RAMKRISHNA FORGINGS LIMITED

Date: 7 June, 2025

To	To
The Listing Department **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **BSE SCRIP CODE: 532527**	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 – Q4 & FY 2024-25

This is further to our intimation dated 28 May, 2025 w.r.t Earnings Conference call with Analysts/Investors on the Audited Standalone and Consolidated Financial Results of the Company for Q4 & 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 Earnings Conference Call Transcript held with Analysts/Investors on Monday, 2 June, 2025 at 8:30 Hours (I.S.T).

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

This is for your kind information and records.

Thanking you.

Yours faithfully,

For Ramkrishna Forgings Limited

RAJESH MUNDHRA
Digitally signed by RAJESH MUNDHRA
Date: 2025.06.07 11:57:41 +05'30'

RAMKRISHNA FORGINGS LIMITED KOLKATA

Rajesh Mundhra
Company Secretary
& Compliance Officer
ACS: 12991

Encl.: As above

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Ramkrishna Forgings Limited

Q4 & FY'25 Earnings Conference Call Transcript

Monday, June 02, 2025

MANAGEMENT: **MR. NARESH JALAN – MANAGING DIRECTOR**
MR. CHAITANYA JALAN – WHOLE-TIME DIRECTOR
MR. LALIT KUMAR KHETAN – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER
MR. MILESH GANDHI – WHOLE-TIME DIRECTOR
MR. RAJESH MUNDHRA – COMPANY SECRETARY & VICE PRESIDENT (FINANCE)

MODERATOR: **RAGHUNANDAN, NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good morning, and welcome to the Ramkrishna Forging Q4 FY '25 Earnings Conference Call, hosted by Nuvama Wealth Management Limited.

As a reminder, all participant lines will remain in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

I would now like to hand the call over to Mr. Raghunandhan from Nuvama Wealth Management Limited for opening remarks. Thank you, and over to you.

Raghunandhan: Good morning, everyone. Thank you for joining the call. We are pleased to host Ramkrishna Forgings Q4 FY '25 Earnings Call.

From the management team, we have Mr. Naresh Jalan, Managing Director; Mr. Chaitanya Jalan, Whole-Time Director; Mr. Lalit Kumar Khetan, Whole-Time Director and Chief Financial Officer; Mr. Milesh Gandhi, Whole-Time Director; Mr. Rajesh Mundhra, Vice President Finance and Company Secretary.

We thank the management for giving us the opportunity. Initially, we'll start the call with opening remarks from management, and then we'll open for a Q&A session. Over to you, sir.

Lalit Kumar Khetan: Yes. Thank you, Raghu. Good morning, everyone, and thank you for joining us on this call to discuss the Q4 FY '25 earnings. I trust all of you have had a chance to review the earnings documents that we have shared earlier.

Financial year 2025 was a year defined by both challenge and progress. Despite a complex macroeconomic environment, we made good progress on multiple fronts. It has been a good year in terms of orders wins and customer addition as we have reported around Rs. 4,600 Crores of new orders during the year, which has been well diversified across geographies as well as across end user industries of auto and non-auto and railway. My colleague, Milesh will speak later on this.

Coming to capacity addition, I am sure you all would recall that in January, we commissioned our cold forging capacity of 25,000 tonnes and in March, we commissioned our hot forging and warm forging balance capacity of 14,250 tonnes. With this new capacity on-stream right now presently capacity is at 268,400 metric tonnes at RKFL stand-alone.

And on 27th March, NCLT approved the merger of ACIL into the parent entity and with the Appointed Date of 20th February '24. This is a key milestone in our plan to simplify our business structure. The final step, merging Multitech Auto and Mal Metalliks into Ramkrishna Casting Solution is underway and will be completed during this year.

Now let me share some financial highlights for the fourth quarter. We have reported a consolidated revenue of Rs. 947 Crores, lower by 3% on a year-on-year basis. EBITDA, excluding other income, was Rs. 99 Crores in Q4 compared to restated EBITDA of Rs. 188 Crores for Q4 last year. Profit after tax is Rs. 200 Crores in Q4 FY '25 compared to Rs. 65 Crores in Q4 FY '24. And however, this PAT was added by the deferred tax quoted on account of merger of ACIL amounting to Rs. 223 Crores.

Coming to the financial highlights we reported consolidated revenue of Rs. 4,034 Crores, higher by 9% compared to the previous year. Full year consolidated EBITDA stood at Rs. 560 Crores compared to Rs. 770 Crores for FY '24. Profit after tax for the year is Rs. 332 Crores compared to restated PAT of Rs. 283 Crores in FY '24.

In April '25, India Ratings has upgraded the Company's long-term bank loan rating to IND AA with a Stable Outlook from IND AA- and also affirmed the short-term rating to IND A1+.

