



“Ramkrishna Forgings Limited Q3 FY-19 Earnings Conference Call”

February 04, 2019



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RAMKRISHNA FORGINGS LIMITED**
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RAMKRISHNA FORGINGS LIMITED**

MODERATOR: **MR. RUSHAD KAPADIA – ICICI SECURITIES**



*Ramkrishna Forgings Limited
February 04, 2019*

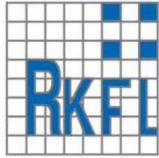
Moderator: Ladies and gentlemen, good day and welcome to the Ramkrishna Forgings Q3 FY19 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you Sir

Rushad Kapadia: Thank you. Good afternoon everybody and welcome to Ramkrishna Forgings Q3 and nine months FY19 results conference call. We have with us from the management Mr. Naresh Jalan, Managing Director, Mr. Lalit Khetan, Chief Financial Officer and Mr. Rajesh Mundhra, Company Secretary and Senior GM (Finance). I would now like to hand over the call to Mr. Lalit Khetan for his opening comments. Thank you and over to you Sir.

Lalit Khetan: Thank you Rushad and good afternoon to everyone. This is Lalit Khetan from Ramkrishna Forgings Limited. We welcome you to concall hosted by our company for the quarter and nine months ended 31st December 2018.

We have achieved a total tonnage of 37301 tons in this quarter as compared to 33107 tons in the corresponding quarter. Out of above, we achieved a domestic tonnage of 28,003 tons for this quarter against 25,749 tons in the corresponding quarter. We have achieved an export tonnage of 9298 tons for this quarter against 7358 tons in the corresponding quarter. The export sales for this quarter has been 149.45 crore against 108.09 crore in the corresponding quarter we have achieved a total tonnage of 105374 tons for the nine month and compared to 85,855 tons in the corresponding period. The total operational revenues for this quarter has been 491.47 crore as compared to Rs.398.97 crore in the corresponding quarter resulting in an increase to 23.18%.

The total operational revenues or the nine month ended has been 1363.414 as compared to Rs.1013.214 in the corresponding period resulting in an increase of 36.98%. The company has achieved an EBITDA net of other income of Rs.105.82 crore for this quarter as against Rs.76.83 crore for the corresponding quarter resulting in increase of 37.74%. The EBITDA for the nine month has been Rs.290.18 crore as against Rs.192.59 crore in the corresponding period resulting in an increase of 50.67%. The EBITDA margins net of other income stood at 21.53% in this quarter as compared to 19.26% in the corresponding quarter. The company has uploaded an investor presentation providing requisite details. We request to the investors not to raise any customer specific queries during the concall. I now request Mr. Rushad to take forward this call.



- Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Ronak Sarda from Systematix Group. Please go ahead.
- Ronak Sarda:** Sir two questions, one was on exports we have seen a pretty decent growth on exports and our tonnage so if you can just help us understand where the growth has come from, what is the kind of regional mix now versus last year.
- Naresh Jalan:** In exports the growth both has come from North America and new customers we added in Europe. In terms of regional mix right now as earlier also stated we have mostly all our exports both for North American market as well as new exports to European market.
- Ronak Sarda:** So Europe is now around 10-15% or less than that?
- Naresh Jalan:** Europe is around 10% right now and it is coming up as per guidance.
- Ronak Sarda:** Okay. And sir second continuation to this, what kind of FOREX realization have we got and have we been able to retain some of the benefits.
- Lalit Khetan:** The FOREX realization was around Rs.70 in this quarter and we have been able to make some small gains also in this quarter.
- Ronak Sarda:** Okay, but these are not we won't have to pass them over the next few quarters right.
- Lalit Khetan:** No, we don't need to pass them.
- Ronak Sarda:** This is how real gain for us.
- Lalit Khetan:** Yes.
- Ronak Sarda:** And assuming currency at Rs.71.5 for this year which is the current rate will that be also similar gains for us?
- Management:** As of now it is extremely difficult for us to say that but as of now we have kept the currency at 70.5 or something I think what Lalit just now clarified.
- Ronak Sarda:** Okay. And my second question is on domestic tonnage, tonnage despite being an industry decline has been pretty resilient is this more to do with some gains in market share or there was some production inventory built up during the quarter.
- Naresh Jalan:** No, I don't think it is inventory built up it is basically like earlier in calls we have guided that we have increased our content per vehicle so it is more to do with content per vehicle as well



as we have increased our share with current customers. So both being added into resilience in terms of domestic tonnage.

