RAMKRISHNA FORGINGS LIMITED

Date: 31 July, 2024

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

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Earnings Call Transcript – Q1 FY 2024-25

This is further to our intimation dated 19 July, 2024 w.r.t Earnings Conference call with the Analysts/Investors on the Unaudited Standalone and Consolidated Financial Results of the Company for Q1 FY 2024-25.

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Call with Analysts/Investors held on Wednesday, 24 July, 2024 at 04:30 P.M. (I.S.T) on the Unaudited Standalone and Consolidated Financial Results for Q1 FY 2024-25.

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

Request to kindly take the same into record.

Thanking you.

Yours faithfully,

For Ramkrishna Forgings Limited

RAJESH MUNDHRA
Digitally signed by RAJESH MUNDHRA
Date: 2024.07.31 18:29:05 +05'30'

RAMKRISHNA FORGINGS LIMITED KOLKATA

Rajesh Mundhra
Company Secretary
& Compliance Officer
ACS: 12991

Encl.: As above

THE ECONOMIC TIMES INDIA'S GROWTH CHAMPIONS 2020 statista

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“Ramkrishna Forgings Limited

Q1 FY ’25 Earnings Conference Call”

July 24, 2024

MANAGEMENT:	**MR. NARESH JALAN – MANAGING DIRECTOR – RAMKRISHNA FORGINGS LIMITED** **MR. CHAITANYA JALAN – WHOLE-TIME DIRECTOR – RAMKRISHNA FORGINGS LIMITED** **MR. LALIT KUMAR KHETAN – WHOLE-TIME DIRECTOR & CHIEF FINANCIAL OFFICER – RAMKRISHNA FORGINGS LIMITED** **MR. RAJESH MUNDHRA – COMPANY SECRETARY & VICE PRESIDENT-FINANCE –RAMKRISHNA FORGINGS LIMITED** **MR. MILESH GANDHI – ADDITIONAL WHOLE-TIME DIRECTOR, MARKETING – RAMKRISHNA FORGINGS LIMITED**
MODERATOR:	**MR. RAGHUNANDHAN – NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day and welcome to the Ramkrishna Forgings' Q1 FY'25 Conference Call hosted by Nuvama Wealth Management. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Raghunandhan from Nuvama Wealth Management. Thank you and over to you, sir.

Raghunandhan: Good afternoon, everyone. On behalf of Nuvama Wealth Management, I would like to welcome you all to this Earnings Call of Ramkrishna Forgings. I would like to thank the management for giving us this opportunity. We have with us today, Mr. Naresh Jalan, Managing Director; Mr. Lalit Kumar Khetan, Whole Time Director and Chief Financial Officer; Mr. Chaitanya Jalan, Whole Time Director; Mr. Milesh Gandhi, Executive Director, Marketing and Mr. Rajesh Mundhra, Vice President Finance and Company Secretary.

Before we begin, may I remind you of the safe harbour. The management may be making some forward-looking statements that have to be understood in conjunction with the uncertainty and the risks the company faces. I shall now hand over the call to Mr. Lalit Kumar Khetan for opening remarks. Over to you, Lalit, sir.

Lalit Kumar Khetan: Ladies and gentlemen, good evening and a very warm welcome to everyone present on the call. I am honoured to be joined by Mr. Naresh Jalan our Managing Director. Mr. Chaitanya Jalan and Mr. Milesh Gandhi, Whole Time Director and Rajesh Mundhra our Company Secretary. I hope you all have got an opportunity to go through our financial results and investor presentation which have been uploaded on the stock exchanges as well as on the company website. We are happy to report that the company has delivered steady results for the first quarter. Firstly, let me give you a brief into latest trends in the global market. The global forging market had experienced robust growth in recent years and with a projected increase from INR 94.74 Billion in 2023 to INR132.06 Billion by year 2028 that reflects a CAGR growth of 6.7% over this period.