Now regarding the inventory discrepancy, the Company has received the Interim Joint Fact-Finding Report from the independent external agencies, which have confirmed that certain erroneous entries in production and non-recording of rejections at some plants have resulted in overstatement of inventory as book stock of these inventories were higher than the physical stock. The discrepancy amounts to Rs. 220 Crores for FY '24-'25 and Rs. 50 Crores for '23-'24 as accounted for in the accounts. And the same has been accounted for in the financial results of the Company for the quarter and year ended March '25 and March '24, respectively.

I would like to state here that, as the management team, we firmly believe that there will be no further significant accounting on financial impact on the books of account arising out of the balance part of the joint fact-finding study being carried out by the independent external agencies.

The approximate adverse impact net of tax on net worth of the Company is around Rs. 202 Crores, which is around 6.73% of the Net Worth of the Company as on March 31, 2025. The Promoters remain fully committed to bridging this shortfall, reaffirming its dedication to safeguarding the interest of all stakeholders. Details of remedial actions to be undertaken by the Promoters will be covered by our MD, Mr. Naresh Jalan.

Now I hand over the proceeding to Mr. Naresh Jalan, our MD. Thank you. Over to you, sir.

Naresh Jalan: Thank you. Good morning to everybody. Thank you for taking time to join the call.

The interim fact-finding report has come and in response to that, we have implemented corrective measures, including enhanced auto -recordings and stricter controls and improved processes across our manufacturing process. This is the first instance for the Company in its history since inception and we will ensure and do what all is required to ensure that this never happens again and continue to adhere to highest standards of Corporate Governance while conducting affairs of the Company. As indicated and committed, the Promoters would come forward to make good the shortfall arising due to the inventory discrepancy.

In order to facilitate that, the Board of Directors have approved the issuance of 9,75,000 Warrants to Promoter entity convertible into Equity Shares of 9,75,000 of a Face Value of Rs. 2 each at a price of Rs. 2,100 aggregating to Rs. 204.75 Crores. And as Promoter entity, we commit to get this entire money before the end of this financial year.

Now I request Mr. Milesh Gandhi to update the investor group in terms of the order wins and the market conditions currently.

Milesh Gandhi: Good morning. Thank you, Nareshji. I would like to communicate the order wins in Q4.

The Company received new order wins worth Rs. 710 Crores for a program life being 4 years. Against the total order win, 74% are from automotive segment while 23% is coming from the non-automotive segment, which is in line with the diversification strategy of the Company. We are also looking forward to the next level of growth that is coming from the passenger car segment.

We believe the revenue stream will start from the Financial Year '27 in a big way. At the same time, we have also received orders from Indian Railways for the supply of fully assembled bogie frames. This bogie frames assembly will help us to demonstrate the full potential of our fabrication business. That is the natural progression from the individual frames and bolsters to the fully assemblies which makes it complete. That's from my side.

Lalit Kumar Khetan: Thank you, Milesh. Raghu, now we can open the floor for the Q&A session.

Moderator: Thank you. The first question comes from the line of Manish Ostwal from Nirmal Bang Securities Private Limited.

Manish Ostwal: My first question, this inventory-related issue. So, the reported number is much higher than what we said at the time of the last call and in the notes to account, the management said they does not see any significant impact still the joint fact-finding committee report is not finalized. So, on what basis we are saying that? And secondly, can you comment on the higher number than what we indicated earlier?

Naresh Jalan: A joint fact-finding interim report by the independent external agencies has already been published based on the PV which they had conducted. And post this, right now, only root cause analysis of fact finding exercise, which is going on, which and we are sure that, that is basically to estimate the reasons why this has happened. So, there is not going to be any financial impact in the balance sheet. We are absolutely firm and sure that there is not going to be any financial impact in the balance sheet based on whatever we have seen, and we have provided 100% of what we have been given from the third party.

And in terms why the reasons, I think reasons for why it has happened, it is still, I think, only a week left when we will have the first full final report, and the same will be made public to understand the actual reasons and find reasons for the same.

In terms of why the quantity has gone up, we had given our estimates based on whatever, we, at that period of time, were able to assess. But as we had said that period of time also, the assessment is still under progress. And during this third-party PV, we had closed down all our operations for a couple of days, and we conducted the entire piece-to-piece PV across all locations.

And every single piece was accounted for, so that every single thing that should have been provided. And so that in near future or near decade, never again this may occur. So, we have taken a prudent step to close operations for a couple of days and ensure that every single thing is provided off and in future, this never ever occurs again.

Manish Ostwal: Quite a statement, sir. And the second question on this gross debt and the working capital increase we have seen during the year in March 2025 versus '24. So, any specific reason of this kind of working capital increase? And where do you see the working capital days to settle in FY '26 and over the medium term, sir?

Lalit Kumar Khetan: So, in terms of working capital increase, if you look at the overall working capital, it has gone up by almost Rs. 400 Crores during the year. And we have discussed in the past, that is mainly due to increase in transit time and Red Sea issue.

