

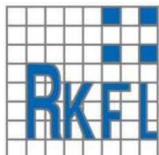
“Ramkrishna Forgings Limited Q4 FY18 Earnings  
Conference Call”

**May 28, 2018**



**MANAGEMENT:** **MR. NARESH JALAN – MANAGING DIRECTOR,  
RAMKRISHNA FORGINGS LIMITED  
MR. RAJESH MUNDRA – SENIOR GM (FINANCE &  
COMPANY SECRETARY), RAMKRISHNA FORGINGS  
LIMITED  
MR. LALIT KHETAN – CFO, RAMKRISHNA FORGINGS  
LIMITED**

**MODERATOR:** **MR. VENIL SHAH – ICICI SECURITIES**



**Moderator:** Ladies and gentlemen good day and welcome to the Ramkrishna Forgings Q4 FY18 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. Venil Shah from ICICI Securities. Thank you and over to you Mr. Shah.

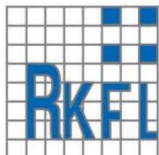
**Venil Shah:** Good afternoon everyone. Thank you for joining us today for the Ramkrishna Forgings Q4 FY18 earnings call. From the management side we are represented by Mr. Naresh Jalan – MD, Mr. Rajesh Mundra – Senior GM (Finance & Company Secretary) and Mr. Lalit Khetan – CFO. I would like to handover the call to the management for the initial remarks. Over to you sir!

**Rajesh Mundra:** Thank you Mr. Shah. Thank you and good afternoon to everyone. We welcome you to the con call posted by our company for the quarter and year ended 31<sup>st</sup> March, 2018.

We have achieved our domestic tonnage of 28297 tonnes for this quarter as against 25749 tonnes in the sequential quarter. We have achieved an export tonnage of 7515 tonnes for this quarter as against 7358 tonnes in the sequential quarter. The export sales for this quarter have been robust at about Rs.111 crores as compared to Rs.108 crores in the sequential quarter. We have achieved a total tonnage of 35812 tonnes in this quarter as compared to 33107 tonnes in the sequential quarter. The total tonnage for the year of the company has been 121667 tonnes as against 82395 tonnes last financial year. The total net operational revenues for this quarter has been Rs.440 crores as compared to Rs.399 crores in the sequential quarter which is an increase of around about 10.3 %.

The company has achieved a total net operational revenue of about 1435 crores for the year ended 31<sup>st</sup> March ‘18 as compared to 881 crores for the year ended 31<sup>st</sup> March 2017 which is an increase of around about 63%. The company has achieved an EBITDA excluding other income of 284.3 crores for the year ended 31<sup>st</sup> March 2018 as compared to 157.8 crores for the year ended 31<sup>st</sup> March 2017 which is an increase of whopping 80%. The company has achieved an EBITDA net of other income of about 91.65 crores for this quarter as against 76.8 crores in the sequential quarter. The EBITDA margins net of other income stood at 20.83 for this quarter as compared to 19.26 in the sequential quarter.

The company has achieved a profit after tax of around about 34.3 crores for this quarter as against 27.73 crores in the sequential quarter. The company has achieved a PAT of 94.66 is crores for the year ended 31<sup>st</sup> March ‘18 as compared to 10.92 crores in the previous year. Would like to inform as our company has made the transition to Ind-AS, the figure for the



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earlier has also been re-casted as per Ind-AS. The company has uploaded an investor presentation providing the requisite details.

As already informed I am accompanied by Mr. Naresh Jalan – our Managing Director and Mr. Lalit Khetan – CFO and we request the investors not to request any customer specific queries during this con-call. I hand over to Mr. Shah.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** I missed the annual tonnage numbers consolidated. If you can give those again.

**Rajesh Mundra:** That is 121667 tonnes, 1,21,667 tonnes.

**Agastya Dave:** And the previous year?

**Rajesh Mundra:** 82,395 tonnes.

**Agastya Dave:** My model is based on pre-GST financials and this is post-GST, so if I were to look at gross profit per ton and EBITDA per ton, can you tell me its **steel 5.22** that there is a decline in absolute numbers? Can you give confirmation whether that is the case and any related commentary on if that happened and what have you guided for 20% volume growth and 25% value growth, so can we expect correction gross profit per ton going forward, will it improve that is what I meant by correction?

