: Yes, so it is almost five times right now, more than five times but it is four and a half time on average for FY 22..

Agastya Dave: Okay and that is hitting you primarily on the export side?

Lalit Khetan: Yes, that has eaten up some part of the all margin, we have been able to recover some part of it from the customers but entirely it cannot be.

Agastya Dave: Sir, could you quantify that part, how much you have been able to recover?

Lalit Khetan: I think in the full year we have been able to recover around 60 Crores from the customer on account of rates.

Agastya Dave: Sorry Sir, how much?

Naresh Jalan: 60 Crores.

Agastya Dave: 64?

Lalit Khetan: 60 Crores.

Agastya Dave: Crores, as absolute number, okay, Sir one final question, this is on the nature of the cost we incur when we ramp, you mentioned that in the guidance that you have said that next year we expect the turnover to go by 22% to 25%, I am assuming that is mostly volume and if you actually achieve that kind of volume growth like is the operating leverage as linear as it appears on the P&L specially during this year that when our utilization went up by so much, our margins expanded by 500 basis points, can we expect the similar trajectory going forward or will it be more of a diminution return kind of a situation?

Naresh Jalan: I think you will be able to see still growth both in terms of topline and bottomline but the amount of inflextion which has happened of 500 basis points, it may not happen as that much but yes you will be able to see continuous growth in terms of overall margins which we feel that is going to continue for at least six to eight quarters.

Agastya Dave: Sir, at peak utilization what kind of ROE's, can you generate and what kind of margin is there a cap to it, let us say can you cross a 25% or 27% EBITDA margins and probably 20% ROE's, is there a cap to the number or you can actually the more efficient you become you get to keep the efficiency gains that you generate?

Naresh Jalan: More efficient we become more ROE is going to happen, we are looking at somewhere in this year you will be able to see a 20+ ROE, I think we are very extremely positive on it and I think going forward within this year only you will be able to see those kind of ROEs but we can easily say that as we ride up the value add chain and as we improve our internal efficiencies, I think we will see much better ROEs going forward.

Agastya Dave: Excellent Sir, one final question which the previous participant also asked about any order cancellations especially in North America because of freight rates, they're are slightly wobbly as of now, so are you seeing anything from the OEM side, I am specifically asking for North America, not for your export markets?

Naresh Jalan: I think I can only tell you it is a big no. We have had no order cancellations whether it is North America, whether it is Europe or anywhere in the world, my contracts with my customers are strong and it will be till FY2024 end.

Agastya Dave: Excellent Sir, thank you very much Sir. Great performance. One request, if you can improve the quality of the P&L that you publish on BSE and NSE, the presentation is amazing but the actual result document, the line items are not very clear, it is very hard to read, that is my only request.

Naresh Jalan: We will take your suggestion on board, and we will surely try and implement.

Agastya Dave: Thank you very much Sir. Your disclosures have improved dramatically, your presentations are very, very useful, so all the best. Thank you very much.

Naresh Jalan: Thank you.

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 and congrats for strong set of numbers Sir. Going ahead domestic revenues mix will improve, so how it will impact the overall gross profit margins of the company?

Naresh Jalan: Can you please repeat the question and can you use the handset?

Abhishek Jain: My question was related with the gross margins, basically going ahead the domestic revenue mix will improve, so how it will intend the overall gross margin of the company?

Naresh Jalan: I think gross margin is going to remain strong, right now we are at a threshold wherein as our capacity utilization improves, we will continue to improve on the margin side.

Abhishek Jain: Going ahead, we are expecting that domestic revenue will outperform against the exports revenue, so in that case can we expect that margin will go down slightly?

Naresh Jalan: I think in terms of revenue mix, we still believe that we will be able to sustain 50-50 or 45-50, so I do not think there is going to be much change in the premix in terms of export and domestic volumes going forward also and I think in terms of margins, the capacity utilization ultimately is going to decide how better we perform on our gross margins.

Lalit Khetan: And Abhishek, I would like to add here, because if you look at the results for the Q4, we had 421 Crores of domestic sales and 260 Crores of export sales, so revenue mix is already towards domestic but we have been able to post a decent margin in the quarter also.

Abhishek Jain: Okay Sir. In the last quarter, you had mentioned that there was high inventory lying at your warehouses and this Quarter also production is higher than the sales and if we see the trend production versus sales, so in last year production was 32000 metric tonne higher than the sales, in that case what is the outlook for the margins especially when inventory buildup is high for the exports?

