



RAMKRISHNA FORGINGS LIMITED

Date: 25 January, 2023

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
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Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Call Q3 & 9M of FY 2022-23

This is further to our intimation dated 18 January, 2023 w.r.t conference call with the Analysts/ Investors for the Q3 & 9M FY 2022-23 Financial Results (Standalone & Consolidated).

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 for Q3 & 9M FY 2022-23 Financial Results with the Analysts/Investors, held on Friday, 20 January, 2023 at 16:30 Hours (I.S.T).

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
Company Secretary & Compliance Officer
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Encl.: As above



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Ramkrishna Forgings Limited

**“Ramkrishna Forgings Limited
Results Conference Call”**

January 20, 2023



MANAGEMENT: **MR. NARESH JALAN – MANAGING DIRECTOR –
RAMKRISHNA FORGINGS LIMITED**
**MR. LALIT KUMAR KHETAN – WHOLE-TIME
DIRECTOR AND CHIEF FINANCIAL OFFICER –
RAMKRISHNA FORGINGS LIMITED**
**MR. RAJESH MUNDHRA – COMPANY SECRETARY AND
VICE PRESIDENT FINANCE – RAMKRISHNA FORGINGS
LIMITED**

MODERATOR: **MR. BASUDEB BANERJEE – ICICI SECURITIES**



Moderator: Ladies and gentlemen, good day, and welcome to the Ramkrishna Forgings Limited Results Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by dialing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Basudeb Banerjee from ICICI Securities. Thank you, and over to you, sir.

Basudeb Banerjee: Thanks to all participants. Good evening all. Thanks to management of Ramkrishna Forgings for giving us the opportunity to host the Q3 FY '23 call, post-Results Call.

Company is represented by top management in the form of Mr. Naresh Jalan, Managing Director, Mr. Lalit Khetan, Executive Director and Chief Financial Officer, and Mr. Rajesh Mundhra, Company Secretary and VP Finance. Over to the management of R.K. Forgings for their initial comments. Post that we'll take the Q&A. Over to you, sir.

Lalit Khetan: Thank you, Mr. Banerjee. Ladies and gentlemen, good evening, and a very warm welcome to everyone present on the call and wish you all a very Happy New Year from the entire Ramkrishna Forgings' staff.

I have with me Mr. Naresh Jalan, our Managing Director, Mr. Rajesh Mundhra, our Company Secretary; as well as our Investor Relations team from Orient Capital. 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's website.

I am pleased to report that our company had a strong Q3 and nine-months FY '23. The Commercial Vehicle Segment has seen steady growth following the festive season due to high utilization of fleets resulting from increased economic and infrastructure activity. The momentum is expected to continue and overall commercial vehicle market is predicted to remain strong, driven by an increase in economic activity and government's emphasis on infrastructure and electrification.

We are also proud to announce that this quarter, we have won three orders worth INR 366 crores from North America and Europe. Out of this one order is for supply of EV component, which demonstrate our confidence in EV space. The demand from these countries has been increasing, and we aim to grow our export by 15% to 20% in this year. North America will continue to do well, and the increasing imports from Europe will continue to give us more opportunities to participate.

In line with the industry, we have seen an increase in demand as well for our products, which has led to significant growth in our revenue and profits. In Q3, we have recorded revenue of INR



752.30 crores, which represents an year-on-year growth of 24%, while nine-month FY '23, we recorded a revenue of INR 2,165.60 crores, which represents an year-on-year growth of 35%.

EBITDA margin for the quarter stands at 22.10% versus previous quarter of 22.30%. Our net profit after tax for the quarter is INR 57.57 crores, which is an year-on-year growth of 27.6%. Our net profit after tax is INR 168.77 crores for nine-months ended FY '23, which is a year-on-year growth of 40.8%.

To diversify our product portfolio, we have continuously taken steps to increase our diversification and to strengthen our foothold in EV space, we have acquired 51% stake in TSUYO manufacturing. This will significantly improve our capabilities and expand our market share in evolving EV segment.

Furthermore, our recent plan to acquire JMT Auto also has got approval from the Committee of Creditors, which is subject to obtaining the necessary approval from the NCLT, New Delhi. The strong performance is a reflection of the diligence and commitment of our team as well as the continued support of customers and stakeholders. We remain committed to delivering high-quality products, enhancing our content per vehicle, providing superior services to the customers, and we are confident that we continue to see growth in the future.

Thank you for your continued support and for joining us today. We are now ready to take questions from the audience. Thank you.