Ronak Sarda: Okay. As a clarification on this, some channel check which we did earlier indicated that because industry had some short capacity there were some imports also being done by the OEs in an event of industries what we saw in Q3 and some bit in Q4 are these imports also being curtail and hence the impact won't be as remarkable on sales of us and how it appears or that is not true.

Naresh Jalan: I do not think we will be able to comment on in terms of strategies adopted by the OEMs in terms of curtailment of imports and anything their concern as of now we are working on day to day basis in terms of utilization and seeing how best we can improve our content and the mix to play down on the growth side.

Ronak Sarda: And sir last question on the volume expectation for Q4 and next year, you highlighted in the presentation that you still believe a pre-buying will happen in second half, but given current macro condition do you think that it will look likely?

Naresh Jalan: I think for the current year we stick to our guidance of 1, 40,000 tons which we had indicated at the starting of the year. In terms of next year I think we will cross the bridge when we really are to, I think in the call for the full year that when we provide our guidance and when we have in actual clarity about the market that is when we can comment on the same, as of now we will not be able to comment on the next year what we can achieve.

Moderator: Thank you very much sir. We have next question from the line of Dharmik Patel from ActiveAlpha Group. Please go ahead.

Dharmik Patel: I have two questions, first due to record high backlog of asset flux in the US which is about 10 months and demand has slowed down because of this so has this affected us and how has this affected us and how will this affect us in the long time.

Naresh Jalan: As of now we do not have any indications on the customers, I think there is a backlog of order which is good for us and we continue to ride on the truck demand in the US market as you can see our third quarter results are exports have gone up considerably and we expect this to continue as of now and we do not have any clarity in terms our customers have not come back to us saying that there is slow down or they expect any slowdown going forward for this entire calendar year 19.

Dharmik Patel: Okay. And my second question is if we look at nine months cost of material consumed for December 19 it has gone up by 45% over last year December 18. So what has led to this steep growth and are we pass on the prices to our customers.



- Naresh Jalan:** I think 45% if you are seeing raw material consumption increase you are seeing 36% to 40% around revenue increase also but also sudden done there has been a raw material price hike over every quarter in last one and a half years we have seen last six quarters. So obviously that has added to the increase in raw material pricing. Obviously which is added to the raw material cost and expect the raw material increase which has happened in the month of November 18 we have passed on all the increases to our OEMs and we expect the increase of November also to be passed on to the OEMs in the current quarter.
- Moderator:** Thank you sir. We have next question from the line of Abhishek Jain from HDFC Securities. Please go ahead.
- Abhishek Jain:** Sir just wanted to understand what is the impact of the change in the axle load norms in your domestic revenue.
- Naresh Jalan:** I think axle norms change in terms of revenue to me I cannot provide any clarity but yes the volume as you can well see because of that 20% volumes at the OEM level has decreased.
- Abhishek Jain:** Okay. So is there any benefit of the utilization rate of the 60,000 and 125,000 MT base line because of the change in the axle load norms basically.
- Naresh Jalan:** 60,000 tons we do not have 60,000 tons.
- Abhishek Jain:** 63 sorry.
- Naresh Jalan:** 6,300 it is. So we cannot isolate and tell you any fresh number basically in overall we have been doing our capacity utilization had the peak level and we continue to hope that we will be able to sustain that slowdown going forward.
- Abhishek Jain:** So what is the current capacity to realization in 63 of 125 MT ton.
- Naresh Jalan:** I think the press plan entirely is at 70% utilization in quarter three.
- Rajesh Mundhra:** 79%.
- Naresh Jalan:** Yes, 79%.
- Abhishek Jain:** Sir one question that is from the other expenditure that was remain flat quarter-on-quarter in absolute terms despite the strong jump in export revenue, so is there any particular FOREX gain so it's there or something you have taken some cost control majors that helped to control your other expenditure?
- Management:** There is no such control because we have only the exports we do not have anything on the cost side and we monitor it quite regularly and there are and we take a call according to the market



situation and we are very conservative on the FOREX front and that is why there is only small gains each quarter there are no other things on the FOREX.