The market is also going to reach 17.6 lakh metric tonnes by 2028-29 with a CAGR of 5.4% during the period 2024 to 2029. The automotive sector holds a significant share of about 61.8% of forged components within India and forging market in terms of volume for the year '23 in terms of value the automotive sector contributed approximately $3.6 Billion in 2023 and this is expected to grow to about 5.4 Billion by 2029 at a CAGR of 7.6%.

Now, let's look at our financial performance for the quarter and year ended Q1 FY '25. In Q1 FY '25, we achieved a revenue of INR 868.5 Crores on the standalone basis which represents a year-on-year growth of 4%. Our EBITDA margin for Q1 FY '25 stands at 23.1%, adjusted for impact of one-off expense of INR 17.5 Crores as compared to 22.4% in Q1 FY '24. The EBITDA margin expanded by 70 basis points year-on-year and we are confident of sustaining margins of approximately this 23% plus for the forthcoming quarters.

Further, our net profit after tax stood at INR7 3.1 crores for Q1 FY '25 compared to INR77 Crores in Q1 FY '24. Looking ahead, there is a lot of optimism for the future. We see positive trends across different areas including freight movement, freight rates and activity in industry, cement and iron ore sectors. Major projects like dedicated freight corridors are also expected to boost sales of commercial vehicles. With government finances improving and focus on growth related programs, we can expect this positive trend to continue.

At Ramkrishna Forgings, we are ready to seize the growth opportunity by leveraging our strength in innovation, operational excellence and strategic partnerships. We are confident in our ability to adapt, innovate and create value for our stakeholders while making a positive impact on the industry and society. Thank you for your continued support. And before we go to the Q&A, I request my colleague, Mr. Milesh Gandhi to update you all on the market. Over to you, Milesh. Milesh, are you there?

So let me update the audience on the market. So just for the benefit of the audience we would like to -- we have got a visibility of new order inflow of INR 526 Crores during the quarter from North America. That is out of that, CV contains INR 201 Crores; LV INR 109 Crores and EV INR 16 Crores and balance is non-auto that is INR 200 Crores from North America. If you look at Europe, we got an order inflow of INR 287 Crores and that's mostly from the CV, EV was only miniscule 1% of that.

Then coming to India, we have an inflow of INR 442 Crores from the CV side and INR 284 Crores from the railway side. And from INR 442 crores order inflow , INR 362 Crores is from the CV side, INR 80 Crores is non-auto, Apart from that railway is INR 284 Crores. From rest of the world, there is an inflow of about INR 140 Crores of orders on the CV side. That's the visibility we have on the order in Q1 FY '25 on the additional order side. That's all from my side. Thank you. And now we can take the Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead sir.

Mumuksh Mandlesha: Yes. Thank you so much for the opportunity. Sir, I just want to understand the rationale for this acquisition of the Resortes Libertad Mexico company. Just want to understand what's the reason behind that acquisition, sir?

Naresh Jalan: We will acquire this company to start up in Mexico. This company has no business and help to set up a legal entity in Mexico for us it would have taken us 1 year time and to start business. So, we have acquired a legal entity registered in Mexico who has no manufacturing operations right now. So basically you may have seen that acquiring this, we have changed the name also of this entity and now we will start our Mexico operations which we had informed the investors in last year, in this entity.

Mumuksh Mandlesha: Got it, sir. Sir, on the order book, congrats on a strong order book for this quarter, is it possible to share sir what would be the annual order book that would get executed say by FY '26 or '27, post this addition sir?

Naresh Jalan: This -- 100% this order book is executable in every year. This is total order book which has been INR1,200-plus-Crores. It's basically a 4-year order. So, basically if you see that almost INR 300-plus-Crores is executable every year starting next year onwards.

Mumuksh Mandlesha: Okay. No, I mean, let's say cumulatively sir in the past year also, any cumulative number you would have, sir?

Naresh Jalan: No, I -- we would not -- these are basically the new orders which we have got in this quarter. Previous -- past is already on stream and is already converted in businesses and you will be able to see this in coming quarters in terms of incremental tonnages.

