



RAMKRISHNA FORGINGS LIMITED

Date: 28 July, 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 Q1 of FY 2023-24

This is further to our intimation dated 17 July, 2023 w.r.t conference call with the Analysts/ Investors for Q1 of FY 2023-24 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 Q1 of FY 2023-24 Financial Results with the Analysts/Investors, held on Friday, 21 July, 2023 at 04:30 P.M. (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
ACS: 12991

Encl.: As above



REGISTERED & CORPORATE OFFICE

23 CIRCUS AVENUE, KOLKATA 700017, WEST BENGAL, INDIA

PHONE : (+91 33)4082 0900 / 7122 0900, FAX : (+91 33)4082 0998 / 7122 0998, EMAIL : info@ramkrishnaforgings.com, WEB : www.ramkrishnaforgings.com

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“Ramkrishna Forgings Limited
Q1 FY ‘24 Earnings Conference Call”

July 21, 2023



MANAGEMENT: **MR. NARESH JALAN – MANAGING DIRECTOR –
RAMKRISHNA FORGINGS LIMITED**
**MR. CHAITANYA JALAN – WHOLE-TIME DIRECTOR –
RAMKRISHNA FORGINGS LIMITED**
**MR. LALIT 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. CHIRAG JAIN – EMKAY GLOBAL FINANCIAL
SERVICES**



Ramkrishna Forgings Limited
July 21, 2023

Moderator: Ladies and gentlemen, welcome to the Q1 FY '24 Results Conference Call of Ramkrishna Forgings Limited, hosted by Emkay Global Financial Services.

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

I now hand the conference over to Mr. Chirag Jain from Emkay Global Financial Services. Thank you, and over to you, sir.

Chirag Jain: Thank you, Bikram. Good evening, everyone. On behalf of Emkay Global, I would like to welcome you all to this earnings call of Ramkrishna Forgings Limited.

Today, we have with us from the management team, Mr. Naresh Jalan, Managing Director, Mr. Lalit Khetan, Whole-Time Director and Chief Financial Officer, Mr. Chaitanya Jalan, Whole-Time Director, and Mr. Rajesh Mundhra, Company Secretary and Vice President, Finance.

I shall now hand over the call to Mr. Lalit Khetan for his opening remarks, post which, we will open the floor for the Q&A session. Over to you, sir.

Lalit Khetan: Thank you, Chirag. Dear all, on behalf of Ramkrishna Forgings, I would like to extend a warm welcome to everyone. I have along with me Mr. Naresh Jalan, our Managing Director, Mr. Chaitanya Jalan, Whole-Time Director; and Mr. Rajesh Mundhra, our Company Secretary.

The Company has worked hard and stayed determined during these ongoing global challenges. We are flexible and successful organization that thrives on challenges, and we take advantage opportunities that come our way, such as extending our business, improving productivity and making sure our customers are satisfied.

We have become an important part of the global market, even though the world economy is little weak right now. The good news is that the things will get better with time. We are committed to gaining more customers and getting ready for the business growth when the market conditions improve. We are also increasing our capacity to support this growth. As a Company, we are prepared for the future.

Over the past months, we've achieved significant milestones that have further solidified our position in the industry and propelled us towards greater success. I'm pleased to announce that we have recently incorporated a new company, Titagarh Rail Wheels Limited in consortium with Titagarh Rail Systems Limited. This strategic partnership brings together the expertise and resource of both organizations, paving the way for new opportunities and accelerated growth in the sector.

Our consortium with the TWL has signed a significant contract work with Ministry of Railway Government of India under Aatmanirbhar Bharat initiative. This contract entails the supply of



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1.54 million forged wheels further solidifying our commitment to supporting the growth and modernization of the Indian railway sector. We take immense pride in contributing to the development of our nation's infrastructure and being a part of this transformative initiative.

The Board has also approved acquisition of Multitech Auto Private Limited and its wholly-owned subsidiary Mal Metalliks Private Limited. The company has a capacity to manufacture 21,600 metric ton per annum machine SG & CI castings and bar draw facility of 6,000 metric ton per annum. This acquisition marks a significant step forward in the Company's growth strategy and that expanding its product line and fortifying its presence in the passenger vehicle, light commercial vehicle and heavy commercial vehicle segments.

During this quarter, the Company has secured a prestigious order of EUR 4.5 million from a prominent European railway passenger coach manufacturer. The achievement highlights the trust and confidence the global industry leaders place in our capabilities and products.

In addition to these, I am delighted to share that our Company has commenced commercial production of 13,700 tons per annum of R A shaft press line and 10,100 tons for the 5-inch Upsetter. The significant extension in our production capacity totaling 23,800 tons per annum will strengthen our ability to meet the increasing demand for high-quality post components in the automotive industry.