Abhishek Jain: So basically our net sales have gone up 7% quarter-on-quarter but the other expenditure that was remain flat so just wanted to understand the reason basically so what are the key factors which have to control other expenditure during this quarter.

Management: I think with the volume jump and with the volume sale of we have been able to control our rate cost and other cost very much robustly in terms of our exports.

Abhishek Jain: Okay. And sir my last question is related with your CAPEX plan and debt determinant plant for the FY19 and 20.

Naresh Jalan: No, already in the last quarter we have already given our CAPEX plan the new plant which we are going to setup and I think there is no change into it and basically we are waiting and watching the market conditions and accordingly we will come back to you if there is any change in our CAPEX plan going forward.

Abhishek Jain: So sir what is the current debt?

Rajesh Mundhra: Current debt is 850 crore.

Abhishek Jain: Net debt?

Rajesh Mundhra: Yes net debt is 850 crore.

Moderator: Thank you sir. We have next question from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Just follow up on the question asked just previously so the CAPEX plan you said through the last year I think your guidance was about for FY19 was about 100-120 crore and for the next year was about 300 to 350 crore so is that right can you just clarify for the benefit of all.

Naresh Jalan: Yes, that is right I think and to be more clear about it next year CAPEX plan is still volatile we are watching the market conditions and we will come back to you in our full year results call with our firm CAPEX plan, in case there is any change we will update the investors accordingly.

Bharat Gianani: And just on the clarification what is the gross debt then if the net debt is 850 crore.

Naresh Jalan: As of that gross debt, net debt everything is 850 crore total debt to the company is 850 crore.

Bharat Gianani: As of now, and next year you forcing any increase in the debt.



Naresh Jalan: As of now unless we have a CAPEX plan freezed in terms we have already our CAPEX plan freezed but in terms because of the market volatility and the current slowdown in the market we are basically we are postponed the entire CAPEX and we expect to have a clarity in the full year call with exact number of the CAPEX which we would like to go ahead and do it vis-à-vis the market situation and then we will have more clarity but as of what we mentioned in the last quarter call also we do not expect our debt in terms of our CAPEX to go up in case we go ahead and do the CAPEX also we do not expect our debt to go or significantly we will be within the guidance of (+/-5%) and we continue to be with that.

Moderator: Thank you sir. We have next question from the line of Anupam Goswami from SMIFS. Please go ahead.

Anupam Goswami: Sir my first question is kind of broad based, you mentioned about your content or vehicle has gone up and that is why we see a domestic volume growth in spite of the industry slowdown so I wanted to know where we stand in the content per vehicle and how much more we can grow in that and would it compensate any slowdown in the industry and compensate higher content if we sell.

Naresh Jalan: We will not be able to provide you the exact percentage or number to the content per vehicle but vis-à-vis or earlier concentration we have been able to develop many more new components and as well as many more new ranges in terms of other vehicles which are concerned the OEMs to basically mitigate the risk of the slowdown and I think we have done a good job over last quarter mitigating the same and we continue to expect that going forward we will be able to mitigate the slowdown as much as possible with the current market scenario with the changes we have done to our production in terms of making more changes to align with the OEMs requirement.

Anupam Goswami: And sir if you can give us broadly on the US classic truck because what we used to see around 40,000, 40,000- 45,000 levels in the order book, order numbers now it has come down to almost 20,000. So how the 2019 would we play out, would it be somehow slower than the 2018 or we can expect a flattish or something like that.

Naresh Jalan: No, I am not able to understand your question can you repeat please.

Anupam Goswami : I wanted to know the US classic market how much because the order backlog numbers have come down and how it is going to plan in the 2019 would it recovery from the last two load numbers that has come or it would be trend in that region.