Mumuksh Mandlesha: Got it, sir. Sir coming on the results sir domestic revenue this quarter was very muted broadly in line with the underlying industry. We didn't see much outperformance. Is there any mix impact like a lower tonnage segment has grown more than the higher tonnage? Why is...

Naresh Jalan: No, I think basically there is a small dip in the overall revenue which you see in the domestic is a mix of basically lower offtake as well as raw material price decrease which has happened in the domestic market.

Mumuksh Mandlesha: Okay. And, sir on the one-off of INR 175 Million which you mentioned in the presentation what is this one-off, sir?

Naresh Jalan: Lalit?

Lalit Kumar Khetan: Yes. So, that INR 17.5 Crores one-off expenditure is basically a contribution to a party for elections.

Mumuksh Mandlesha: Okay. And this quarter gross margin has seen improvement while the broadly export and domestic revenue was Q-on-Q broadly unchanged in the mix-wise what could have led the improvement, sir?

Lalit Kumar Khetan: Well, you can see the price realization on the export side if you see the export realization has improved that has led to this kind of improvement.

Mumuksh Mandlesha: And this price realization basically the price hike which you've got?

Naresh Jalan: It is a mix of price hike as well as it is a mix of new order wins which we have started converting into businesses.

Mumuksh Mandlesha Yes. That's all from my side. Thank you so much for this.

Moderator: Thank you sir. The next question is from the line of Mitul Shah from DAM Capital. Please go ahead sir.

Mitul Shah: Yes sir. Thank you for the opportunity. Sir, my first question is on the subsidiary. It seems that there is a decent margin improvement on Q-on-Q basis. So can you give more details on this? And if you can give subsidiary wise, few key numbers?

Lalit Kumar Khetan: So Mitul coming to that we just want to update you that we have started operations in JMT Auto and the name of JMT Auto has been changed to Ramkrishna Casting Solutions Limited. So that company has started operation. We have done an improvement in terms of margin in Multitech also and the operations in ACIL is also being ramped up. So all the three contributed to this improvement in margin. And I can say the marginal improvement from all the subsidiaries has led to this kind of improvement in the consolidated numbers.

Mitul Shah: So it is the operational efficiency kind of thing or there is a raw material benefit also part of this?

Naresh Jalan: No, it is only operational efficiency.

Mitul Shah: Okay.

Naresh Jalan: And, Mitul, just to update you it is just a start. I think we had -- when we acquired these companies also we had said that it is a start of a new journey for us. And going forward with the experience we carry and with the team we have it will be a continuous improvement in the subsidiaries in terms of margin improvements. And you -- and in the future also you will see the same trajectory being followed and there is lot of headroom in terms of overall margin expansion in the subsidiaries.

Mitul Shah: Okay. Sir one clarification this contribution to a party related amount is sitting in the other expense, right?

Lalit Kumar Khetan: Yes Mitul that is in other expense.

Mitul Shah: Okay. Sir second question is on the railway side. What is the status on this Vande Bharat order which earlier you highlighted about INR 270 Crores executed over '25 and '26? And any further update on that in terms of potential in this year getting more orders?

Naresh Jalan: No, I think, in terms of Vande Bharat it has just started. I think we have already started making protos. And in the coming quarter we are going to submit the protos for validation. And from then what is the time -- whatever time it takes for validation and we have -- like we have said in 20 -- next year and the following year we have to complete this order.

Mitul Shah: So this INR270 crores would be in FY '26 and FY '27?

Naresh Jalan: Yes. And it will be in line with whatever Vande Bharat are made. But this -- once this validation of bogie happens it will open also new opportunities for us directly into the Indian Railways. This is a private sector order which we have got. But the - once the validation and our design is approved it will open also an opportunity after 6 months in current railway manufacturing of the Vande Bharat. And other private sector orders also which government is in process of going forward.

Mitul Shah: Sir which are these components? Can you highlight a few?