**Rajesh Mundra:** What we are giving is that we are not giving any guidance or any details with regard to EBITDA per ton. What we're saying is that since we are into multiple products and we make a combination of both the forged and machine product so EBITDA per ton is not a figure by which we can guide the company quarter-on-quarter basis. So we generally guide the company on the basis of EBITDA margins on the overall basis.

**Agastya Dave:** Can you then probably qualitatively describe what happened last year in terms of product mix in terms of your just forging and just machining elements and what will be the trend going forward? I'm now talking about qualitative if we can't look at it quantitatively probably if you can just give some quality to commentary on the profits.

**Rajesh Mundra:** As we have said in 2017 we have been repeating over and again in the call that 2017 was a year that we have developed lot of products for our customers and plant 5 was utilized principally for development of the new products. This has aided us in this financial year because we have been in able to develop new customer, we have to develop new customers with the new product line up and we have been able to develop a new product to the new customers. So technically what we have done is that we had a strong product development on



account of which we have been able to increase the content per vehicle in this financial year along with the development of new customers. And this along with the robust market has helped us to provide better numbers.

**Moderator:** The next question is from the line of Amin Pirani from Deutsche Bank. Please go ahead.

**Amin Pirani:** In your overall tonnage are you doing anything for the non-automotive segment and if yes what would be the percentage of that?

**Naresh Jalan:** Our total exposure to automotive segment is close to around 82% of our sales and balance 18% is to non-automotive.

**Amin Pirani:** Has the growth trend in that been similar or different to your overall, has automotive grown faster than non-automotive or anything like that?

**Naresh Jalan:** No I think last year onwards like oil and gas have grown close to around 2% of our total revenues and that was absolutely a new avenue which has opened from last year onwards. Similarly, railways have been constantly growing and percentage of the railways is close to around 5% and we expect this to continue going forward. While our focus has been shifted to oil and gas in non-automotive segment and we expect oil and gas this year to do much better than last year.

**Amin Pirani:** In oil and gas are you mostly into Shell or off-shore, on-shore, drilling?

**Naresh Jalan:** We are into offshore and drilling.

**Amin Pirani:** Just looking slightly ahead with BS6 coming into India my first question is that how much will the component that you supply right now, how much change could happen according to you and if yes then what could be the increase in the content per vehicle or in the value addition that you have compared to right now?

**Naresh Jalan:** I think value addition is still very nascent to tell you but we are already migrating some of our components into BS6 and already tool-making and sample submissions of BS6 components have already started. Right now cost wise it's very difficult for us to break up because still close to a year or more before things start picking up on that ground.

**Moderator:** The next question is from the line of Nitesh Sharma from PhillipCapital. Please go ahead.

**Nitesh Sharma:** Continuing on the BS6 question, would shifting to BS6 means the weight or tonnage of the forged components will become even more lighter and hence an impact on our volume growth?



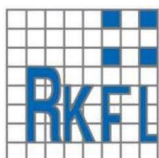
- Naresh Jalan:** No I don't think there is going to much affect in terms of weight or on the axle side there are changes which are being made into crankshaft and other things and I think as far as company is concerned we are not going to get affected while we are going to gain where the implementation of BS6 is concerned.
- Nitesh Sharma:** Can you help us understand the current capacity utilization and your expansion plans because...
- Naresh Jalan:** Overall our capacity utilization is at 72% and still we have headroom for this year. I think before the next call for the first quarter results we will have some details about that sanction. As of now it's still on the drawing board, we have not yet have board approvals on those, so once we have board approvals and all then we will appraise all our investors accordingly.
- Nitesh Sharma:** But we are planning to set up a plant if I am correct?
- Naresh Jalan:** Yes we are planning to and therein we have enough of land available for us so we are already in process but at absolutely very nascent stage right now. Anything whatever it happens it will happen in the later part of this financial year which will get affected till the next financial year.
- Nitesh Sharma:** Any update on the new European orders that we had won, the execution of which was supposed to begin?
- Naresh Jalan:** Already samples and other things have been submitted. We expect from second quarter onwards sales to start.
- Nitesh Sharma:** Can you just for touching upon the Europe front, what is the total order book from Europe that we have won if you could touch upon that and what sort of revenues are you expecting in this financial year?
- Naresh Jalan:** We are already supplying large quantity of volumes already in Europe. The new customer which we have gained which is total €8 million I think we should have a million or €2 million sales this year and most of the sales are going to happen next year only in the sales.
- Nitesh Sharma:** How is your machining plant debottlenecking going on, are we still looking at 10% to 15% machine the component increase in this fiscal?
- Naresh Jalan:** Yes we are expecting 10% to 15% increase in this.
- Moderator:** The next question is from the line of Aditya Makharia from Motilal Oswal Asset Management Company. Please go ahead.
- Aditya Makharia:** There was this news article that US is levying some duties on car imports, now is that also applicable auto parts?