So, the goods are taking more time in the sea, plus as you know a lot of new development has happened during the year due to these new customer wins and new orders for which bulk supply are yet to start, but the account has been built up on all those accounts. And in upcoming period, you will see an improvement on this account. And this is because the increase in turnover will help to improve the moderation in inventory on these accounts.

Naresh Jalan: Also, I think one thing which should be noted that the new developments, which went into pipeline over in last quarter, to fill up the warehouse in overseas market, we had to ship parts, which is getting consumed in this quarter. And once consumption starts, automatically normalization of the working capital or the debt will start happening.

And in terms of future, we can assure the investors with the current cash flow, which we see in terms of our business and the way the business is performing right now and with the kind of robust pipeline, which we believe we have and with the kind of customers we have been able to build, we feel that we will be able to reduce substantial debt, including working capital going forward in coming days and coming months. By the year-end, basically, FY '26, a substantial reduction will happen in terms of the overall debt is concerned.

Moderator: The next question comes from the line of Mitul Shah from DAM Capital Advisors.

Mitul Shah: So again, first question on stand-alone Q4 revenue. We believe that there is no onetime adjustment in revenue. Entire inventory-related impact is in raw material side, right? So, the contraction in revenue is too high compared to the peer group Bharat Forge and all those leaders reported number. At the same time, commercial vehicle production Q-on-Q was also reasonably good. So, any specific reason apart from this inventory-related thing?

Lalit Kumar Khetan: Mitul, I would like to explain this. See, after this inventory issue, whatever happened and discrepancy, we have now decided to go or take more changes with any recognition policy. And in this quarter, we have not accounted for the goods, which has left the factory but not reached the customer's place. So, on that account, about Rs. 100 Crores of revenue has not been recognized in this quarter.

And going forward, we will follow this policy only. And apart from that, you know that there has been a duty imposed in the U.S. And so, in a lot of goods, and from the March, the duty of 10%, we are paying on our goods. So, since March, whatever the goods, we are paying duty in the U.S. is being recognized on payment of duty. Earlier, once it left India, we have recognized sales.

As now the terms are delivery and there was no duty earlier, so it was getting recognized. So Rs. 70 Crores on account of that has not got recognized in this quarter. So going forward, it will be a normal practice, and there will be no impact of this accounting in the future. And that amount has been built in basically from debtor to inventory.

Naresh Jalan: Mitul, to answer you very straightforward whatever you asked for, Rs. 170 Crores approximately has not been recognized. Looking into prudence of future, as said in my earlier statement, we have taken cognizance of whatever has happened. And going forward, to get into best practices, we have basically reset our entire recognition model and Rs. 170 Crores in all has not been recognized as revenue, which will be recognized in coming quarter. And going forward, this is going to be the policy.

One reason basically is the duty which have not been paid at the port, the revenue for the same has not been recognized. And second, for the goods which have left our plant, but has not reached customer end has not been recognized as sales. So, taking both together, it's close to Rs. 170 Crores plus, which has not been recognized in revenue in the quarter 4.

Mitul Shah: Okay. The question is then FY '26 revenue, do we still maintain that guidance of about 15% to 20% revenue growth potential?

Naresh Jalan: I am absolutely sure that we are looking at 15% to 20% revenue growth in FY '26. This revenue recognition policy which has changed in 1 quarter, this is going to now be always there. So obviously, this Rs. 180 Crores is going to get recognized in this quarter, leaving no stones for future reorganization in the revenue recognition policy?

Mitul Shah: Right, sir. And just lastly, on the balance sheet side, it's almost now Rs. 1,800 Crores, Rs. 2,000 Crores type of a debt. Of course, you explained about working capital, but still it remained elevated over the last few years. So, any road map in next 2 or 3 years, where do you want to bring it?

Naresh Jalan: I don't want to give you a 2- or 3-year road map. Basically, by FY '26 end, we can assure you or the entire investor fraternity, you will see substantial debt reduction. There are a couple of reasons because of that. One, the warrant money coming in. Second, due to tax refund, which we will get based on the ACIL merger. Third, the free cash flow from the debtor and as well as we are at the end of our capex cycle. I think by September end, all capex, which you are seeing right now, basically 8,000-tonne press or aluminium forging press, all these things are going to come to an end. July or mid-August, all the presses are starting and will start giving revenues.

So, we don't look at any substantial or any meaningful capex going into second half of the year. So, we are absolutely sure, by the end of FY '26, there will be substantial reduction in the overall debt of the Company.

Moderator: The next question comes from the line of Chirag Shah from White Pine Investment Management.

Chirag Shah: Good that the disclosures have really improved from the Company and you are upfront on that. I really appreciate that. Sir, 2, 3 questions. One, how should one look at the new margins and ROCE, ROE guidance? You had indicated that you will act on this based on the findings and conclusion of the same. So, have you formed a thought, or you want to wait for the final forensic report to share your sustainable return on capital and margin guidance that you used to share earlier? So that's question number one.