Naresh Jalan: **No** I think inventory is not high at exports because the shipping time increased from last year if you see the shipping time was 45 days from plant to warehouse, now shipping time is almost 85 to 90 days, that is the reason material in float has increased and that is we have to do because we are committed to maintain JIT at customer end, so obviously we will need build in those shipping time in terms of our inventory is concerned.

Abhishek Jain: Sir, during this quarter we have also seen the export realization has gone down while the domestic realization has gone up, so it is because of the correction of the international freight rate that export realization is going down?

Naresh Jalan: No, this has nothing to do with the correction in international freight rates,

Lalit Khetan: No, it is a increase by Rs. 5 per kg in the quarter and it has not gone down.

Naresh Jalan: That is also because premix and I think if you are comparing it with the domestic, it is only because of the premix changes and all. I do not think if there is any realization change across the board.

Abhishek Jain: You are looking a strong revenue in the LPG side especially from the Russian regions also, so how do you see business ahead given the ongoing what in the European regions?

Naresh Jalan: I think Russia was never a very big order book, it was a small order book and I think we would not like to comment right now on that, we would like matters to settle down in Russia before we would like to comment on that.

Abhishek Jain: So, what is the current outlook for the European business for the FY2022?

Naresh Jalan: Europe, we continue to grow and we as in my earlier answer also I have said, our exports are having robust growth with new order wins, new components getting added to the segment and we continue to maintain that this next couple of years in exports look to be bright with this those additions are concerned.

Abhishek Jain: Okay Sir and my last question is related with the current order book in this non-auto segment, how much is current order book in the non-auto?

Naresh Jalan: No, we will not be able to put any number to it, as a percentage we have already shown it in our presentation and we believe that we will be able to grow further on the non-auto segment, from 18% I think we will see further non-auto segment to grow further in coming years in terms of absolute percentage over revenue.

Abhishek Jain: So, what mix change can we expect going ahead, right now it is 18% to 19%, can we expect 25% to 30% in next two years to three years?

Naresh Jalan: We are targeting the same I think by next three years to four years, we should be looking at close to around 75-25.

Abhishek Jain: Thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Amin Pirani from JP Morgan. Please go ahead.

Amin Pirani: Yes Hi Sir, Thanks for the opportunity. My question was mainly on the cost side, obviously your industry is a big consumer of power, so are we seeing any risks in terms of power availability or in terms of an increase in power costs given the kind of crisis that we are seeing in the country right now?

Naresh Jalan: No, I think we are not experiencing any power shortage right now as well as we have a systematic revision system which we have already built in the cost while calculating, I don't see any steep hike going forward uninformed.

Amin Pirani: Okay and there are no an increase in any power availability or power cuts?

Naresh Jalan: We are not experiencing any power outrage.

Amin Pirani: Understood, that is helpful Sir. And Sir on the domestic side, it is given that commercial vehicles continue to be good and you know you have also mentioned that, obviously we are seeing an improvement in volumes but again in terms of pass through of raw materials you mentioned that it is generally a one month to a one quarter lag but has that changed given the kind of price hikes we have seen in commodities like our customers as willing as they were in the past or there is some slightly more delay than we are used to in the past?

Naresh Jalan: No, I think for us commodity is not a cost which we discussed directly with the suppliers, it is the OEM who directly discuss the pricing figures with the suppliers and they fix up the price increases and the date and accordingly whenever they fix up, they inform us and accordingly we pass it on, so it is basically we don't negotiate so we don't get affected also.

Amin Pirani: Understood, that is helpful Sir. I will come back in the queue.

Moderator Thank you. The next question is from the line of Subrata Sarkar from Mount Infra Finance. Please go ahead.

Subrata Sarkar: Yes Sir, My question is more on the like cash flow side, this year like whatever cash flow I mean whatever profit we have generated like our profit is around 260 Crores PBT whereas in terms of cash flow from operation has boiled down to 42 Crores only, so I can understand because we are growing so we have invested heavily on capex and it has got used in inventory as well as on trade receivables, so my bigger question is from now onwards since you have already disclosed in your PPT that the objective is debt reduction, so what kind of debt reduction can we expect in next one year? This is my first question.

Naresh Jalan: Subrata, we have mentioned very clearly the capital allocation, my finance team has very clearly defined the capital allocation policy for next three years, I think that is in line with what company feels going forward.

Subrata Sarkar: Yes, Sir but of course like historically we have not really continued on repaying a lot of loan basically, so that is why my question is like now onwards?

Naresh Jalan: I think you need to see historically how the company has grown, so obviously growth cannot come without capex.