- Naresh Jalan:** I think you yourself have clarified that it's basically on passenger vehicle and car related products and we are not into either of them.
- Aditya Makharia:** Can there be a broader takeaway that this generally imports will not be encouraged. I get your point that is car right now but perhaps the policy it could be widened.
- Naresh Jalan:** You need to really understand that in US manufacturing cost of forgings is very high and in case the imports are stopped or the duties are levied I think the product sold there at the price currently will just increase by 60% to 70%, so obviously nobody will want their internal products cost to increase significantly because selling will become then difficult. So obviously nobody would like to have that.
- Aditya Makharia:** What is your utilization levels now on the heavy press which you had started?
- Naresh Jalan:** Its total 60%.
- Aditya Makharia:** How much of this goes to Tata like is it a significant portion?
- Naresh Jalan:** No, out of the 60%, 50% goes to Tata.
- Moderator:** The next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.
- Sanjay Satpathy:** I just want to confirm what is your volume growth guidance for fiscal 19?
- Naresh Jalan:** We are looking at close to around 1,40,000 tonnes of forgings in FY19.
- Sanjay Satpathy:** This incremental growth can you just give us like what kind of growth are you really looking at in exports front because what I am noticing is that your volume sold in the exports has been kind of in tight range throughout this year on the quarterly basis.
- Naresh Jalan:** We continue to focus on the export side and our pre-mix what we intend is close to around 60-40, 60% we continue to support the domestic market and 40% is for exports. With both the markets going up we're intending to remain at 60%-40% levels on export and domestic.
- Sanjay Satpathy:** That's a long term plan?
- Naresh Jalan:** It is the plan, not long-term, it's the current plan.
- Sanjay Satpathy:** Lastly just want to check you mentioned something about machining mix change, I could not really get it like for how much it is going to be in fiscal 19 versus how much it was in fiscal 18 and what will be its impact on profit margin.



- Naresh Jalan:** First of all we do not have any particular details about how much we machine and how much we sell forgings. Basically, in terms of total production closed to around 60% is around machining as of today and we intend to increase within this year from 60% to 75% in machining condition. In terms of margins basically right now with the capacity utilization looking up as well as current demand scenario we will be on the upper side of the revenue as well as the profit trajectory.
- Sanjay Satpathy:** You said that you will be able to improve your margin despite raw material cost pressure.
- Naresh Jalan:** Raw material is pass-on for us so I don't think we are getting any effect in terms of raw material. It may be only for a lag of month or a quarter we get retrospective raw material amendments so basically it is a pass through for us.
- Sanjay Satpathy:** All those raw material costs which you have been writing about last two quarters that you have not got the compensation yet have you managed to get it already?
- Naresh Jalan:** Yes, I think you must have seen the presentation. We have already said we have got some price increases, some is left which we are going to get in this quarter.
- Sanjay Satpathy:** In Quarter 1?
- Naresh Jalan:** Yes.
- Moderator:** The next question is from the line of Abhishek Jain from HDFC Securities. Please go ahead.
- Abhishek Jain:** As the company has guided 20% volume growth and 25% sales growth in FY19, so can you explain that what are the key takers for this growth as there are lot of the talks on the aging restrictions on the over-lighting capacity in the domestic market basically in most of the states. So how do you see this will impact the overall volume?
- Naresh Jalan:** As far as demand scenario goes it is very robust I think right now and we continue to get feedback from the OEMs both inbound and as well as for exports that it will continue to remain robust till end of this year. Based on the feedback and based on the leases which we have right now from our customers we believe that we will be able to grow close to 20% and above and in the same lines our revenue stream is also going to grow.
- Abhishek Jain:** What sort of the growth you are looking from the domestic as well as in export market?
- Naresh Jalan:** Like I replied to earlier question our product mix is going to remain at 60-40 ratio, 60% is going to be domestic and 40% is going to exports. That is our intent to remain at 60-40 ratio of domestic and export.