Naresh Jalan: Chirag, I think in terms of margins and other things, I think this was one-off incident. This does not dent Company's overall performance or growth aspects going forward. One-off incident does not take away from us our capability to produce. And the kind of pipeline and the kind of projects which we have implemented gives us confidence of going forward, a robust top line as well as robust bottom line.

In terms of percentage, I would not like to comment. But in terms of guidance, I would still maintain that we are going to create healthy margins and which in coming quarter onwards, we will be able to demonstrate.

Chirag Shah: Okay. Sir, why I was asking is because there will be a permanent resetting of your gross margins, right, because of the accounting, not accounting lapses, but whatever errors which have happened. So that's why I was asking the question that there will be a permanent rebasing of your margins, and it will have its impact on ROCE.

Naresh Jalan: No, I think, there is not going to be any permanent, with onetime inventory, excess inventory which was there in the system or say, basically, that has got removed. So, I don't think that really creates any gross margin issues or anything. Basically, we would like to reset the balance sheet. We have onetime cleaned up the balance sheet.

And whatever provisions or whatever write-offs we had to take, we have taken that upfront looking into the future and looking into the better prospects going forward of the Company. So that does not absolve us from the responsibility of going ahead and creating better margins, healthy margins and good conditions. Basically, this reset is giving us more opportunity to do better things than concentrating on what has gone by.

Chirag Shah: Yes. And the second question is if you can just share some thoughts on how did this Rs. 2,100 pricing was determined? I'm asking like it is significantly out of the money. It is more than 3x the current price or something like that. So how was it determined that if you can share some thoughts?

Naresh Jalan: Basically, Chirag, this is as promised or as agreed in the previous call and as agreed and as committed to my investors, we will look at the minority shareholders' benefit and to ensure minimum effect to the minority shareholders. As such, if you see this pricing has been arrived with an objective of only having 0.5% overall equity dilution so that it is not affecting the overall investor community who has put trust in RKFL for past so many years.

So we did not want that one such issue should dent the entire confidence of our investor community and that's the reason this premium has been paid, to basically give a message to the overall investor community that promoters are withstanding with the Company, they would want the investor community to be assured that we are not here to make short-term gains or looking at the future of the Company, I don't think we have paid a huge premium out of it. I am very sure with the coming years of performance of the Company in coming couple of years, I will not be out of money. We will be in the money in going future.

Chirag Shah: And sir, I presume that you have full intent to convert, right, to subscribe it, it's not that we'll allow it to lapse. That is my question.

Naresh Jalan: In my opening statement itself, I have said that this entire money will come within this financial year. It is not going to take 18 months' time as been prescribed in the warrants. I can stretch it up to 18 months. I have very categorically said that because I need to borrow money. So, I don't have a ready line set up to get the money tomorrow itself. So, taking that time into my hand, we have basically taken it as a warrant.

Otherwise, we could have done it as a preferential issue of equity shares if I would have had ready money in my account. So, I will need to borrow through LAS or something. So, we have basically taken time, but I am absolutely sure, and I commit to get this entire money before March '26 is completed.

Chirag Shah: No, sir, I really appreciate your stance on this and your disclosure. Sir, one last question, if I can. Based on the findings till date, is this more of a system error, it is more of a human error? And is the error at the production level or is the error at the accounting/what you call interdepartmental transaction level? If you can share some light, it would be helpful.

Naresh Jalan: So whatever findings till now we have in hand, I can tell you it is not intentional. It is not a purposefully made error. The Company has grown faster than its system. I can only give you only a very simple answer that Company has grown faster than its system. And that is my fault that we have not been able to bring in or get more robust system as the Company grew. That's the learning lesson we have taken, and we are fixing the system in a robust manner that in future, with the growth, my system is also upgraded in such a manner that in future, this never occurs again.

Moderator: The next question comes from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: So very happy with your messages, the way you've articulated everything. It's given a very strong message across. Sir, a couple of questions on the balance sheet. So, you mentioned about the non-recognition of Rs. 170 Crores of revenue. So, does it lead to the similar impact on the inventory and higher receivables and plus the borrowings? Is my understanding correct?

Lalit Kumar Khetan: So, Dhaval, it has nothing to do with the borrowings. So certainly, revenue has a contra-impact on the inventory. So, when the revenue will be recognized, inventory will increase to that extent. Certainly, the margin value is reduced to that extent. Rest all is same, normal.

Dhaval Shah: Okay. On the EBITDA margin front, I mean, sir said about stronger margin. But would you like to share anything in terms of the numbers? I mean, the earlier guidance which were given regarding 0.5% to 1% increase every year. So, do we hold by that guidance? And when we look at utilizing the full capacity, are we still aiming at around 24%, 25% EBITDA margin by FY '28?