Moderator: The first question is from the line of Sanjay Dam from Old Bridge Capital.

Sanjay Dam: Congratulations, Mr. Khetan, Mr. Jalan, Mr. Mundhra and team for the wonderful performance. I just wanted one clarification. In Slide 21 of your presentation, you stated that you are adding 56,300-ton capacity, which would be ready by September '23. And with this capacity, will be able to achieve a top line of INR 5,000 crores at current commodity price. Just wanted to reconfirm that because if I look at the trailing 12-month revenue, we've done about INR 3,000 crores of revenue. So you are saying that with this increase, we'll be able to do INR 5,000 crores, is that correct?

Lalit Khetan: Yes, that's correct.

Naresh Jalan: Yes.

Sanjay Dam: And broadly, I think this quarter is also very significant because we ended up with the highest ever EBITDA per ton sold. I think it would be in excess of INR 58,000 a ton. So going by that yardstick, when we do hit that INR 5,000 crores of topline, that if we are able to improve the EBITDA because of better mix, higher content, etc, that would be a welcome change. But if we even maintain that, we are looking at a broad EBITDA of about broadly about, I think, INR 2,900 crores?



- Naresh Jalan:** I think Sanjay, it is very difficult for me to give you EBITDA number.
- Sanjay Dam:** I understand, sir. I was just seeing that whatever you have?
- Naresh Jalan:** Overall, whatever we have said in the presentation is that with the addition of the 56,000 tons of capacity, we will be near approximately 2,35,000 to 2,40,000 tons capacity, which is good enough in the way we are improving our value add per content per vehicle and as well as non-auto segments are getting added. We feel that we will be able to touch INR 5,000 crores of revenue. But we are confident of that and depending on the current commodity prices, how it moves during the year. But in terms of EBITDA, it is very difficult to say right now what is going to be the EBITDA per ton.
- Sanjay Dam:** Yes. But irrespective of whichever way the commodity moves, that can move your top line for sure. But EBITDA per ton should be defendable, right?
- Naresh Jalan:** Yes, we will be able to maintain our margins, what it currently is.
- Sanjay Dam:** And the second is, if you could -- now, when you get the NCLT approval for JMT Auto capacity, what is the capital allocation that would be required there?
- Naresh Jalan:** We have already given in our presentation, the cost of acquisition has been INR 125 crores for us. Out of which INR 70 crores is being paid upfront and balance is going to be paid over the next four years. And we will deploy further INR 50 crores of capital in this by way to do capex in the organization and as well as the working capital.
- Sanjay Dam:** And what do you expect out of this capacity, sir?
- Naresh Jalan:** It is a mix of forging and casting capacity with value-add. So I think if we go by the historical numbers, what JMT had published being a listed company, I think at that period with the commodity pricing, what was prevailing at that time, they did a peak topline of close to around INR 375 crores.
- So I think with those numbers and with the current commodity pricing, we feel that once we are able to get the plant up and running, we should be able to do anything between INR 450 crores to INR 500 crores topline from that.
- Sanjay Dam:** Yes, that you should do. And broadly, what is the time line you sense?
- Naresh Jalan:** We don't know the legal time what is going to be taken in terms of handing over the plant. Once we get the plant, I think it will take us approximately 18 to 20 months to get the plant up and running and in full production.
- Moderator:** The next question is from the line of Mumuksh Mandlesha from Emkay Global.