- Abhishek Jain:** As you said that 18% revenue comes from then on automotive segment, so what are the key segments where the 18% revenue comes, around 2% comes from oil & gas and 5% from railway and rest?
- Naresh Jalan:** Rest is from general engineering, mining industry, power industry, construction equipment industry.
- Abhishek Jain:** What kind of the EBITDA margin in auto and non automotive segment?
- Naresh Jalan:** We have not calculated any different margins as such for segment wise.
- Abhishek Jain:** Is margin in non-automotive segment is higher than the automotive?
- Naresh Jalan:** We believe it is higher but we don't have any calculations as such to give to the investors that what is the margin for the sector.
- Moderator:** The next question is from the line of Bharat Gianani from BNP Sharkhan. Please go ahead.
- Bharat Gianani:** In the earlier query you highlighted that the margin range would be on the higher side of your guidance since you are expecting a better capacity utilization, so if we see your EBITDA margin for Quarter 4 excluding the other income that is about 21% and for the full year it's about 19%, so first of all you have any guidance of the margin range and what's your margin range guidance?
- Naresh Jalan:** We don't have any margin range guidance. But we believe that current capacity utilization and with the demand order book we should continue to work on improvement of margins and I think if you see progress quarter-on-quarter basis in Quarter 4 we have done well and we expect to continue to do well on the last quarter going by.
- Bharat Gianani:** So you are expecting like FY19 margin should be better than what you reported in Quarter 4?
- Naresh Jalan:** Yes.
- Bharat Gianani:** What would be the CAPEX plan for this year FY19?
- Naresh Jalan:** As of now I think Rajesh will be able to guide you exactly.
- Rajesh Mundra:** The CAPEX plan that we have said is at broader part we have given CAPEX of 80 to 90 crores that will be limited part this financial year. So basically, the machining lines that you are talking about for the debottlenecking or heat treatment you were talking about debottlenecking, the machines have started delivering from this quarter. I think by the next quarter we should be fully prepared for that, so round about this is the CAPEX plan that will be coming on in this year.





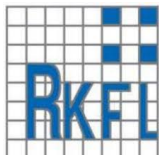
- Bharat Gianani:** Out of this 90 crores what would be the maintenance CAPEX, if you can just share?
- Rajesh Mundra:** Maintenance CAPEX around about 10 to 11 crores. Basically, it's nothing but for the implementation of the machining lines and the heat treatment facility, debottlenecking of those two facilities.
- Moderator:** The next question is from the line of Vijay Gyanchandani from Elara Capital. Please go ahead.
- Jay Kale:** My first question is regarding your capacity expansion. If at all shortly you would be announcing capacity expansion in what lines would it be, would it be the 12,500 tonnes press line or are you looking for further expansion in your existing forging and ring rolling units?
- Naresh Jalan:** Jay I think it is very nascent right now for us to comment on this. Probably yes we are looking at capacity expansion in both but targeting new technology is what we are trying to do and our focus is going to be EV as well as passenger vehicles in our new expansion plans which we are going through.
- Jay Kale:** So not necessarily only the commercial vehicle segment, new segments as well?
- Naresh Jalan:** No.
- Jay Kale:** My second question is just a clarification; your volume growth guidance for FY19 is 20% which is around 146,000 tonnes?
- Naresh Jalan:** Yes, we are talking about (+1,40,000).
- Moderator:** The next question is from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.
- Anupam Goswami:** I just wanted to ask how much of the revenue is coming from the US Class 8.
- Naresh Jalan:** US Class 8 roughly around in INR it should be close to around 350 crores. Approximately 350 375 crores.
- Anupam Goswami:** I see that over a quarter-on-quarter your margins have expanded and one of the reason could be that your employee benefit expenses has gone down over quarter-on-quarter and also your power and fuel cost also are in the same level, any measures that have been taken up for these two costs to stay in the control?
- Naresh Jalan:** If you see previous quarter employee cost was higher because of pay on performance which has been paid to the employees. But basically the profitability has gone up because of better utilization both in terms of fixed cost, my employee cost power and fuel all this have gone down vis-à-vis the top-line going up.