Subrata Sarkar: No, obviously Sir cannot come without capex, but what I mean to say since you are now disclosed what I mean to say historically we have not met our own goal?

Naresh Jalan: Till now, we have not given any capital allocation policy and now when we have given a capital allocation policy very clearly defined on the presentation, so obviously company has something in mind which the company wants to stick to.

Subrata Sarkar: Okay, so in that respect can we expect what we have seen in last three years historically and what is our current policy there is some change on that because historically we have not really repaid a lot of loans but now we are talking about you repaying that of debt basically?

Naresh Jalan: I think obviously we have repaid debt that is the reason we have been able to get new debt so obviously I am not able to understand what you are telling me, historically the debt has not been repaid I am not been able to understand that.

Subrata Sarkar: No, I am talking about the next year net debt. That is my objective, I am talking about reduction in net debt, whenever we have repaid loan, we have taken loan against that also, so I am talking about net basis, the balance sheet debt figure?

Naresh Jalan: Do you have any further questions from you?

Subrata Sarkar: No, this is primary question.

Naresh Jalan: I think I have properly explained. I think, Lalit, can you please answer to what exactly he needs.

Lalit Khetan: See we have already clearly defined whatever we are generating cash surplus in the upcoming years, we will deploy 50% to 60% of that to the reduction of debt or payment of debt and about 30% to 40% would be deployed towards capex and working capital, so yes if there is higher price increase and there may be some other requirement it may change little bit but my policy now we have clearly stated it will be towards that only and we will stick to that.

Subrata Sarkar: Okay Sir, thanks. That clarity like I was looking for that clarity that is my only question from my side.

Moderator: Thank you. The next question is from the line of Akhil from VT Capital. Please go ahead.

Akhil: Congratulations on a great set of numbers, my question is a little more broad based, I want to understand how you are thinking from the Indian CV point of view because we talked to some freight operators and they say that their margins are higher, they are extremely bullish on the CV cycle for the next two years, so internally what else is sort of projection you are having, what sort of capacity do you plan to ramp up may be in the future I just want to understanding on that? Thank you.

Naresh Jalan: In terms of CV, we are also overall in domestic segment we are extremely bullish with the amount of infra spending which the Government of India projects and we are capex ready in terms of utilizing this opportunity to grow the company.

Moderator: Akhil are you done with your questions?

Akhil: Yes Ma'am I'm done. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.

Aditya Makharia: Yes hi Sir, I just wanted your thoughts on the US Class 8 cycle, on the one hand you have been saying that there is a chip shortage so the orders are really not that strong because there is a long waiting period but on the other hand we hear that the US infrastructure bit is getting delayed in the US and also manufacturing is slowing down there, so what do you expect the Class 8 sales to be this year and can you just separate the noise from the fact for us? Thanks.

Naresh Jalan: Aditya, I am not the right person to or we are not the right person to define what is happening with the Class 8 so but in terms of overall US market whatever we hear is that the built rate is slow because of non-availability of chips and few other components because of the pig iron shortage because of the Russian war right now but in terms of backlogs, yes there is a huge backlog in the system which may cover almost eight months to ten months of the built rate at a full volume and whatever we hear from the OEMs things are stabilizing but if everything, if you want to know it is okay, I do not think we will be able to comment but I think we are seeing much green shoots in US built rates right now and I think we will continue to see in next couple of quarters with the backlogs which are already there in the system.

Aditya Makharia: Okay and how much is US as percentage of sales for you?

Naresh Jalan: I think right now I do not remember but that is on the presentation completely there US sales what is there, we have defined geographies very clearly.

Aditya Makharia: Got it, no I just said it is a significant portion for us, so sort of moves the needle materially if the Class 8 sales pick up?

Naresh Jalan: We are not more in Class 8 right now, as we see we are across all segments except passenger vehicles in US, be it SCV, Class 8, Class 5, Class 7 all the classes we are there.

Aditya Makharia: Okay, thank you.

Moderator: Thank you. The next question is from the line of Raghunandan NL from Emkay Global. Please go ahead.

Raghunandan NL: Thank you Sir for the opportunity. Congratulations on stellar numbers. Firstly, my question was on the revenue side. Thank you for providing the revenue growth outlook at 20%-25%, can you indicate how much revenue could approximately get added in FY2023 because of new orders and also on the fabrication business, what was the revenue in FY2022 and how do you see it increasing in FY2023, would it be roughly around 100 Crores in FY2022?

Lalit Khetan: Fabrication business revenue is not much because we only started facility in the month of October only and for FY2022 fabrication turnover was in the range of around 10 Crores but certainly in FY2023 we are looking it jump multifold.