- Mumuksh Mandlesha:** Sir, you mentioned that exports are expected to grow 15% to 20% for next year. Can you share what would led to the growth while the underlying market may be flattish, sir?
- Naresh Jalan:** In terms of exports, we feel that the amount of new customers we have added and whatever orders are there in pipeline and whatever contracts we have won in this year, which will get into production in the coming year as well as the new geographies which have been added, will result in at least 15% to 20% improvement in our exports.
- Mumuksh Mandlesha:** So it's mainly market share gains and new production to drive the growth, right, sir?
- Naresh Jalan:** I cannot comment on market share gain. We are gaining new customers, new geographies are getting added. And that is what, exactly I cannot comment on market share gain because these are all new products for us and new geographies. So we don't know what is the market right now there. But basically, with the commitments received from the OEMs or the customers, we can safely say that we should be growing around 15% to 20% in the coming year.
- Mumuksh Mandlesha:** Sir, on EVs, which are the EV-specific components, company is working on? And what are the plans of investments for the EV products? And also, can you talk about the recent investments, TSUYO? What kind of revenue potential and investments you're planning, sir?
- Naresh Jalan:** I think we'll answer your question in two parts. One, Lalit will take up in terms of TSUYO. And then in terms of our current capacity, we are mainly working with our current OEMs for e-axle, as well as differential and motor shafts. These are the few components wherein we are working with our current customers from the current capacity for supplying EV components. In terms of TSUYO, I think Lalit can update you on that more.
- Lalit Khetan:** From the TSUYO, see we will do the investment in phases in over five years. Around INR 100 crores of investment will be done in TSUYO. And we're making products like a motor controller, differential and e-axle, complete powertrain. And that is the product line we are looking at. And then further, we are looking at high-wattage motors, that will be go to the higher weight vehicles. So that's on the TSUYO.
- Mumuksh Mandlesha:** Sir, this quarter, non-auto segments like mining and railways have done very well. So what led to the growth, sir?
- Naresh Jalan:** So basically, the capacity, in our previous calls also, we have said railway is a segment which will continuously grow. And I think it is just a start of the growth right now. You will see every quarter, the railway will keep on adding in terms of percentage and absolute sales as well as the earthmovings equipment side.
- Mumuksh Mandlesha:** Sir, possible to share the targets for the railways for next year?



- Naresh Jalan:** No, I think next year, it's too early for us. We will wait till the full year is getting completed. But for current quarter, which is going on, we can safely say that we will do much better than third quarter, which has ended.
- Moderator:** The next question is from the line of Dhaval Shah from Girik Capital.
- Dhaval Shah:** Great set of results. Yes. So first question is for the third quarter, if you look at the geography mix, the revenue share from Asia is now 90%, while North America is down to 2%. So what is this change, why is this sudden big change in this geography mix has happened? If you can elaborate on that?
- And second question will be, our quarter-on-quarter finance cost is slightly up. So some clarification on that as well. Yes, these are my two questions.
- Naresh Jalan:** No, in terms of geographical mix, I think Asia is 71%. Europe is 12% and 17% is North America. North America from 21% is down to 17%, but that's basically down only because of -- in terms of absolute numbers, it is not down. But in terms of increase in balance sheet, we had in our earlier calls also indicated that Europe is going to grow fast. And also as customers added in the Asia Pacific are also going to start showing traction. So that is the reason North America sales looks to be down in nine-month balance sheet.
- Dhaval Shah:** So I was -- if you breakdown, okay, I'll take this offline. No problem. Yes. And on the interest cost?
- Lalit Khetan:** Yes, Dhaval, on the interest cost, see because in the last nine-months, they were raising, almost 250-basis point rise in the interest done. There has been a lot of raise, almost 250-basis point rise by the RBI. So that -- 225-basis point raise by the FED also. So what has happened is all interest decision has come out in the month of September and October for us in the long-term loan. So there is a little impact on us in this quarter a little bit and that's why this interest cost gone up and working capital cost is constantly going up due to that.
- Dhaval Shah:** And sir, what is the working capital as on today, how much is the working capital days?
- Lalit Khetan:** Working capital days right now, I can say that it has reduced a little bit from the last quarter, maybe five to seven days, but almost it's near to what was in the half year.
- Dhaval Shah:** And so our debt is around INR 1,287 crores, and so by 31st March, how will this number look?
- Lalit Khetan:** We look to reduce another INR 50 crores by 31st March.
- Moderator:** The next question is from the line of Abhishek from Dolat Capital.
- Abhishek:** Congrats for a strong set of numbers. Sir, just wanted to know what is the outlook for the Class 8 trucks and fourth quarter domestic MHCVs volume?