Naresh Jalan: No it is entirely assembled bogies in which -- under frame of the Vande Bharat. It is in full complete assembly. So it is not a particular component it's entire assembly which we are going to make and sell.

Mitul Shah: Okay. Great, sir. Lastly on sir what is update on this Ramkrishna Titagarh JV and when we are expecting first product to come out operation to begin and what can be the first year revenue potential?

Naresh Jalan: So I think right now it is moving as per our vision. And I think we look at FY '26 last quarter to be the first batch of productions for railway validation to start rolling out and it is on track and on time.

Mitul Shah: Yes sir. Thanks a lot and all the best.

Moderator: Thank you sir. The next question is from the line of Rohit Singh from Nest Analytics Advisory. Please go ahead.

Rohit Singh: Thank you for the opportunity. My question on the demand outlook for the current year and what is the volume guidance for FY '25?

Naresh Jalan: No, I think in terms of demand we still stand by our commitment of 15% to 20% volume growth year-to-year. So FY '24 to FY '25 we feel that we will be able to achieve and do better than what we have predicted it.

Rohit Singh: Thank you.

Moderator: Thank you. The next question is from the line of Akhil Gulecha from Pkeday Family Office. Please go ahead.

Akhil Gulecha: So my question is a bit generic. So pardon me for that. The last few years, a major growth has come from exports. So can you please explain very specifically like why have all of these export orders come to India and why have they specifically come to us Ramkrishna Forgings? What are we doing that is so different than our competitors in India or globally?

Naresh Jalan: I think I cannot answer your question why the customers are coming to India. I think what we can say that we have set up a world-class facility and we are marketing that accordingly in the global world and the customer who are looking for diversification or introducing world-class technology are buying products from us.

Akhil Gulecha: Okay. Understood. So, is there anything specific because the growth has come recently in the last few years as opposed to earlier on. So, anything that has changed significantly? Is it the high energy prices globally? Is that why we are gaining market share one of the reasons?

Naresh Jalan: No, I think it has not come only in the last year. If you see last 4 to 5 years we are constantly growing in terms of exports. And we continue -- I think we are thriving to continue to do that in next of the years.

Akhil Gulecha: Okay. Because even in domestically when I compare you to other listed players in the similar industry, you have grown much faster than all of them. So there is something that you are doing right? So I'm just trying to understand other than world-class facility or good process, what is it that you're doing right that others aren't able to replicate?

Naresh Jalan: I cannot tell you why others cannot. But I can tell you, it means that we are doing good marketing and good -- we are good suppliers.

Akhil Gulecha: Okay. So is there anything else in this industry which gives a significant competitive advantage or is it just the process and efficiency that is better?

Naresh Jalan: Yes, it is only a question of process and efficiency and a good marketing team.

Akhil Gulecha: Okay. Is there a significant pricing difference as well or is that similar across most players?

Naresh Jalan: I'll not comment on anybody's pricing, sir, please. I think I would rather stick to what I am doing and what we can do.

Akhil Gulecha: Okay. Understood. That's it from my side.

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

Balasubramanian: Good evening sir and thank you so much for taking my question. Sir how much margin growth in this quarter witnessed overall and on the Ramkrishna Titagarh side earlier the project cost is around INR 1,250 Crores, INR 1,300 Crores in that range. Is there any escalations in that project cost? These are my first question?

Lalit Kumar Khetan: So right now what we are looking at the project cost of the Ramkrishna Titagarh side the project is around INR 1,800 Crores right now. So, the project cost is INR 1,800 Crores.

Balasubramanian: Okay, sir. Sir, on the margin side, sir?

Lalit Kumar Khetan: Margin side in terms of?

Balasubramanian: The overall margin growth in this quarter because last time we have guided 15% to 20% kind of volume growth for FY '25. So are we in the track?

Lalit Kumar Khetan: Yes. We are very much on the track for achieving the 15% to 20% volume growth for the FY '25.