Naresh Jalan: I have earlier replied to this question as of now we have not heard anything from the customer we still have healthy order book and healthy signs of customer schedules over 2019 the calendar year 2019 and we expect to continue and with the third quarter export numbers you can well understand that we have no slow down effect as of now on any of our orders from



OEMs in North America because of any cut down in schedules or any backlog cut down we still here or we are back from the customer that they have quite a robust order book over 2019.

Anupam Goswami: And sir if you can compare the US market with European market how much potential and how much prospect you have seen European market in comparison to the US market sir.

Naresh Jalan We are not comparing any market right now in Europe market as per guidance we have been able to do well in the last quarter and we continue to see new customers, new order book from the European customers, as per our guidance we expect and we are very confident that by 2020 we will be having a robust order book almost 30% of our exports will be to European OEMs.

Moderator: Thank you sir. We have next question from the line of Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani: Sir my first question is on may I know the expected increase in content of vehicle which may happen post BA6 so #A do you think it is going to be substantial and if yes then what is the kind of increase in content of vehicle that we could see.

Naresh Jalan: No, I think as of now we will not be able to tell you anything post BA6 what is going to be the content of vehicle and my reply to the earlier question also to one of the investors we don't map in terms of percentage to offer content to any vehicle and we will not be able to give you any percentage in terms of content per vehicle we are basically enjoying a greater premix with our OEMs and we have changed our production system to more align with day to day changes which are happening at the OEM and to ensure that we are able to mitigate the risk of slow down as much as possible.

Amyn Pirani: Right, no fair enough I understand that my question was more about ones the BA6 vehicles come in obviously they will have lot of difference with the existing vehicles are there any opportunities in your to the components that you supply are there any opportunities for you to do more than what you are doing that is what my question is.

Naresh Jalan: There is only changes into the crankshaft because if I don't think there are going to be any major changes in terms of BA6 on to the axles the major changes which are going to come into the engine we only exhibit few components in terms of arranges there is crankshaft and connecting rods which are going to have change and as of now we have a very minuscule exposure into crankshaft and connecting rods so we do not expect any major change going forward.

Amyn Pirani: Okay. Understood and sir just on the US market so obviously there has been a decline in order but that is also because the industry is running at fully capacity, for this year you are saying that as of the guidance that you have got you should still be growing, but at the same time you



have been talking about the 300 to 350 crore CAPEX for next year which you are saying that it is dependent on the market conditions so is it a flexible kind of CAPEX or is it something that you will have to any way spend with a lag of maybe three or four months or is it something that you can delay significantly because as of now there are worries and nobody knows that in FY21 you would have a slowdown in both India and the US.

Naresh Jalan: No, we do not have any compulsion in terms of our CAPEX and we are flexible in terms of delaying the CAPEX or maybe making changes to remain better off in the market so that is the reason what I have clearly said that we are three months, we have almost three and half months in hand wherein we will be having much more clarity in terms way the market is going. So accordingly in case there are any significant changes we will come back and inform to the investors.

Moderator: Thank you sir. We have next question from the line of Viral Shah from ACM Investments. Please go ahead.

Viral Shah: Sir my question is again pertaining to the US North American Classic trucks because last year in 2018 we saw almost 60% jump in the truck orders you expect again 2019 first half would be better but if you see the average run rate monthly basis around 40,000 units should you expect you can see growth over that number.

Naresh Jalan: I think to be very conservative on the side we as of now we are aware that this year is going to be a worst year expected lines are that it is going to be similar to 2018 and as of now all the OEMs are running to full capacity, guidance available with us in terms of OEM or our customers is that we are going to have similar or better order book over this calendar year, anything beyond that I think when we come for the full year results we will have much more clarity going into FY19 and 20 so we will be able to come back on that.

Viral Shah: Okay. And sir my second question is regarding what kind of revenue you contribute from the class 8 as compared to class 5 and 7.

Naresh Jalan: No, I think we have not broken this class 8, class 5, total my North American volume is between class 8, class 5 and class 7.

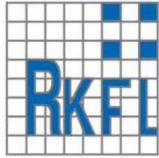
Viral Shah: Okay. And sir out of the export the Europe contribute 10%, remaining from North America only.

Naresh Jalan: North America there are small amounts from Turkish market then it is Indonesian market so they are all within 1 or 2% taken all put together. North American market has a significant exposure to my exports.