- Naresh Jalan:** I think for Class 8 trucks, we see this market to remain strong. And I think with the same levels, I think what we ended year '22. I think '23 also will be same. I don't think the industry is going to grow from what it has been in '22, but it's going to remain flattish in calendar year '23. In terms of MHCV, we see lot of traction in the domestic industry. And I think domestic industry is doing really well, as we speak right now.
- Abhishek:** And as you are targeting around 15% to 20% growth in export markets, so what kind of the growth you are targeting in the North America and Europe?
- Naresh Jalan:** No. we will not be able to give growth geographically right now. I think in overall exports, we should be doing close to 15% to 20% higher exports, but it will come basically through new segments, new components, as well as the new geographies which have been added in. And already most of the announcements have been made by us, as we continue to win new orders.
- Abhishek:** So what is the overall volume growth target you have for FY '24, sir?
- Naresh Jalan:** FY '24 is quite early for us to say anything. But I think you'll need to wait for the full year for getting FY '24 targets we have set.
- Abhishek:** So in the export, you mentioned that 15% to 20% growth, so what kind of the growth we can see in the domestic market?
- Naresh Jalan:** Domestic market is extremely strong as we speak right now. So I think need to wait for the full year to get completed, exports, we can safely say because the calendar year, they work on calendar year and it has ended on December '22, and we have already got projections for this full year from our export clients.
- Abhishek:** And sir, in realization terms, we have seen a 5% decline in this quarter just because of the fall in the freight cost or fall in the commodity prices?
- Naresh Jalan:** Mainly because of the fall in commodity price.
- Abhishek:** And as the steel prices has corrected 20% to 25% in last six months. So we'll see the further decline because of this?
- Naresh Jalan:** I don't know exactly from where you've got this 22% to 35% steel decline. So I will not be able to comment on this. As we speak, we have got close to INR 8 to INR 10 kg price reduction, and that is already reflecting in our export sales.
- Abhishek:** Sir, I was talking about the Indian steel sector that has ramped down from the current...
- Naresh Jalan:** We have not seen any steel prices decline in India in automotive steel.
- Abhishek:** And sir, in this quarter, employee expenses has gone down. Is there any layoffs?



- Naresh Jalan:** No, there has been no layoffs in...
- Lalit Khetan:** This is mainly due to the last quarter. It was bonus and the increment impact was there. So it is now normalized. Next quarter, it will be at this level only.
- Abhishek:** My last question is related with the tax rate. What would be the effective tax rate for FY '23 and '24?
- Lalit Khetan:** See, FY '23, we are in the highest tax bracket, and we hope in the next year, we will move to 22%-plus surcharge tax bracket.
- Abhishek:** And this year, it would be around 32%, right?
- Lalit Khetan:** Yes.
- Moderator:** We have the next question from Mahek Talati from Yellow Jersey Investment Advisors.
- Mahek Talati:** So I wanted to ask that steel prices have come down by 40%. So what is the realization in margins you are expecting?
- Naresh Jalan:** Ma'am, I really don't know from where the figure of steel prices have come. To the previous question, I've already said, for us, steel prices in the domestic industry has not corrected and it is still the same, what was there in previous quarter.
- Moderator:** The next question is from Mitul Shah from Reliance Securities.
- Mitul Shah:** Congratulations on good set of performance, growth, all the parameters. The first question is on export incentives, which is sizable around INR 63 crores during the quarter, whereas Q-on-Q export revenue is flat but these incentives jump up more than 21%. So just want to understand how it is there any spillover of the previous quarter or it is linked with the geography related or product-to-product variation?
- Lalit Khetan:** Mitul, just like to correct you. This is INR 6 crores, not INR 62 crores, INR 63 crores.
- Lalit Khetan:** And that is on the entire exports, okay. And that comes out to only 2%. That includes duty drawback and RoDTEP. The duty drawback is 1.6% and RoDTEP is 0.7%.
- Mitul Shah:** The second question is on non-auto side that we are talking lot about this railway part, but other non-auto like mining, earthmoving, farm is contributing more than 8% of the revenue now. So can you give more details here within this segment, how much or would be farm equipment? How much would be mining or earthmoving or what is the approximate bifurcation?
- Naresh Jalan:** No, I think it's a difficult, Mitul, to give you a bifurcation within this 8%. But overall, company looks at, our non-auto segment has grown and will continue to grow, I think, in the coming quarters also in the non-segment. Both railways and mining and earthmoving and farm



equipments will continue to show, are continuing to show traction, and we expect in coming quarters, this to significantly scale up further.

Mitul Shah: Sir, any qualitative aspect in terms of the -- within this farm equipment or earthmoving, what could be major or maybe in terms of growth, why this could be higher than the other segments?

Naresh Jalan: I think all the three segments are doing extremely well. So I cannot put a specific data to any particular segment. So all the three segments are doing extremely well. And we feel that this is right now going to be a qualitative percentage in terms of the overall balance sheet.

Mitul Shah: Sir, lastly, on oil and gas side, what is our development, earlier we were trying to gain market share from the giant competitor, so what is status there, sir?

Naresh Jalan: No. We are already doing extremely well, over 0.9% in the last year, full year. We have done close to around 1.6% in nine-months. And I think this is going to further grow, to close to around 2% to 2.5% of the entire balance sheet.

Moderator: We have the next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, you mentioned with new capacity, our revenue potential can be INR 5,000 crores. So that is what we are trying to achieve by maybe FY '25, that would be a fair thing to assume, right?