Naresh Jalan: Dhaval, in terms of my aspirational margin, we still are intact of getting to 24%, 25% margin by FY '28. And in terms of quarter-on-quarter, I would not like to give you any next quarter or overall next 2 quarters' guidance, but I can only confidently tell you by end of FY '26 and FY '27, you will see us getting back to much above what we were in the past, and we continue to strive for excellence and our endeavour and our entire effort on a war footing is to basically do whatever is required to negate what has gone by in terms of one incident and one incident cannot rock the overall boat of our future and 4,000 people of RKFL. So, I am very confident that going forward, margins will be robust. And my 24%, 25% vision for margin for FY '28 still remains intact.

And with the kind of activity we have done in terms of capacity and with the kind of activity which my marketing has done in terms of bringing in new railway business, in terms of fully assembled supply of bogie frames and the kind of strong customer base, which we have built over the last couple of quarters in terms of getting into PV, which is going to show in FY '27 in full scale, you will see a significant improvement and a robust margin profile going forward.

Dhaval Shah: Noted, sir. And sir, last question regarding the kind of business environment you are noticing for the U.S. market. It's been a couple of months since the tariff talks have happened. So, what sort of conversations you're having, a, with the customers, the short-term outlook? Did they stock on inventory?

How are they giving out the purchase orders now? Second is, have we won any new business after the tariff announcements have happened in the month of March? And thirdly, in terms of negotiating after June, July onwards when the 3-month pause is over, who is going to bear the tariff? And how are we going to work around it?

Some mode of discussions which the customers will be having at their side? Any insights from there? If you can share, it will be really helpful because right now, it's a lot of variables, everything is very volatile. So, some direction will help from your side.

Naresh Jalan: I think, Dhaval, to answer your questions, a couple of things. One, at the right moment, we have set up our Mexican entity. I can tell you this Mexican entity is going to be the golden goose for us for the next 3 years' time. We are seeing huge traction for our Mexican entity to do value-add over there, while we send forgings from here from India to U.S. and to Mexico and get it fully machined and supply from there.

Second, we have had no order reset right now from any of our customers and no customers have come back to us asking for price decreases or absorbing the tariffs. Tariffs, whatever is going to get applied is going to be paid by our customers. Yes, overall, the market demand in U.S. is subdued. But whenever we speak to any of our customers, we are of the opinion and they are also of the opinion that very soon or maybe in a couple of months, they feel that it is going to be a hockey stick recovery, which is going to be extremely fast. If you see the market right now over there, it has gone below the replacement. And as soon as things settle down, I think you will see a hockey stick recovery in the North American market. And we are extremely confident of that.

In terms of new order wins post this tariff, yes, we have had order wins post this tariff from a couple of new customers in North America. We would not like to name the customers, but it is on the off-highway side, it is on the PV side and also it is on the CV side. All the three sides, we have won new contracts, both from March till right now in the month of May.

And as well as in our Mexican entity, we have won a very large order, for basically conversion of castings to finished product and supply from our Mexican entity. Right now, market is down, but we don't see that going forward you may see any movement, maybe it may happen in the next 2 months, it may take 3 months, but it's not that it's very far away. The recovery in the market is going to be very, very steep.

Moderator: The next question comes from the line of Devvrat Mohta from Capital International.

Devvrat Mohta: I have two questions. So firstly, on your revenue recognition that you mentioned, the Rs. 170 Crores impact in this quarter. So effectively, what that means is that, I mean, what you're saying is that the sales at the end of Q4 was impacted, which sort of flows through to Q1. And then there will be an impact in the end of Q1, which will flow through Q2. So, on a go-forward basis, I mean, this Rs. 170 Crores essentially, you should go back to whatever run rate you were pre all of this on a revenue basis. Is that right?

Naresh Jalan: Yes. You're absolutely right, sir. Rs. 170 Crores plus means exactly number is close to Rs. 173 crores is what we have not recognized as revenue, which is going to flow into this quarter. And this is going to be a continued effect, which is now, has been reset and there is not going to be any more new reset going forward in this revenue recognition.

Devvrat Mohta: Understood. And the second question that I had was, again, I think someone asked you before on margin. So, given the number of moving parts that have happened through the course of this year, I mean, what is the right base level of margin to start thinking about? I mean, if I look at your restated number for March '24, March '24 restated number was you were at 20.9% EBITDA margin.

I mean, is that roughly ballpark the right kind of base benchmark to use going forward? Or do you think that I mean, I'm just trying to understand like what is the base number to start with, given the number of moving parts that...

Naresh Jalan: Yes. I think the five quarters number are not the right judgment, basically having inventory write-offs during this quarter, that's not the right judgment in terms of getting into the assumption of what margins we are at or what we can be. Sir, as stated in my earlier answer, we are still intact with our aspirational margins of 24%, 25% going into FY '28. And with the kind of new capacities of heavy forgings, aluminium forgings, cold forging, whatever we have installed and is in progression, I would not be able to comment on quarter-on-quarter basis or next quarter. But overall, in terms of yearly basis, we still believe, and we are of the firm view that we will be able to maintain our margin and we will be able to build on that going forward.