Balasubramanian: Okay, sir. And sir on the export side we are targeting 50-50 kind of mix on domestic and exports. And I just want to understand which are the regions we are targeting whether in Europe, Asia or U.S.? Like, what kind of opportunities we have, if you could share like an approximate mix region-wise?

Naresh Jalan: No, I think, we are not targeting any specific region. We are marketing around the globe, wherever OEMs are there and wherever forging is required.

Balasubramanian A.: Okay, sir. Sir, on that Red Sea impact last quarter, we have seen some impact. We are also in the discussion with customers for 10% to 15% like rationalizations. So, what kind of impact we are seeing in this quarter?

Naresh Jalan: I'm unable to understand your question.

Balasubramanian A.: Sir, last quarter, we had some impact because of Red Sea on the delayed shipments around INR 20 Crores kind of impact?

Naresh Jalan: No, the impact was -- I think impact was INR 20 Crores and I think still the impact remains similar in the similar range and that has become a regular precedent. I think Red Sea issue unless the war stops, I think there is nothing which can be done. So, it has become a regular course of business right now. So, INR20 Crores to INR 25 Crores will remain always in mid-sea or material -- so, that is the kind of capacity or inventory we have built in the system.

Balasubramanian A.: Got it, sir. Sir, like we're also in the discussion with customers to rationalize 10% to 15%. It is done or we are still in the discussion?

Naresh Jalan: We are still in the discussion.

Moderator: Thank you. The next question is from the line of Vidrum Mehta from ASK Investment Managers. Please go ahead.

Vidrum Mehta: Just want to understand on the demand front...

Naresh Jalan: Your voice is not there. Can you speak a little loud, please? We cannot hear you.

Vidrum Mehta: Sir, just wanted to understand on the demand front; so for Q1, our volume growth is 1%. For FY '25, we are guiding for a volume growth of 15% to 20%. So, what is helping us remain confident that for the remaining 9 months? Or if you can help us understand what is the visibility in terms of volume growth, which we can see in the remaining 9 months?

Naresh Jalan: So, if you are saying it is 1%, I think you are comparing quarter-on-quarter. So, basically, for the full year basis may, I can -- we are very confident and we have the visibility of the complete order book as well as offtakes from the customer on a steady flow basis, we are seeing that happening. And that is the reason we are confident of achieving 15% to 20% volume growth.

Vidrum Mehta: So, is it because of the new order book, we remain confident of achieving this volume growth?

Naresh Jalan: Past order wins have already started showing traction in terms of supplies. And we are very confident that overall, whatever volumes have been projected on those new orders are starting to show results. So, we are very confident that we will be able to meet expectation and do better than what we are estimating in terms of 15% to 20% volume growth.

Vidrum Mehta: Okay. And also, sir, if I look at the domestic revenue breakup. So, domestic market revenue is down 3%. And you alluded to the fact that it is partly attributable to the raw material price decrease and as well as lower offtake in your opening remarks. But in that case, so should we assume a lower realization per tonne?

Naresh Jalan: Yes, I think we have already shared, I think if you can see in our presentation, we have given our domestic realization as well as export realization. And you can see that in that domestic realization is on a downward, has gone down.

Vidrum Mehta: No. So, I am just asking from a full year point of view. So, for FY '25.

Naresh Jalan: No, I think -- see, raw material prices is completely pass on for us. And basically, we cannot comment how the market will shape up into coming quarters. And in India steel prices is completely not in sync with the global market. It is completely supply and demand curve. If the demand is -- in domestic market is higher in the coming quarters, we may see increase also. So, in that case realization may go up also. So currently, we don't see -- we cannot comment on what steel pricing is going to be there in India in coming quarters.

Vidrum Mehta: So, 15% to 20% growth is broadly what we are asking or we are estimating is with respect to volume and that should flow to revenue that is what is a fair assumption?

Naresh Jalan: Yes, 15% to 20% in terms of volume. Basically whatever raw material price is there plus the conversion is going to flow into the revenue.