Viral Shah: Sir would be how much sir 50% ,60% , 70%?



- Management:** Around 80-85%.
- Viral Shah:** Okay, and sir do you expect the pre buying or scrap age policy would again help domestic market to revise the sales.
- Naresh Jalan:** As an optimistic promoter or entrepreneur of the company we always expect some good things to happen to revive the market we never expect the market to revel languishing at this stage.
- Viral Shah:** Because sir last year we have seen Q4 FY18 the base is very high so growing above that base would be very difficult.
- Naresh Jalan:** I think at the growth level what we have said that we will stick to our guided numbers of 1,40,000 tons of the year and we still stick to that guidance and we hope that we should be able to do above 1,40,000 and better.
- Viral Shah:** And sir what is your current capacity utilization.
- Naresh Jalan:** Of the overall plant it is around 90%, but at the press plant it is close to 79%.
- Viral Shah:** And sir even without continuing with the CAPEX do you expect you can able to fulfill the growth which would be there in 2019.
- Naresh Jalan:** If at all yes, I do not think that CAPEX or no CAPEX we will be able to continue to feed the market and we will be able to sustain the growth. CAPEX can give us an added, CAPEX only would have been given us a significant growth in FY21 which is still off earlier.
- Moderator:** Thank you sir. We have next question from the line of Vijay Sarthy from Anand Rathi. Please go ahead.
- Vijay Sarthy:** Sir if you look at Q3 domestic average realization is down sequentially by 2% does it mean that we have had lesser value addition products being sold to OEMs this quarter because we have seen some of the higher tonnage vehicles falling it's proportion. That is the first question.
- Naresh Jalan:** No, like I had earlier said in the call that November steel price increase has yet to be passed on to the OEMs so that has not been taken into the revenue also, one thing which I would like to clarify that in case of all raw material price increases we are only able to pass on the raw material increases, we are not getting any profits on terms of raw material price increases.
- Vijay Sarthy:** But, I am sure you will make money on the value addition that you do right.
- Naresh Jalan:** We only make, so the value addition does not change over quarter-on-quarter raw material price increase or decrease does not give us any extra profitability it is just a pass on. So



obviously it affects the revenue but it does not affect the conversion or it does not affect the gross margins which we earn out of our production.

Vijay Sarthy: Sir but between 2Q FY19 and 3Q FY19 the proportion of say the 35 ton or a 25 ton vehicles that proportion has come down where you have greater presence also given that the OEM.

Naresh Jalan: I think this proportion change always flexibility into production planning is always there but that does not significantly change any conversion or any gross margin basically if you see over last five quarters there has been a considerable raw material price increases so all raw material prices down not increase our bottom line expectations so obviously that is a pass on but that did not add any profit to us.

Vijay Sarthy: Okay. So hypothetically if assigning to the current proportion of higher ton vehicles were to fall down by another 200-300 basis next year for some reason you are saying that, that will not alter your gross margin, that will not alter your capacity utilization.

Naresh Jalan: That will not alter my capacity utilization significantly.

Vijay Sarthy: Second thing on the CAPEX I just want to understand given the current capacity what will be your full blown revenue because I am getting a sense that I things were to grow very rapidly for some reason next year then you might even miss out on achieving your revenue growth if you do not hesitate to put a CAPEX now, so I am just trying to understand where we stand.

Naresh Jalan: I think we are not hesitating to put up the CAPEX I would again like to clarify there is no hesitation in terms of CAPEX but we would like to have a prudent management of our debt. We would not like to keep on, add on keeping on adding assets at the cost of debt and we later on just wait for market to go up, obviously we would like to go and add capacities with the internal approvals which we have and not add huge debt on the company. So we are basically trying to manage and be prudent in terms of our debt management.

Vijay Sarthy: What is peak revenue that you will earn from the current capacity?

Naresh Jalan: I cannot give number to the peak revenue but obviously we can from 1,40,000 after achieving 1,40,000 tons also we can grow the current asset but almost about 15% in terms of tonnage if the recovery be V shaped and there is enough schedules we can obviously increase the tonnage or utilization improvement in overall capacity by 15%.