Naresh Jalan: Yes. We are trying to achieve that by FY '25.

Deepak Poddar: So that effectively means the CAGR of 25%, 26% over next two years. That's what we are looking at?

Naresh Jalan: Yes, company basically is visualizing, our company is basically, earnest desire of the management is to touch those figures. And probably, we will be able to throw much more light into it when we end this year and when we start, are able to give you a full year guidance in the full year results.

Deepak Poddar: When we are at about INR 5,000 crores topline, currently, you did mention that this 22% EBITDA margin is a sustainable kind of thing. But given our gross margin is 55%, so I believe that effectively means we would get operating leverage advantage when we reach maybe INR 5,000 crores of topline. So there should be upside risk to this margins maybe over next two years?

Naresh Jalan: No, I don't think there is a risk to the margins. Like I said in my previous answer also that we want and we are committed to maintaining these margins of 22-plus percentage as we continue to grow. And with whatever current horizon, what we look at in terms of order book or in terms of commodity, we feel confident that we'll be able to maintain the same.

Deepak Poddar: No. so risk in the sense, I was indicating the upside potential because of the leverage rate?



- Naresh Jalan:** Obviously, we continue to desire to go ahead, upside in terms of profitability. But we can commit to maintaining the margins, but whatever comes will always be in the investor domain.
- Deepak Poddar:** And my last question is regarding your debt levels. I mean, as you have mentioned in the past, that we look to become net debt-free by FY '25. I mean, currently, we have about INR 1,400 crores of debt?
- Naresh Jalan:** No, I think you are wrong, I think our debt is below INR 1,300 crores, I think INR 1,286 crores. We have already -- if you see significantly around INR 300 crores of debt reduction in nine-months, we have done. So we expect to another INR 50 crores reduce in this quarter. So it is a continuous process. We are on the job to reduce debt.
- Deepak Poddar:** But net debt free, is what, FY '25-'26, is that the timeline?
- Naresh Jalan:** Yes. We still maintain the targets of being a net debt-free by FY '25-'26.
- Moderator:** The next question is from the line of Viral Shah from Enam Holdings.
- Viral Shah:** Sir, my first question is on the debt number of this INR 1,286 crores. Can you just clarify, does this include the bill discounting number also and what is the number of bill discounting?
- Lalit Khetan:** Yes, it includes the bill discounting number also. All the bill discounting has been included in the debt, whichever, is on there.
- Viral Shah:** And what would that number be, if you could share that?
- Naresh Jalan:** We had bill discounting of TATA Motors bill discounting, I think, Viral, that's INR 95 crores.
- Viral Shah:** INR 95 crores. Sir, secondly, on the capex, I want to understand. So what is the capex outflow that will happen in FY '23 and '24 both?
- Lalit Khetan:** So we already communicated that INR 250 crore will be the capex plan for the FY '23. And we stick to our capex plan of INR 250 crores. And for next year, it will be in the range of INR 150 crores to INR 200 crores.
- Viral Shah:** So this INR 250 crores plus INR 150 crores will include the maintenance capex also.
- Lalit Khetan:** Yes.
- Viral Shah:** And this 56,000 tons of additional capacity, could you just throw some more light? Is this similar to the presses that we have? Or are these -- will these be newer presses, what kind of products will these do something of that sort?



- Naresh Jalan:** No, basically, in 56,000 tons, Viral, whatever capacity is getting added is basically in cold and warm forging. So, mostly, I would not like to disclose the parts or what components we are. Basically, it is a new generation cold and warm forging.
- Moderator:** We have the next question from the line of Mr. Dhaval Shah from Girik Capital.
- Dhaval Shah:** Sir, the EBITDA per kilo is slightly lower in the third quarter compared to the last quarter. Was there, sir, is this due to some product mix change?
- Naresh Jalan:** No, there is no product mix change. Basically, prices of commodities have gone down in the export market and the domestic steel price is yet to pass on those results.
- Dhaval Shah:** So you reduced your selling price, but not yet, but you haven't got the benefit?
- Naresh Jalan:** Yes. We are still negotiating with the steel plants.
- Dhaval Shah:** So that generally happens in April and October, right?
- Naresh Jalan:** No. Every quarter, it happens, it is delayed right now. We are expecting it to happen anytime.
- Dhaval Shah:** And what is the quantum of reduction you expect?
- Naresh Jalan:** No, I think we cannot put a number to that, right?
- Dhaval Shah:** So this, assuming the last quarter number as a number for FY '23, like around INR 50 to INR 53 a kilo. So when you, over next two, three-year period, how will this number grow year-over-year?
- Naresh Jalan:** I think it's very difficult, you're asking a question which -- it is extremely difficult to answer.
- Moderator:** The next question is from the line of Abhishek from Dolat Capital.
- Abhishek:** How much capex will be required for this 56,000 ton capacity?
- Lalit Khetan:** Abhishek, we have said that we are already going to INR 250 crores capex in this year, and this is an ongoing capex. I mean, that capacity will be up in next year, so another INR 100, INR 150 crores will be required to complete this capex, and that will be it.
- Abhishek:** I'm asking about the total capex that would be required for the new capacity. It will be around in the range of INR 2.75 billion to INR 3 billion, what you mentioned...
- Lalit Khetan:** Yes, total capacity for this capex, what we are doing is around INR 250 to INR 300 crores.
- Abhishek:** And this year capex, you would be able to do around INR 1.0 to INR 7.5 billion of capex as a part of the capex, as a part?