- Anupam Goswami:** And your margin you said that there is still plenty of room for the margins to improve as well, right?
- Naresh Jalan:** I said basically we intent to remain on the upper side of the trajectory and we continued with the capacity utilization improving. We intent and we hope that we will continue to ride the upper trajectory.
- Anupam Goswami:** About your CAPEX plans, how much extra capacity going to be added up?
- Naresh Jalan:** I think in terms of tonnage there is no tonnage going to get added. Basically new CAPEX plan on the machining 10% to 15% machining yields are going to improve.
- Moderator:** The next question is from the line of Prasoon Agrawal from Indus Capital. Please go ahead.
- Prasoon Agrawal:** I just want to confirm the capacity that we have right now is 150,000 tonnes.
- Naresh Jalan:** 160,000 tonnes.
- Prasoon Agrawal:** And the guidance that we are giving is sort of annualizing the Q4 tonnage that is there, so I was wondering this will mean that we will be doing around (+90%) capacity utilization for FY 19. Is that possible or we will be just first stuck to maximum capacity utilization that we can hit at 80%-85% odd so is capacity in any form of constraint right now for us?
- Naresh Jalan:** No I don't think capacity in terms of any constraint right now. With the basically demand side being very good I think we have been able to utilize our capacity much better on the higher tonnage side. So we believe and we are confident that we should be doing close to around (+1,40,000) tonnes this year as well as by second quarter yes, for the next FY20 we are looking at it in terms of addition of capacity for which we will be back to the investors informing them of our path ahead in the next con-call after the first quarter results.
- Prasoon Agrawal:** On this fixed cost side I was just wondering there should be a lot of leverage if manufacturing plant is running at 90%-odd kind of utilization. So can you give some sense on the fixed cost, on the revenue base of 1435 crores we reported around 285 crores of EBITDA I'm just wondering of the 1100-odd crores of total cost how much should be fixed cost for this year?
- Rajesh Mundra:** Out of the total 1100 crores, 400 crores to 500 crores will be the fixed cost.
- Prasoon Agrawal:** On the currency side I was wondering as the currency depreciates, does the benefits flow into us in terms of better revenue growth or that also is absorbed just like steel price pass-through, is the currency thing also gets adjusted with the quarter or two lag?
- Naresh Jalan:** Quarter or two lag currency also gets adjusted vis-à-vis the steel prices.



- Prasoon Agrawal:** In this environment the benefit will show first and then later on some sort of adjustment will happen?
- Naresh Jalan:** Yes.
- Moderator:** The next question is a follow up from the line of Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** On the power and fuel side obviously there has been a spike so does that also get passed through or this is something that we have to absorb?
- Naresh Jalan:** We have to absorb. Conversion price increase is not a pass through, except steel and currency there is nothing pass through.
- Agastya Dave:** So only direct material is a pass through?
- Naresh Jalan:** Yes but I think power and fuel and all these things we need to better manage with our own increase in utilization and better management in terms of managing this conversion issues. We have been in last four quarters able to manage these things well and I don't think that's going to be a challenge going forward.
- Agastya Dave:** The CAPEX that we are doing anything going in this direction, improvement of efficiency in terms of power and fuel?
- Naresh Jalan:** No in terms of power efficiencies cannot be improved in terms of CAPEX. Basically we are trying to do automation as much as possible to increase the production basically to improve the power and fuel only thing is that it is related to production. So most of the things we are working is basically to improve the production and tonnage by which we are able to reduce our power and fuel cost.
- Agastya Dave:** Next question is on tax rate, is there any benefit of the US tax cuts that will flow towards in any way directly-indirectly? I am not fully aware of the corporate structure and how things like that?
- Naresh Jalan:** No, there is no benefit in terms of US corporate tax structure cuts which are going to get passed on to us.
- Agastya Dave:** In terms of effective tax rate and cash tax rates for next year, can you guide in certain way there?
- Naresh Jalan:** I think it's 33% including deferred tax that is the calculation right now we have. It is very difficult for us to have the details of deferred tax as of today.