Vijay Sarthy: Final question sir if I may, so in Europe how many customers we have acquired and what is the traction there, I know we are going from scratch but how many customers we have today what are the plans.

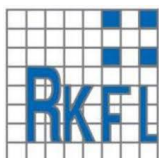


- Naresh Jalan:** As of now we have only one large customer which we have already informed all our investors long back about three quarters back. Two more new customers are there in the pipeline, I think the investors will very soon here about them in next couple of quarters and with this two customers I think we will be almost at 80% of all the OEMs available in Europe and we expect overall in next two years 30% of our export revenues to be from Europe.
- Vijay Sarthy:** And does this alter your working capital cycle because the increase in proportion towards Europe business as supposed to North America so does that alter your working capital cycle.
- Naresh Jalan:** My debt guidance does not change with all these things have been factored well when we have given our debt guidance of remaining at plus minus 5% of our current debt.
- Vijay Sarthy:** Okay. So basically my inference is so your nothing happens when the OEM falls in the high proportion your capacity utilization does not substantially change which means your EBITDA per ton or gross profit per ton should not materially be deteriorating even in the.
- Naresh Jalan:** Gross profit per ton I would like to again clarify it with you that in case there it only will remain stable in case the raw material or ingredient products remain at a stable regime, in case there is an unexpected increase in terms of pricing in steel gross margins can get affected going forward.
- Vijay Sarthy:** --33:32 on price sir, in terms of raw material pricing but share mix can we expect the current gross profit per ton of 63 or 64 or cater more?
- Management:** No.
- Moderator:** Thank you sir. We have next question from the line of Anupam Goswami from SMIFS. Please go ahead.
- Anupam Goswami:** Sir my question is on the pre-buying as of now we have not seen any spur in the pre-buying for the BA6 and also we know that BA6 vehicle will be costly by 1 lakh to 2 lakh and so when can we see that and any information or light on the OEM side have they spur up their production or is it that they have lot of inventories in hand.
- Naresh Jalan:** I think you are asking this question to wrong people I think this question should be to more to the OEM side because Tata Motors or Leyland or this people can comment on what they see on the pre-buy side because I am not the right person or we are not the right people to answer. What is expectation in terms of pre-buying. As an entrepreneur yes we are obviously we expect markets to improve post the NBFC financing getting normalized and as well as interest rate expectation of cut in interest rate we expect markets to again revive.



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- Anupam Goswami:** Okay. And for our domestic market how much do we sell to or to medium commercial vehicles or do we have any exposure
- Naresh Jalan:** I think our entire exposure is to commercial vehicles maybe light vehicle medium and heavy all taken and we do not classify anything as heavy or medium or light.
- Moderator:** Thank you sir. We have next question from the line of Bharat Gianani from Sharekhan. Please go ahead.
- Bharat Gianani:** I just had one query, what is the gross block figure expected for FY19.
- Lalit Khetan:** You are asking gross block?
- Bharat Gianani:** Yes.
- Lalit Khetan:** It remains at around 1000. It might be around 1100
- Moderator:** Thank you sir. We have next question from the line of Ronak Sarda from Systematix Group. Please go ahead.
- Ronak Sarda:** Just a follow up you highlighted your content has gone up with the domestic customers sir can you help us understand what exactly is the increase related to.
- Naresh Jalan:** It is related to Axle components as well as it is related to gear box component, transmission components of the vehicles.
- Ronak Sarda:** So basically are we machining more or are we adding?
- Naresh Jalan:** No, we have developed new components for them we have added a new component as well as we have added value addition on the existing components.
- Ronak Sarda:** Okay. And sir the incrementally everything which we do, the value addition which we do is as profitable as the current business because despite lot of raw material price increase our EBITDA margin has steadily gone up. So how should one look at it?
- Naresh Jalan:** I think there are two factors to it yes obviously if anything is non-profitable we will not go ahead and do that so obviously anything what we are doing right now is profitable and also with the utilization being better we are able to reduce our fixed cost exposures and by which we are able to maintain and improve our overall margins.
- Moderator:** Thank you sir. We have next question from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.