Devvrat Mohta: Sir, sorry, when you say maintain your margin, I mean, is it FY '24 number when you say maintain, FY '24 the base in your mind? Or is FY '23, what is the base, I mean, when you say maintain margin, will it be on FY ’24 level?

Naresh Jalan: Sir, the base in my mind is FY '24, but we have to still build on that case. And I think that's the base which we are working with.

Devvrat Mohta: Got it. Understood. And then one more last question for me is just your capex was quite elevated in FY '25. You said, I think to someone else's question that you're coming to the end of the capex cycle, you said largely will be done by September. So, for FY '26, how much capex do you expect for the full year, FY '26, FY '27?

Naresh Jalan: Total full year, including maintenance, Rs. 100 Crores to Rs. 150 Crores is going to be the capex for whatever is in the WIP that is going to get completed before end of September. So, all these capacities are going to be in place, and we are going to be up and running. Rest all is going to be Rs. 100 Crores or Rs. 150 Crores, whatever is going to be basically on account of maintenance or line balancing, no additional capex, at least for next 1.5 years. Mid till FY '27, we don't see major capex coming in.

Devvrat Mohta: Got it. So INR100 Crores to INR150 Crores of maintenance. How much is the balance, whatever is due in FY '26 from your growth capex that you've done in the last, so I'm just trying to arrive at like what is the total capex for FY '26, if you include maintenance capex?

Naresh Jalan: That is Rs. 100 Crores sir, pending, I think everything is showing in WIP. To finish that off, maybe Rs. 50 Crores, Rs. 60 Crores or more required and rest is Rs. 100 Crores. In totality, what I'm speaking is close to Rs. C100 Crores to Rs. 150 crores is going to be the total extra money spend above the WIP, which is showing already in the balance sheet.

Devvrat Mohta: Okay. So, it is Rs. 150 Crores that includes maintenance capex plus whatever is pending to finish off WIP project?

Naresh Jalan: Yes, sir. Yes, yes, sir.

Devvrat Mohta: Okay. And the corresponding number in FY '25 was almost Rs. 976 Crores or something. So, from Rs. 976 Crores, it's going to Rs. 150 Crores.

Naresh Jalan: Yes, sir. Sir, major of the cash flow, to answer your question, sir, from warrants, tax refunds and free cash flow, which is generated post the interest payment in the coming year because this year also we presume, we should be tax-free based on our ACIL merger. So, all this money mostly will be either utilized Part will be utilized for working capital and balance will be utilized for repaying the debt.

Moderator: The next question comes from the line of Ranjit Aggarwal from Nilgiri Investment Managers Private Limited.

Ranjit Aggarwal: I really appreciate the follow-up comments and the capital commitment that the management has made. But forgive me, but unless and until I understand what actually happened, it's very difficult to believe that it is going to be back to where it was earlier. Now the question really is, I mean, I'm sure the Company like you would have SAP, you would have an internal auditor, you have bankers, the best of the bankers who conduct annual inventory audit.

So how did this lapse? And it didn't happen over 1 quarter or over 1 year, it happened over more than 1 year. I don't even know if it went beyond 2 years. So, if there is something specific that you can share how this happened, and it's not even a small amount, it will really help me to understand that going forward, things cannot and will not be repeated.

Naresh Jalan: I think to answer your question, yes, we have SAP. We have internal audits. Yes. As I answered to your earlier question of one of the investor fraternity that with the growth, we don't deny that there has been lapses. We don't deny that we are at fault. We take full responsibility of the fault, which has happened.

So, there is no denying of the fact that there has been lapses and there has been controls which have been missing. With the kind of growth we have had over the last 5 years, yes, we have not built a robust system to ensure that this growth also takes care of the systematic issue which should ensure that no such things occur.

So, we are extremely unhappy ourselves like you are. We are extremely sorry for has happened. But reasons for the same is not intentional. It is not purposeful. It is basically lapses, which is on ignorance, lapses which have happened.

And right now, I can assure you the kind of controls we are putting in, the kind of systematic controls in terms of removal of manual feeding in the system, removing th e manual intervention in the system, putting the system on the auto mode directly linked to the production equipment, is the way forward, which we are working on.

And I think in the next 3 months' time, by end of September, most of our systems will be out auto fed rather than doing manual feeding is concerned. So, I can assure you that this kind or any such kind of incident will never come in future.

Ranjit Aggarwal: Right, sir. Thank you again for reassuring your commitments. I have a few quick questions, if you don't mind. I mean, just bear with me, please. Has any bank come to you saying they would like to withdraw their limits or reduce their limits?

Naresh Jalan: No, no such banks have come. And as well as if you see, when banks are concerned with the money, promoters are bringing in upfront money into the system. So, to the tune of that, bank have been reassured that promoters stand by their commitment and the money is coming into the system.

And as such, also, I would like to reiterate one thing that you will be able to see when the fact-finding report comes, it is an error. It is no leakage of money from the system. I would like to reiterate that there is no theft. There is no leakage. There is no manipulation or nothing wherein money has flown out of the system.