- Lalit Khetan:** Could not get you. Could not get you, Abhishek. Can you repeat your question?
- Abhishek:** For this year capex, for the new capacity, it would be around INR 1.5 billion?
- Lalit Khetan:** Not billion. I think INR 150 crores, actually.
- Naresh Jalan:** INR 250 crores for current year and next year, we are projecting close to INR 150 crores to INR 200 crores.
- Abhishek:** How much is the forex gain or losses in this quarter, sir?
- Lalit Khetan:** This quarter forex gain is around INR 11 crores.
- Abhishek:** Sir, from last two quarters you are giving, during the last quarter, you had gained around INR 12 crores, this quarter, also INR 11 crores. So what is the reason of this, sort of the forex gain.
- Lalit Khetan:** That's basically the currency fluctuation. If you look at the last quarter dollar closed at INR 81.38 and this fall quarter ended at INR 82.73 ,whatever is the unhedged debtor that has been restated with the current rates plus we do some amount of hedging, there we also make gains.
- Abhishek:** And that is coming into the other income?
- Lalit Khetan:** That is part of realization.
- Abhishek:** As part of the realization. And my last question on the inventory in the export market, how much current inventory is lying in Europe and US?
- Lalit Khetan:** I think that, we don't have the exact number right now, how much we have there, there also. We can comeback on that, we can check offline that.
- Moderator:** The next question is from the line of Shashank Kanodia from ICICI Securities.
- Shashank Kanodia:** Yes. So I just wanted to check for the capex outlook for next year. It doesn't include the amount for JMT Auto as well as ACIL, right?
- Naresh Jalan:** It does not include any acquisition.
- Shashank Kanodia:** So sir, potentially if you have to fit both the acquisitions, what could be the cash outflow for next year on both the fronts?
- Lalit Khetan:** It will be INR 85 crores for ACIL and INR 70 crores for JMT Auto.
- Shashank Kanodia:** So another INR 150-odd -- INR 160-odd crores, right?
- Lalit Khetan:** Yes.



- Shashank Kanodia:** So sir, doesn't this -- is it aggression from a capital allocation strategy within -- our intent was to primarily reduce debt for next three years, still you are going for acquisition as well as organic growth to capex part?
- Lalit Khetan:** I think in terms of debt reduction, we are continuously doing a debt reduction, nine-months, close to INR 300 crores of debt has been reduced, and if -- that does not mean we will not grow the company. Whatever cash accruals are there on the book, it is being deployed for repaying debt as well as doing the new capacity addition.
- Naresh Jalan:** And these are the growth engines where we will be -- opportunity will be there and that has not yet been taken into our possession. And these will be the self-sustaining company, and they will be able to service the debt taken for investment in these companies. So there will be no load on the RKFL balance sheet in terms of debt consolidation.
- Shashank Kanodia:** And sir, lastly, you have been maintaining that we'll maintain a 22% plus kind of a margin profile, but on EBITDA per ton basis, last three quarters, we've been able to maintain the run rate. So this is kind of sustainable, right, given the fact that we are doing more of value-added and incremental non-auto business?
- Naresh Jalan:** We don't calculate EBITDA per ton because we are not a steel company, so we don't calculate in that form. So we'll not able to comment on that.
- Moderator:** We will move to the next question from Chirag Shah from Nuvama.
- Chirag Shah:** Sir, my question was on this new capacity that is coming up, the 56,000 tons. If you can help us understand that realization from there, if you have per ton basis or per kg basis, should be similar to what it is that we have or it would be slightly better, given that it's a new technology or a new form of forging that you are having. And second question is. Yes, you can answer, I will ask this later on?
- Naresh Jalan:** Chirag, I think with this cold and warm forging coming in, I think obviously, these are near net shape components. So this will be better realization components and this -- most of these capacities will be going to -- for exports. So we expect and we realize that these are going to be very high remunerating and high realization items.
- Chirag Shah:** And by that presumption, we can assume that at least for, if not in terms of margin, but on per ton basis, profitability would be better than what it is currently. Margin profile can be different given that you are in the -- you may also do stabilization and or else maybe bring the plant up to the mark of, overall is that a...
- Naresh Jalan:** Basically, with the capacity utilization improving in this cold and warm forging as the capacity starts performing, we are expecting because of near net shape components and new technology being put up and low manpower cost in this, we expect the margins to be much better than what we have.