Vidrum Mehta: Okay. And sir, can you help us subsidiary revenue for Multitech and ACIL for this quarter?

Lalit Kumar Khetan: Coming to the Multitech it's about INR 86 C rores and for ACIL it's about INR17 Crores of the revenue for the quarter.

Vidrum Mehta: INR 86 Crores and INR 17 Crores?

Lalit Kumar Khetan: Yes.

Vidrum Mehta: Yes. So, sir, if I look at the full year FY '24 Multitech revenue, I guess it reported INR 360-odd Crores, correct?

Lalit Kumar Khetan: INR 350-odd Crores, yes.

Vidrum Mehta: So, are we seeing any signs of improvement? Because the run rate of INR 85 Crores, INR 90 Crores is broadly maintained in Q1 as well?

Naresh Jalan: So, I think this is just the first quarter. And, as you know, first quarter because of heat and everything extreme summer the casting production goes down. I think you will be able to see significant changes in coming quarters.

Vidrum Mehta: Sir, why I am asking is, basically because in the analyst meet, we had shared our vision for '25 and '26, wherein the revenue from Multitech was significantly higher. So, are we in that trajectory in terms of...

Naresh Jalan: We still maintain the same.

Vidrum Mehta: Okay. And sir, if you could just repeat once again the order inflow, which you shared in your opening remarks it would be really helpful?

Naresh Jalan: I think, Milesh has joined, I think. Probably, Milesh can speak more on the order intake.

Milesh Gandhi: Yes. So, good evening. I wanted to convey that in this quarter there has been a good order inflow with regard to the company's forward plan. We have been able to have good order wins across the globe not only in India and also overseas and both in auto and non-auto segments. To be specific the order inflow are to be executed over a period of 4 years except railways, where it is as per contract value.

Against the current order flow that we have received in this quarter, it is worth INR 1,679 Crores, in which North America constitutes to around INR 526 Crores order inflow wherein it comes from the CV segment is around INR 201 Crores from the light vehicle segment it is INR 109 Crores and also from the EV in the auto side it is worth INR 16 Crores. And we have had order books inflows from non-auto segment for INR 200 Crores that mainly comes from the mining, earthmoving and other segments.

Moving forward with Europe, we had an order inflow of around INR 287 Crores mainly coming from the CV side and from EV we had an order flow of about INR 3 Crores. From the rest of the world, we find around INR 140 Crores order flow from the CV market. And to mention about India. In India, we had an order flow of around INR 442 Crores in which CV is worth INR 362 Crores and non-auto is around INR 80 Crores. That is mainly from the farm equipment and other segments.

Lastly, with regard to railways, we are finding a good order flow too. And in this, we have an order flow around INR 284 Crores. That is with regard to the undercarriage and other items that we supply to the railways. Thank you from my end.

Moderator: Thank you. The next question is from the line of Mitul Shah from DAM Capital. Please go ahead.

Mitul Shah: Sir, my question is again, on the average realization, wherein we are indicating a decline. But in export side it has gone up. That is the first question. And second, sir, in terms of Q-on-Q, what is the direction for Q2? Can we expect some further decline in average realization or what could be the quantum?

Naresh Jalan: No, in terms of exports, I think, in terms of product mix change and addition of new customers, wherein order announcements had been made in previous years have started showing traction and that is the reason realization in exports have improved. In terms of domestic, seeing the current trend, what is available right now, we don't expect any reduction in terms of realization. But we never know what is going to happen with the steel market. And as of now, when we speak I don't think any downside risk is there to realization for the quarter.

Mitul Shah: That means in export also, we have similar pass-through for all the clients or that is a mix of few?

Naresh Jalan: For raw material in exports are not India-centric. It is basically in terms of exports indexes. In terms of North America, we follow North American index and for Europe, we follow European index. So based on those indexes, we don't see a major dip in terms of any realization happening in coming -- in current quarter.