So, it is an error which has occurred. But still as a moral responsibility, as a promoter of the company, I took full moral responsibility of the same and have funded the amount. And banks are concerned with the money in the system and the money is coming back into the system in a manner which is non-dilutive for the entire investor community.

Ranjit Aggarwal: Right, sir. I think that is very well appreciated. Last one, do you have any obsolete inventory or rejected WIP or any sort of inventory which can't be put to use on your books right now?

Lalit Khetan: We always have a policy for the obsolete inventory or unusual inventory, and we make it as a scrap and there is no such inventory left in the system. And that is a continuous practice we always follow and a policy also to provide for the slow-moving inventory.

Naresh Jalan: One more thing, sir, one more thing to add to your question. I would like to reiterate, sir, as answered also earlier, all provisions, maybe anything related single piece also has already been provided. And there, I would like to stress that there is not going to be a single piece provision, whether obsolete, whether lost, any such inventory issue has been addressed. We have not tried even to save a single penny out of it. Everything what was required has been provided.

Moderator: We take the next question from the line of Raghunandhan from Nuvama Wealth Management Limited.

Raghunandhan: We appreciate management commitment on investment of Rs. 205 crores through warrants. A few housekeeping questions to Lalit sir. Sir, for FY '25, can you share within the revenue mix, how would be auto, non-auto? And generally, you give some guidance about within non-auto, railway, mining, oil and gas, others. If you have that numbers handy, please do share.

Lalit Khetan: So Raghu, I will just say auto and non-auto is maintained at 78% right now, okay? And I will share separately the mix, because I have not been able to work out due to the positive time on the other revenue. But it is more or less on the trend what we have in the last quarter on the other segment. There is no significant change.

Raghunandhan: Got it, sir. And for full year FY '25, if you can also share the revenue for Multitech, JMT and ACIL?

Lalit Khetan: So, ACIL revenue is already merged in RKFL Results. So, the revenue of RKFL includes the revenue of ACIL. About Multitech and JMT combined together for the full year. And so, I think a lot of elimination happens at consol level. But in isolation, if you look at JMT was about Rs. 140 Crores and Multitech was about Rs. 360-odd Crores.

Raghunandhan: Got it, sir. And what would be the margin, sir, for Multitech?

Lalit Khetan: So overall margin for the full year for the Multitech was more than 15%. And for JMT, we have a very nominal margin, but from this quarter onwards, you see JMT is showing its full potential as JMT is getting ramped up quite significantly, and you can see a significant margin contribution from JMT in the FY '26.

Naresh Jalan: To just add on to Lalit's answer, in JMT Auto it was an NCLT company. It has taken us over more than a year to get back into shape. And also because the company was closed, all the customers had shifted back their business to some other suppliers. Now getting back all those customers, we have been able to get one of the biggest oil and gas customers from North America back in RKCSL (JMT Auto). Samples have already gone there.

And we expect from next quarter onwards, significant sales to come in oil and gas directly from JMT Auto as well as off-highway business, purchase order samples and everything is almost under completion, and we will see significant revenue coming from off-highway sector also from JMT Auto, which is now RKCSL from next quarter onwards.

Raghunandhan: Congrats on the oil and gas order. Sir, lastly, within exports for FY '25, 41% of revenue is export. Broadly, if you can break it up to North America, Europe and others?

Lalit Khetan: So out of the entire 41%, we will attribute 26% to North America, about 30% to Europe and 2% to others.

Moderator: The next question comes from the line of Mithun Soni from GCC Holdings.

Mithun Soni: Sir, just one clarification I needed. Of course, as we said, it was an error whatever happened because of the system ramp-up being slower than the growth. But the error was in cost calculation. Like, for example, there is a cost team, which will do the cost analysis of what is the raw material and XYZ and then that is passed to the revenue team, the revenue is recognizing it and accordingly, the inventory gets adjusted.

Is there like there was a revenue which was recognized, but against which the inventory was not there or over recognition of inventory revenue would happen. I mean I'm still not able to understand what is the error. I understand it's an error, but what is the error?

Lalit Khetan: Mithun, just to reply to your question. So, there is no revenue recognition question in place. This inventory error has nothing to do with the revenue recognition. All that is recognized whatever moves out of the factory and reach to the customer's base. And that has been billed and paid by the customer.

There is no ambiguity in that. So, we have always earlier thought this was an error in recording of production and error in recording of rejections of inventory, which has made book stock of inventory higher than the physical stock, which has been corrected.

Mithun Soni: Just to understand. So basically, what you're saying is that the system over recorded the inventory?

Lalit Khetan: Yes. You may say. Recorded more inventory and more production than the inventory.

Mithun Soni: But let's say, if we record more production, then technically, the cash should be there in the system, basically production when you're recognizing, then you have the raw material. If you have the raw material.

Lalit Khetan: There is no cash question comes here because see, if you have produced only 100, but we call it 102. So, it's only notional.

Mithun Soni: No, but let's say, core raw material is better?