- Chirag Shah:** And sir, in your assessment, by when do you expect that this capacity can achieve optimal utilization? It will take two years.
- Naresh Jalan:** It will take 1.5 years.
- Lalit Khetan:** Almost 1.5 years.
- Chirag Shah:** One and a half or 2.5?
- Naresh Jalan:** One and a half.
- Chirag Shah:** So suppose you start somewhere in Q2 or Q3, from there around in 1.5 to two years, we can assume what kind of to make capacity utilization?
- Naresh Jalan:** Yes.
- Chirag Shah:** And 56,000 is achievable capacity, right, sir?
- Naresh Jalan:** Yes, it is achievable capacity.
- Moderator:** The next question is from the line of Rucheeta from iWealth.
- Rucheeta:** So my question was on the general and other manufacturing expenses, is it priced up in this quarter, even though if we look at Q-on-Q, the sales are kind of flattish. So what is the reason for this spike in your other manufacturing expenses?
- Naresh Jalan:** The other manufacturing expenses are almost similar to what we have seen in the last two quarters. So I don't think there is any spike in other manufacturing expenses.
- Rucheeta:** Last quarter, it was only around INR 144 crores, this has gone to INR 175 crores in this quarter.
- Naresh Jalan:** No, it remains at INR 144 crores only. I think you are looking at standalone result or on a consolidated?
- Rucheeta:** The consolidated number.
- Lalit Khetan:** So you looking at the consolidated number, you're comparing with the standalone numbers.
- Rajesh Mundhra:** No, the consolidated number is also INR 146 crores.
- Lalit Khetan:** INR 146 crores in the both the quarters, correct.
- Moderator:** We will take the next question from the line of Raghunandhan N.L. from Emkay Global.



- Raghunandhan NL:** Sir, my first question is, company has been doing well, increasing presence in auto, EV and non-auto segments. Can you indicate how you look at a medium-term kind of a revenue share or how you would aspire to have the revenue share over medium term between these three segments?
- Naresh Jalan:** Company aspires to have a premix of 70% auto and 30% non-auto. And I think what we are looking in next maybe six quarters to seven quarters to achieve those numbers.
- Raghunandhan NL:** And within auto, how do you see the EV business shaping up, sir, you've been taking several efforts there?
- Naresh Jalan:** EV business on standalone RKFL basis, we are looking at close to around 3% to 3.5% of our total revenue from auto coming from EV, which is right now 2%, we are looking at doubling this in the next about 12 months.
- Raghunandhan NL:** And there are several orders that company has won and execution is yet to commence, in FY '24 what kind of revenue addition is expected due to new orders?
- Naresh Jalan:** No. This guidance of 15% to 20% jumps in exports next year basically, with this new order books, new order wins in new components.
- Raghunandhan NL:** So if including domestic orders, would it be fair to say that INR 400 crores revenue addition can happen next year because of new orders?
- Naresh Jalan:** I will not put any number to it, basically 15% to 20% is what we are looking in terms of exports right now and for domestic, I think you will need to wait for the full year results to comment on.
- Moderator:** The next question is from the line of Chirag Shah from Nuvama.
- Chirag Shah:** Just one small question on EV side. If you can elaborate over next two, three years, how do you look that portfolio shaping up, what segments you are looking, which regions you are looking at that could the revenue that you get will come in from what segments and which regions?
- Naresh Jalan:** We are basically working with all our customers in the EV on the passenger vehicle side as well as in pickup trucks and SUVs. So it is in North America, it is in Europe and in India. Right now, we are working in. And we are looking at close to around, maybe 5% of our overall balance sheet in the next two years from the auto side to be contributed from EV in all these geographies.
- Chirag Shah:** Any specific preference for geographies based on your understanding, your level of discussions, it'd be domestic or it'd be more export-oriented?
- Naresh Jalan:** I think more, it's going to grow on the export side.
- Moderator:** The next question is from the line of Kashish Shambhwani from Negen Capital PMS.
- Kashish Shambhwani:** Firstly, I wanted to understand what is the maintenance capex for us plants, currently?