**Agastya Dave:** On the debt in working capital, so if the CAPEX is 80 crores - 90 crores and the expansion CAPEX doesn't hit us this year so in terms of cash outflow for CAPEX can you give a number? And then you should still have a fairly sufficient surplus in terms of cash, will you be lowering your debt but then I guess working capital will also increase, what's the play there in the working capital?

**Naresh Jalan:** Basically, this year our repayment schedule is 90/92 crores and similar amount of debt is required for this CAPEX of this year. In totality I don't think there is going to be any reduction there but it will not be increased. The debt is going to remain as such on the increase revenue side.

**Agastya Dave:** And on the interest cost side?

**Naresh Jalan:** Interest also because of this Nirav Modi pass-on, we will have some effect because of LoUs. But otherwise we should that have any basically effect in terms of interest only. Our LoUs for equipments which have been imported wherein we had buyers credit by which we were enjoying lower cost of interest all those buyer credits are getting converted into INR loans on that only we will have an effect.

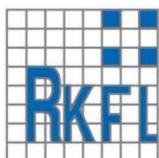
**Agastya Dave:** Broadly stable then interest cost also.

**Naresh Jalan:** In the current scenario in case there is no interference or no increase by RBI in terms of interest rate cost, we are expecting the interest cost to remain stable.

**Moderator:** The next question is a follow up from the line of Prasoon Agrawal from Indus Capital. Please go ahead.

**Prasoon Agrawal:** Another thing was if we look at the segment side now, the class 8 January to April was around 85% kind of growth obviously we are looking at 25% where domestic market is also growing pretty well. So I was just wondering all the engines are firing right now from the growth side. From our internal mix, is it possible that right now we can choose to do what we want and say no to orders which are less profitable, or we have to manage this whole cycle like a FIFO basis. I was just wondering is there a possibility that the product mix can change favorably for FY 19.

**Naresh Jalan:** Product mix we are trying to change but it's basically we cannot say no to our long-term customers. So basically, we are trying to work it out in such a fashion that we don't interrupt their lines while we continue to work on product mix which is more profitable for the company and slowdown on components which do not make enough money for us. But absolute no is ruled out.



- Prasoon Agrawal:** And the capacity addition part which I guess a lot of people have asked, so let's say what's sort of timeline if we were to assume something will be announced in Q1, how much time does it take?
- Naresh Jalan:** I think almost a year. By first quarter FY20 we should be having 30% to 40% capacities from the new plant in place and by the full year of FY 20 we will have entire plant up and running.
- Moderator:** The next question is a follow up from the line of Vijay Gyanchandani from Elara Capital. Please go ahead.
- Vijay Gyanchandani:** My question is that you have guided for a 40-60 kind of mix on export versus domestic from currently just about around 30%-odd, so do we see at extremely high growth in exports and since working capital is longer for exports, so there could be some increase in debt from the mix perspective?
- Naresh Jalan:** I would like to again clarify that we intend to have a 60%-40% is export and domestic as well as increase in our export volumes will not result in any working capital increase because like we will have enough cash on the books with this year's working which will help us to basically sufficient our requirement for working capital needs.
- Rajesh Mundra:** And moreover we also think that the export factoring which will also help us to reduce the working capital debt.
- Vijay Gyanchandani:** Any difference in the working capital of export auto versus non-auto or they are largely similar?
- Naresh Jalan:** Largely similar.
- Moderator:** The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** I missed the part, working capital days will be constant or they will improve?
- Naresh Jalan:** Working capital days will remain the same.
- Agastya Dave:** On your railways business, its approximately 5% if I am not mistaken of sales and can you describe exactly what all things you are doing and what is the visibility going forward?
- Naresh Jalan:** Railways actually we were one of the big suppliers for them for the components for their old coaches which is British-Designed coaches and we still continue to supply them all those coaches as well as we have made a large amount of entry into the new German coaches LHB and we have started supplies in high volumes for those coaches. Most of our products which we had supplied last year have already been approved and we have already started bulk supplies on all those parts. And as well as we continue to develop new components for this