Mitul Shah: Okay. Sir, considering the further investment required in the subsidiaries, what is the balance sheet situation at the end of first quarter in terms of net and gross debt? And how much investment we expect for next 3 quarters -- balance 3 quarter during the financial year in subsidiaries?

Lalit Kumar Khetan: So, considering, Mitul, the gross debt and net debt for the quarter if you look at it is a little bit elevated by almost INR 100 Crores on the consol basis due to the investment made in the subsidiaries. And we have already shared earlier also the debt levels will remain at the level what we are in the FY '24 in the full year by the end of full year. So, it will be more or less on the same level what we ended in FY'24.

Mitul Shah: And what will be full year investment and capex for '25?

Lalit Khetan: So, we have already guided, if you remember, our last quarters, we have -- about INR 500 Crores will be invested in RKFL standalone in terms of capex. Apart from that, about INR 135 Crores-odd in the subsidiary, and there will be about INR 100-odd-Crores investment in the Ramkrishna Titagarh joint venture project by way of investment that we have already guided and we will continue to stand by those numbers.

Mitul Shah: No change in that?

Lalit Kumar Khetan: No change in that, yes.

Mitul Shah: Yes, thanks.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.

Chirag Shah: So sir, 2 questions. So, one basic housekeeping question. So, in consolidated, we have a line item called cost of services. If you can just indicate what exactly it is? And does it move in line with your raw material costs or there is some lead/lag over there? And it pertains to what part of the business?

Lalit Kumar Khetan: So you very well know that we have an hospitality business.

Chirag Shah: Yes.

Lalit Kumar Khetan: That's why we have cost of services as line item in consolidated financials.

Chirag Shah: Okay. So I thought it is related to some services that you give in the export market, great. Sir, second question is just an update on how should we think about the ramp-up of the various subsidiaries. We are in the ramp-up phase and you have given an guidance earlier, I'm aware of that. But incrementally, how should one look at the ramp-up, at least from next 2 to 4 quarters perspective? Because...

Naresh Jalan: Chirag, I think in terms of our Investor Presentation, we stick to the guidance which we have made in that and we have nothing to add or say further to the Investor Presentation already made.

Chirag Shah: And sir, one last question, sir. On the railway side, or maybe even off-highway, if you want to expand? Is there any new product or anything that you are working or which is in advanced stage of approval or validation kind of a thing? If you would like to share, how are you looking to further expand our product bouquet?

Naresh Jalan: No, I think, we have nothing to share in this. As a company, we have a policy to continue to work on products and new customers. So, I think as and when we have to add anything, we would usually come back to.

Chirag Shah: Okay, sir. So, on the margin side, on the subsidiary level margins, it is purely linked to the ramp-up, right? The operating leverage plus efficiency will be reflected as and when revenue scales up. That is the right way to look at?

Naresh Jalan: It is already showing traction, I think, for the quarter itself, we have 23%-plus margin, basically operational efficiencies and cost reductions, whatever is going on, I think it's already showing traction in the balance sheet and it will continue to be showing going forward also.

Chirag Shah: Thank you, sir, and all the best.

Moderator: Thank you, sir. The next question is from the line of Ankur Poddar from Svan Investments. Please go ahead.

Ankur Poddar: Sir, I have one question regarding the employee cost for the stand-alone business. So, we have seen almost 18% Y-o-Y increase in the employee cost, and on a Q-on-Q basis also, there is a 6%, 7% increase. So any -- similar to what you have mentioned that in other expenses, there is some extraordinary. So, is there any -- some one-offs sitting here, and what is the trajectory we should assume going forward?

Lalit Kumar Khetan: So coming to the employee benefit expenses, if you're looking on quarter-on-quarter increase is about INR 3 Crores increase, Ankur. So that's mainly on account of the pay-for-performance we pay to our employees, due to that, this increase is there. And we've already said there is a one-off expenses in the other expenses. That's why the elevation in other expenses.