- Lalit Khetan:** Maintenance capex including dies and everything is around INR 50 to INR 55 crores per annum.
- Kashish Shambhwani:** INR 50 to INR 55 crores, sir.
- Naresh Jalan:** Yes.
- Kashish Shambhwani:** And for the top line guidance that you have given, do we also include JMT numbers in that because that will also be consolidated eventually?
- Naresh Jalan:** No. I think JMT is quite early for us to any comment in terms of revenue. So, we'll wait until the NCLT process is done with.
- Kashish Shambhwani:** And we have been doing pretty well in the last nine quarters that been coming down. I want to understand, what is the key risks that you envisage which can derail our growth plans in the medium term?
- Naresh Jalan:** As an enterprise, we do not visualize or we do not think of what can deal derail our growth. And we, as an enterprise, we always look at opportunities to grow and do not have Plan B to understand why we can derail our plans.
- Kashish Shambhwani:** No, sir. We as investors are also equally optimistic like you. But I wanted to understand what are the key risks in our business?
- Naresh Jalan:** No, I think I would like to give it a pass. I would not give an answer to this question.
- Moderator:** The next question is from the line of Dhaval Shah from the line of Girik Capital.
- Dhaval Shah:** Sir, given the exposure to India and early fourth quarter, this is the quarter in terms of the overall -- the capex spend. Would you, our volumes in the fourth quarter would be flat quarter-on-quarter? Or would we see an increase? Any guidance would you like to share?
- Naresh Jalan:** No, I think it is pretty early for us to share any guidance. And I think we only can say that we are doing extremely well, and we will continue to do extremely well in current or coming quarters.
- Moderator:** The next question is from Mitul Shah from Reliance Securities.
- Mitul Shah:** Sir, can you share LCV contribution currently?
- Naresh Jalan:** Mitul, right now, I think I don't have that figure. I will ask Rajesh to forward you that in offline.
- Mitul Shah:** Second thing. In one of the presentations at Slide No.14, we have given various components that is front axle, engine suspension, et cetera. So how much would be engine right now?
- Naresh Jalan:** It is the 0.9% of the balance sheet, automotive exposure.



- Mitul Shah:** 0.9 only.
- Lalit Khetan:** Yes.
- Mitul Shah:** And sir, last, just a confirmation. Our current capacity around 190,000 and this additional would be 56,000, so close to 250,000 tons capacity, we will be able to reach to 5,000 crores. Is it right? Or we are including any other.
- Naresh Jalan:** No, we are not including anything else. 250,000 approximate, the tonnage to reach the goal of 5,000 crores.
- Moderator:** We have Sanjay Dam from Old Bridge Capital with the next question.
- Sanjay Dam:** So in the latest quarter, we did about 35% of our volumes was export. Broadly in the previous few quarters also has been similar, I think, 32%, 36% and thereabouts. So next year, the volume mix should also -- the exports, do you see in similar lines?
- Naresh Jalan:** I think we are looking at, Sanjay, growth in exports in -- and if you see vis-a-vis last year, we have grown in exports overall. Last full year, I probably don't have the figures right now, but we have done close to INR 900 crores of exports. And this year, if you see in first nine-months itself, we are near to that.
- Sanjay Dam:** Sir, I was saying that in the mix of your sales next year, would exports remain similar at around 35%.
- Naresh Jalan:** Yes, we are looking at 35% to 40% exports to continue in terms of volume and in terms of topline.
- Sanjay Dam:** Sir, top line, your exports are value wise, value wise exports are much more than the...
- Naresh Jalan:** No, sir, it is, yes. Yes, that is there. But it's close to around 40% overall exports.
- Moderator:** As there are no further questions, I would now like to hand the conference over to the management for the closing comments. Over to you, sir.
- Rajesh Mundhra:** I'll take this opportunity to thank everyone for joining the call. I hope we have been able to address all your queries. For any further information, you can get in touch with us or with our Investor Relations advisers. We wish you all a very happy weekend. Thank you.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.