LHB coaches and we are very hopeful that we should do better than what we have done last year in terms of railways.

**Agastya Dave:** Do you do anything for wagons also?

**Naresh Jalan:** No we don't do anything for wagons.

**Agastya Dave:** Can you give us a hint towards what kind of volumes railways are talking about in terms of coach segments?

**Naresh Jalan:** I think they are going to refurbish or they continue to service their old 50,000 coaches which they have in line. As well as this year they are close to making 12,000 new LHB coaches which will be manufactured in three locations our Raebareli, integral Coach factory Chennai and RCF Kapurthala.

**Agastya Dave:** And these numbers were absent for last few years, right?

**Naresh Jalan:** I think LHB coaches last year they made close to around 7000 coaches and this year they intent to make 12000 coaches.

**Moderator:** The next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

**Dhiral Shah:** As you said in the earlier remark that in FY17 you have developed a strong product and because of which in FY18 your content per vehicle has been increased, so how much it has been increased?

**Naresh Jalan:** It depends customer wise basically. But overall we are only one supplier in India who manufactures all the products required for front-axle and rear-axle for any commercial vehicle.

**Dhiral Shah:** You are the only company, right?

**Naresh Jalan:** Only company manufacturing all the products. There are several companies, some manufacture front axle, some manufacture rear axle but we are the only one-stop solution for any commercial vehicle manufacturing front axle and rear axle both.

**Dhiral Shah:** Do you expect this kind of increasing content per vehicle should go on in FY19-FY 20 also?

**Naresh Jalan:** I think it should go on and like I answered earlier question, now our focus with the new expansion which is being planned is going to be PV and EV both so our focus is changing towards passenger vehicles and electric vehicles going forward.

**Dhiral Shah:** You're going to make product for PV and EV, right?



- Naresh Jalan:** Yes.
- Dhiral Shah:** What is the mix between machining in forging?
- Naresh Jalan:** We don't have those details. But approximately last year close to around 65% to 70% we have machined products and this we intent to increase it by another 10% to 15%.
- Moderator:** The next question is from the line of Ujwal Shah from Quest Investment. Please go ahead.
- Ujwal Shah:** Just wanted to understand your outlook on the European market basically this CV segment as well as which are the parts that we mainly cater to and who are our top clients over there?
- Naresh Jalan:** We cannot name the top clients right now. We will not be able to share any information regarding particular customers but in Europe the volumes are stable and the volumes right now we cater to engine components, we cater to front axle and we cater to rear axle components for the European customers.
- Ujwal Shah:** So is it that we are winning market share in this market?
- Naresh Jalan:** I don't know whether we are winning market share but we are gaining new orders from new customers in Europe.
- Ujwal Shah:** And the market growth remained subdued in Europe?
- Naresh Jalan:** Market is good, and it remains stable.
- Moderator:** The next question is a follow up from the line of Dhiral Shah from Asit C Mehta. Please go ahead.
- Dhiral Shah:** Any new client added during the year FY18?
- Naresh Jalan:** There are number of clients in oil and gas and in Europe which have been added in last year.
- Dhiral Shah:** And what about domestic and US?
- Naresh Jalan:** I think oil and gas is from US only and Europe we have number of clients which we have added and domestic we continue to grow the existing clients.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Mundra for closing comments. Thank you and over to you.



*Ramkrishna Forgings Limited  
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**Rajesh Mundra:**

Thank you. We thank all our participants who have spared their time and attended our call. From the management side, we will be always there by their side for any queries if they have in future. Thank you very much for attending our call.

**Moderator:**

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