Ankur Poddar: Okay. But there is Y-o-Y that is around 18% increase from INR 44-odd Crores in the last year to almost INR 52 Crores. So, that is one. And also in other expenses INR 126 Crores last year to INR 200 Crores. So you said INR 17 Crores was other expenses, was exceptional item. Apart from that, there is also other expense seems to be elevated a bit. So, can we throw some light there what strategy we can assume going forward here?

Lalit Kumar Khetan: So, to be specific there, if you look at that, there is a growth in volume and see. Our store space and processing charges also are part of this other expenses, and there has been increase in both. That is a significant increase during the year on the stores and processing charges. And then you can see the increase in shipping costs.

When you are looking at Q1 FY'24 versus Q1 FY'25, there is an INR 17 Crores increase in terms of shipping costs, INR17.5 crores at one-time cost and other on the stores and processing. All these combined is the increase of INR 75 Crores, if you look at Q1 versus Q1 year-on-year.

Ankur Poddar: Okay. Sir, how are you seeing – in the Balance Sheet what is currently the working capital cycle? And how are you seeing this freight rate moving ahead in the second half of the year? Freight rate in terms of shipping rate, I'm trying to say?

Lalit Kumar Khetan: So, shipping costs are right now hardened already and it's not softening so far. I think it has a lot to do with the Red Sea crisis and the ship movement. So it depends upon that. So, we don't know where we will at the end of year on the shipping cost side. But what was the another part of your question?

Ankur Poddar: Working capital cycle for?

Lalit Kumar Khetan: Working capital is around 90 days. Net working capital is around 90 days, and that will continue to remain at 90 days cycle.

Ankur Poddar: Okay. And sir, what would be the roughly cash balance in the balance sheet?

Lalit Kumar Khetan: So, we do not carry any cash balance, maybe INR 20 Crores to INR 25 Crores kind of thing in the collection, otherwise, right now, we don't have a cash balance. We have a lot of unutilized balance in terms of bank lines. So, we keep our bank lines unutilized rather than keeping cash on the balance sheet.

Ankur Poddar: Thank you so much, sir. And all the best.

Moderator: Thank you. The next question is from Atul from ULJK Financial Services. Please go ahead.

Atul: So, my question might be repeated. I would like to understand, we have reported a 3% decline on Y-o-Y basis in domestic revenues. So, what were the reasons behind this decline? That would be helpful.

Naresh Jalan: I think we have already explained in the call. The reason is raw material price decrease as well as there has been a lower offtake from the customer. Both have basically added to the 3% decline in domestic output.

Atul: Okay. Yes, sir. And my second question is on our inorganic strategy, which you are following, sir. So, so far, this strategy has been working quite well for us. So in coming time, are we looking for any more acquisitions, if you could put light on that?

Naresh Jalan: As a company, as a policy, we are always looking for opportunities wherein we can incrementally grow. So, as of now, we don't have anything in pipeline. As and when we have anything, we will surely come back to you.

Moderator: The next question is from the line of Balasubramanian. Please go ahead.

Balasubramanian: Sir, in the Multitech Auto, we have seen some quarter-on-quarter decline, and we have guided around 20% growth in this year with a 200 basis point margin improvement. What is the current margin stand at, sir? And what kind of levers are there for margin improvement?

Lalit Kumar Khetan: So I think your question is related to Multitech Auto, so Multitech Auto, see, what we have guided in terms of growth, revenue growth, the guidance remains the same, the 15% to 20% growth in terms of Multitech Auto also. Right now, we are currently operating at around 16% plus EBITDA margin, and there will be a further improvement of 100 basis points to 200 basis points in EBITDA in Multitech Auto going forward.

Moderator: As there are no further questions from the participants, I now hand the conference to management for closing comments.

Rajesh Mundhra: Thank you. I take this opportunity to thank everyone for joining the call. I hope we have been able to answer and address all your queries. For any further information, kindly get in touch with us or our investor relationship advisers. Thank you very much for sparing your time and joining our call. Thank you.

Moderator: On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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