Raghunandan NL: Thank you Sir and approximately how much could be the addition because of the new orders?

Naresh Jalan: Raghu, I think exactly to quantify the new orders because most of the orders are in sample stage or field trial stage, so we will wait till each order starts moving into the larger platform, so we exactly cannot predict when each component comes out of field trial and gets into larger production.

Raghunandan NL: Understood Sir. Is it right to assume that with the current capacity we can go up to a revenue potential of 3500 Crores to 4000 Crores and also can you kindly indicate what could be the capex plan for FY2023?

Lalit Khetan: I think Raghu, our capital allocation is very clear in terms of specifically for FY2023 we would not like to indicate anything but overall what we have said is whatever is our cash flow from operations from that 60%, 50% to 60% will be paid as debt and balance, 40% around we will be utilizing for capex for next three years and the capex mainly will be on the value ad side not on the next forging capacity increase most of the capex will be only on the value ad side.

Raghunandan NL: Thank you Lalit Sir. The capital allocation strategy slide is very helpful. My last question, on the cash conversion cycle days, can you indicate the strategy for improving it going forward?

Lalit Khetan: **See** Raghu, the cash conversion what is happening on the debtor days it cannot help, on the inventory side, I think we have an inventory level due to the continuous increase in the commodity prices, if it remains at that level it will be optimized and there will be improvement in the cycle and cash conversion we have to see over the period of time whether how it evolves and how the prices remains, on that it will depend.

Raghunandan NL: Got it Sir. Thank you very much and all the best.

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

Abhishek Jain: In the rolling and forging capacity always realized and demand is strong, so immediate capex is required there, so how much capex you are looking in these two businesses?

Naresh Jalan: No, we are looking at zero capex in these businesses right now.

Naresh Jalan: We are not adding any capacity, we are doing kaizens to improve productivity but there is no budget right now to add capacity in ring rolling or the forging section.

Abhishek Jain: But capacity utilization is already on 110% in this region?

Naresh Jalan: I think it is good to have a good capacity utilization, it does not predict that we need to add capacities over there.

Abhishek Jain: Okay and Sir your baseline capacity utilization is still low around 65%, so how much growth you are looking there?

Naresh Jalan: This year we are expecting this capacity utilization move to 80%+.

Abhishek Jain: Okay and that's why can we expect some improvement in the realization?

Naresh Jalan: We are already expecting topline to grow as bottomline growth so obviously realization has to grow, and realization is not all about, it is all about how much value add we are able to bring onto the system, if the production grows up in press line, per tonne realization does not go up, per tonne realization only goes up because of either commodity increase or because of value-add increase.

Abhishek Jain: Okay and Sir, how much revenue right now from the LCV segment?

Naresh Jalan: To give a number to it is extremely difficult; I think our dependence on only heavy vehicles have decreased dramatically over last couple of quarters I think 8 quarters to 10 quarters but to give a number to LCV it is extremely difficult.

Abhishek Jain: Okay and the company has signed an MoU with US based company and you are developing also axle products, so what revenue incremental as much we can expect from this?

Naresh Jalan: No, we have never said we are developing E axle with any company, we have already given our EV strategy going forward and the growth and we are expecting in terms of volume in EV for next three years or four years, so that is all we would like to comment on that, we would not like to be component specific or geographic specific in terms of EV.

Abhishek Jain: Okay and my last question is related with this non-auto segments, so in last couple of quarters, we have seen that growth is not coming in the railway segment, what is the outlook going ahead in this segment?

Naresh Jalan: No, I think if you see last quarter, railway has grown very well, over last three quarters I think last quarter we have performed one of the best in railways and I think with the railways running up in full swing, you will see this year we will do excellently well in railways.

Abhishek Jain: So, what is your revenue target in railways in FY 2023?

Naresh Jalan: Number is extremely difficult; I will not be able to give any numbers to this.

Abhishek Jain: And Sir and the company has commissioned warm forging plant in this quarter, so after completion of this plant, how much would be the total capacity?

Lalit Khetan: We have already given the warm forging plant already commissioned and the capacity right now is extended to 1,87,000 tonnes apart from that we have fabrication facility for the component of earth moving, mining and railway industry.

Abhishek Jain: Okay, so it is already included in 187,000?

Lalit Khetan: Yes.

Abhishek Jain: Thanks Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Vignesh Iyer, an individual investor. Please go ahead.

Vignesh Iyer: My questions are answered, anyways congratulations on maintaining EBITDA margins in such a tough environment. Thank you.