Basudeb Banerjee: I missed out in the earlier part few questions, one in the reported number depreciation looks much higher compared to last few quarters anything you mentioned earlier which I missed out.

Naresh Jalan: No, I think we have clarified in our presentation why our depreciation has gone up basically it is due to the about 90 crore capitalization we have done in last two quarters. And with capacity utilization improving there is basically all the equipment's are running on three shifts, so the depreciation also has increased accordingly.

Basudeb Banerjee: Okay. And as you mentioned what is the production out of the 12,500 ton this quarter.

Rajesh Mundhra: It was running at around 75%.

Basudeb Banerjee: And sir if one can briefly highlight what has been the utilization of the money raise from secondary market year back, what were the plans earlier and till date has it been implemented or it is still pending?

Management: I have not understood your question can you repeat.

Basudeb Banerjee: So the QIP money raised so how has it been implemented till now.

Management: Basically the QIP money which was raised was basically for the acquisition that point of time but since we have not made any acquisitions because we did not get a target at our value so basically the same has been kept for reducing our working capital for this as of now. And we are using part by part for the CAPEX we have announced .

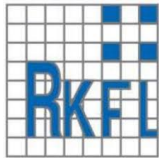
Basudeb Banerjee: And last two things, I missed out so what is the overall CAPEX guidance for this year and next year as of now?

Naresh Jalan: I think I clarified in the call earlier that as of now next year CAPEX plan we have postponed or we have delayed the CAPEX for the next year and we will be coming with the exact CAPEX numbers in the overall year full year results when we have our call then we will be able to guide the investors more on the CAPEX plan. We are watching the market very carefully and as of now we expect changes to this CAPEX plan and if whatever changes we will come back to the investor in the last quarter call.

Basudeb Banerjee: And this year.

Management: Rajesh what is the full year number this year.

Rajesh Mundhra: As, I said earlier it will be round about 90 to 100 crore of the CAPEX for machining and the e-treatment capacity that you said earlier, that will be in full this year.



- Basudeb Banerjee:** Sure and last question, how to look at the tax rate which is like 35-36% must be because of some deferred tax thing when it will come back to normal.
- Lalit Khetan:** It will remain at the same level you are looking right now.
- Basudeb Banerjee:** And for how long sir?
- Lalit Khetan:** We will continue in the range of 35%.
- Moderator:** Thank you sir. We have next question from the line of Abhishek Jain from HDFC Securities. Please go ahead.
- Moderator:** Thank you sir. We have next question from the line of Viral Shah from ACM Investments. Please go ahead.
- Viral Shah:** Sir what is the contribution from the non-auto side of a segment?
- Naresh Jalan:** Non-auto overall including export and domestic is close to around 10%.
- Viral Shah:** And any guideline for reaching a certain level?
- Naresh Jalan:** No, as of now we expect to remain at 10% for calendar year 19 and 20.
- Viral Shah:** And sir lastly sir what is the reason for reconsidering once again a CAPEX plan for next year.
- Naresh Jalan:** No, basically not reconsideration like I have been repeating in the call we are basically waiting and watching the market we would like to have a prudent debt management policy and we would like to remain at the committed debt levels what we have committed in the calls by a large so being managing our debts at the current levels we are waiting and watching the market and as the market we see accordingly we will go ahead with our CAPEX plans.
- Viral Shah:** So this is not as per the demand supply scenario but this is as per the liquidity scenario right?
- Naresh Jalan:** Not liquidity basically we would like to manage, we do not have any issues in terms of liquidity basically in current market there is a slowdown and we do not want that, we settle the company with huge debt and then wait for the orders to come, we would like that in case the demand scenario remains robust in the growth cycle then we would like to go ahead and implement the project with the CAPEX plans which we have guided and accordingly finance the CAPEX plan accordingly with the mix of internal accruals and debt.
- Viral Shah:** Okay. And let say even if you start with the CAPEX so the commencement would be from FY21 right?



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Naresh Jalan: Production commencement will be from FY21.

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

Rajesh Mundhra: Rushad thank you very much we appreciate the time which has been given by all concerned to attend our call, we appreciate your time and the value. We thank you very much for our management perspective and we hope a very good day ahead for you. Thank you very much.

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