Lalit Khetan: So, it will be raw material consumption out of accounting there is...

Mithun Soni: No, no, sir, please understand what I'm saying, sir. You have bought a basic raw material steel, okay? You know there is x amount of steel, which you bought. And against that, when you convert, there is x amount of scrap and x amount of finished products which you have finally made. For the steel which you have bought, you have paid cash, okay?

Now if the output or the production, which we say that the inventory was produced more, it will not tally because you have not bought so much amount of metal. And the cash has also not gone out of the system because since you have not bought the metal, you have not paid for it. So excess inventory got created, so the analysis of input/output ratio went for a toss?

Lalit Khetan: Yes, you are directly or entirely correct. So certainly, there was aan lapse on the analysis part of this also.

Naresh Jalan: Basically, I think to answer your question, this first issue came to light only because input/output ratio went for a toss. And that's the reason the issue was highlighted in the system. And when we started digging deep, and that's the time we realized that this mess has come into the system.

Basically, if input/output ratio would not have changed or input/output ratio would not have significantly impacted, there would not have been an alarm raised internally in the system that this issue is prevalent. So, you were absolutely right that input/output ratio.

Mithun Soni: I understand. So, what you're saying is the sales were happening at its own pace. Whatever we were ordering was happening, we were making. But you were saying that the production was also happening at the same time that you were buying for the order which you received, you buy the metal, you will convert it into finished goods, there will be scrap. But then there was over reporting of the products made.

Naresh Jalan: There are a couple of things, I think, when you will see the final exclusive summary of the fact-finding report, it will be more clear to you. But to be safe on the side while not commenting on what comes out of it, there are a couple of things that it was over reporting of the production as well as underreporting of the rejections both combined together have accumulated into this.

And as rightly said, this is not an error which has happened over a quarter or over a year. It is an error which has happened over a couple of years. But in order to have a final number to it, we did a full physical inventory of every single piece in the system and came to conclusion and have provided this in last 5 quarters.

Moderator: We take the next question from the line of Bharat Shah from ASK Investment Managers Limited.

Bharat Shah: While the final report would emerge, as you mentioned, in some time, and I hope it confirms everything that has been narrated just now. I don't have a question today, so I just wanted to make an observation. Every failure or every challenge is a source of opportunity. A failure is a source of opportunity to make things far more robust and prevent brittleness to come in.

I hope this has been a significant and a rude kind of a shock, but it doesn't have to remain that way, if we convert this challenge into a big opportunity by making our systems tight, by making things more efficient. And in fact, given that this opportunity has created confusion about margins, but which you talked about at length, I think it gives us a fresh opportunity to look at our cost structure, our pricing, our efficiency so that as soon as possible, we get back to the kind of profitability and capital efficiency that we believe would come forth with the rising scale and the sophistication of the kind of products that we are offering.

In short, while indeed, this has been a rude kind of, very impolite kind of interruption, which has occurred, but it doesn't have to remain that way if we take the right and constructive lessons out of it?

Naresh Jalan: Thank you, Bharat bhai. Being a veteran from the industry, your comments or your observations are absolutely right, and we respectfully take these comments on the right earnest. And I personally promise the overall fraternity of the investors who have backed RKFL that this is one such incident and a rude incident and a bad incident, which has aggressively been looked at by us.

We have spent sleepless nights over the last 2 months. And first time ever, we have had 8 days practical closure of our plants for a complete audit of every single thing, every physical count of everything. And I can assure the investor community that this is never ever going to happen ever. And we are putting in absolutely robust systems and integration before end of September to ensure that this incident is a past and a forgotten incident and will never ever reoccur in times to come.

Also, I would like to assure you personally that we are working absolutely diligently because we are responsible to our people in RKFL, our investors, our customers. So, taking all this into account, we are now going to pace our growth with the system growth also. We are just not going to grow in terms of capacity. We are going to grow in terms of overall building the robust system to ensure that system creates profit rather than all these things.

Bharat Shah: Deeply appreciate. And I also appreciate your statement earlier that there has been no cash leakage and there has been no theft or manipulation, which has occurred. And therefore, despite no cash leakage from the system, if you have chosen to put as promoter the funds back into the money by restoring the Net Worth because implicit assumption is that the investors believe the profits which were there for these 2 years, even if there was no cash erosion, these profits at least were presumptively there. And therefore, now that they are not there, you have chosen to put it back into the system. I think it's an act of definitely good behaviour. I deeply appreciate.

Naresh Jalan: Thank you very much, sir. Thank you. Thank you, sir.

Moderator: Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

Rajesh Mundhra: Thank you. I would like to thank all the participants for taking out time to join our earnings call. I hope we have been able to answer and address your queries. For any further information, kindly get in touch with us or with CDR India. On behalf of Ramkrishna Forgings Limited, we wish you all a very wonderful week ahead. We look forward to interacting you again in the next quarter. Thank you very much for taking out your time again. Thank you.

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