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

Dhiral: Good morning, Sir, congratulations on the good set of numbers. What is the capacity utilization for the larger Press Line tonne, like 12,500 or 6,300?

Naresh Jalan: No, I think we do not try individual presses, I think as a whole press we have given a capacity like close to 60% of utilization, the press plant and I think we do not track individual presses basically.

Dhiral: Okay and Sir, our order book just for the clarification it is around 984 Crores, right?

Lalit Khetan: That is the new order win in last one year not the order book on the new product. These are orders for the new products which we continue to flow in.

Dhiral: Sir, this is the order run rate?

Lalit Khetan: No, this is order win, there are some orders may be in two years or may be in three years to four years, some may be one year, it is depending upon the order contract entered with the customer, total order book are 984 Crores.

Dhiral: Okay and Sir lastly, what is the machine revenue mix in the overall sales?

Naresh Jalan: We have I think almost reached above 80% right now in terms of revenue mix in the overall sales.

Dhiral: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Good morning, Sir and congratulations on a superlative year performance. I have a small query on the balance sheet front, so there is a slight elongation of working capital cycle in terms of the number of days, so is it just primarily because of this increasing shipping time or is there some color to the quality of debtor of you can highlight?

Naresh Jalan: Basically it is only because of the shipping time because right now we cannot take any chances because of the market and our commitment as per contract to supply on JIT basis, so we have some extra material in the boat, so that we do not end up doing air shipments.

Shashank Kanodia: Okay, understood and Sir secondly if you can help me the gross debt number as on FY2022 end?

Lalit Khetan: Those gross debt number as per the balance sheet is about 1500 odd Crores but net debt is 1336 and Shashank just one more thing, so when working capital cycle is looking little bit elongated because we have used domestic sales and major sales goes to Tata Motor and the sales to Tata Motor, the BMS because it is being bill discounted and added in the debtor, actually that is not the debtors that is why it is looking like that otherwise there is not much elongation also on the working capital cycle and net debt as on March 31, stood at 1336 Crores.

Shashank Kanodia: Sure Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for allowing the follow up. Just a few follow ups, for the guidance that you have given for next year 20%-25%, are you giving a volume guidance as well or are we just sticking to overall revenue guidance?

Naresh Jalan: We are sticking to overall revenue guidance.

Agastya Dave: Right, Sir at our current gross block level, what would be a peak revenue potential because various facilities are at very different capacity utilization, so can you give some color?

Naresh Jalan: Roughly, we can say that we should be somewhere between 3600 Crores and 4000 Crores.

Agastya Dave: Great Sir, thank you and for the next two years you said that domestic is looking good and exports is also looking good, so is there one particular geography or one particular product where product segment which is critical for the coming two years or have you been able to well diversify your entire product basket?

Naresh Jalan: Agastya, we are able to well diversify our product portfolio and I can safely say that we are doing extremely well in all geographies right now, building in new customers as well as new products, so it is not all about only one customer, it is all about new customers as well as new products both taken together we are doing extremely and that is the reason we are not much concerned on this chip shortage and oil inflation right now, we are looking at doing much better than what we have been doing and last quarter result has already proved that and it will continue to prove in our couple of quarters more results are going to come.

Agastya Dave: Sir, the growth that we are talking about should we just pay attention to a yearly number for the full next 12 months you will be doing 20%-25%?

Naresh Jalan: I think you should look at every quarter now. You will be able to see every quarter things are improving on quarter-on-quarter basis.

Agastya Dave: That is very impressive Sir. Thank you very much Sir and all the best.

Moderator: Thank you. The next question is from the line of Nithyanand, an individual investor. Please go ahead.

Nithyanand: I just wanted to ask, beyond 2023, what is your growth expectation you are having?

Naresh Jalan: I think as we speak whatever market feedback or market we know, we can predict only for next two years and beyond that I think it is extremely right now we cannot comment on beyond that, it will be extremely volatile if I start commenting on three years or four years.

Nithyanand: Okay and next question is with the current capacities, how much growth is possible, what do you think?

Naresh Jalan: I have only answered the last question from the last investor that with the current gross block what we have are work-in-progress, we are safely to say around 3600 Crores to 4000 Crores, we can achieve in next three years.

Nithyanand: That is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Rajesh Mundhra: Thank you. I take this opportunity to thank everyone for joining this call. I hope we have been able to address all your queries. If you require any further information, you can get in touch with us or our Investor Relation Advisors, Strategic Growth Advisors. Thank you and have a good day.

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