With this addition, our total production capacity now spread 210,900 ton per annum, reaffirming our commitment to delivering excellence to our value customers. We are also pleased to share and happy to witness a rise in demand for our products and services, resulting in substantial growth in both revenue and profits. In Q1 FY '24, we recorded revenue of INR 836 Crores, approximately representing a year-on-year growth of 28%.

Our EBITDA margin for Q1 FY '24 is 22.4% expanding by 35 basis points year-on-year. We are confident of sustaining and improving this margin. The net profit after tax was INR 77 crores for Q1 FY '24, which is year-on-year growth of 63%. This will be added by the lower tax rate also.

As we move forward, we remain committed to innovation, operational excellence and customer satisfaction, we will continue to invest in advanced technology, enhance our manufacturing capabilities and we strengthen our relationship across the industry. With the foundation we have built and the achievements we have accomplished, I am confident that we will continue to excel and thrive in this dynamic and competitive market.

Thanks, and thanks for your continued support. That's all from my side.

Moderator:

Thank you, sir. Should we now open the floor for questions?

Lalit Khetan:

Yes.



- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer-session. We take our first question from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.
- Mumuksh Mandlesha:** Congratulations on the good number, sir, and thanks for giving the opportunity. Can you share the outlook for FY '24 for Ramkrishna? And also what would be the outlook for the India and US CV industry?
- And in terms of new orders, how do you see the ramp-up of the new orders? What would be the new orders that will ramp-up in the next two years, sir?
- Lalit Khetan:** I think, Mr. Jalan not on the call.
- Naresh Jalan:** Yes. What we see as a market is extremely robust right now within India as well as in North America. And in terms of RKFL, we are extremely confident to exceed growth expectations, which we had set at the end of FY '23 full year results. So we are on track, and we are doing better than what we had guided for.
- Mumuksh Mandlesha:** Got it, sir. And sir, how do you see the ramp-up of this new cold forging capacity? And which products it would cater in segment, sir?
- Naresh Jalan:** The cold forging capacity is going to start generating revenue only next year, FY '25. I think in the presentation also we have highlighted that this year that by end, the cold forging facility is going to come up, and next year, we are going to -- we have already received the firm order book for the entire capacity, but the revenues are going to be in place in FY '25.
- Mumuksh Mandlesha:** Any quantum to share what kind of a potential you're seeing from this new capacity?
- Naresh Jalan:** No. We would not like to put a number to it, but this will be entirely to EV and PVs.
- Mumuksh Mandlesha:** Okay. And sir, can you guide what would be the capex expectations for the FY '24 and FY '25, and also the investments for the acquisition, sir?
- Lalit Khetan:** Sir, FY '24, we are looking to have a capex of around INR 300 Crores to INR 350 Crores. And the acquisitions still are in the NCLT stage. So let it come like JMT Auto and ACIL. As we have already given the guidance on what we would like to invest on that, but we are not commenting on that once let it come from NCLT first.
- On the TWL consortium, there, we have a project cost of around INR 1,200 Crores to INR 1,400 Crores out of that 30% will come from the equity and that has to be contributed over a period three years by the each partner. So one-third can be contributed each year by the each partner.
- Mumuksh Mandlesha:** Got it, sir. And just on the JMT, as you expect very soon to happen, sir, any data to share on the revenue and profitability of this business, sir?



- Naresh Jalan:** No, we would like to share the data only when -- after getting NCLT approval. Because I think, Indian Legal System, we do not have any clarity and in terms of time lines. So we have not built any expectation in terms of what business and how much business we can do. We would comment only after we get the complete handover of plant.
- Mumuksh Mandlesha:** Got it, sir. And just last...
- Moderator:** I'm sorry to interrupt. Sir, please come back to the question queue. We'll take a next question from the line of Raghunandhan N from Nuvama Research. Please go ahead.
- Raghunandhan NL:** Thank you sir for the opportunity & Congratulations on great set of numbers. My first question is on Multitech acquisition. So you had indicated in the presentation that additional revenue of 5 billion to 6 billion can be contributed in the first two years. If you can give some color, whether what gives you the confidence for this kind of revenue visibility? And on Multitech, if you can give some more detail, how is the existing profitability and debt position?
- Lalit Khetan:** Yes. Coming to the numbers, if you would like to Multitech there is a gross debt of around INR 45 Crores as on date. And EBITDA margin is in the range of 14% right now. And the top line for the FY '23 is INR 300 Crores-plus.
- Raghunandhan NL:** Correct, sir. And what gives that hope or visibility of that improved revenue potential? Any color you can add there?
- Naresh Jalan:** No, I think Raghunandhan, this casting is going to be complementary to what we have installed in terms of forging capabilities. And I think, our entire endeavor to buy casting was with the mindset of -- in the next two years to get into a complete assembly, the assembly supplier are when being a component supplier, being -- getting into product platforms and casting, manufacturing our own casting and assembling it with forging, we are going to enter two biggest markets of trailer axle and differentials.
- And I think, we are extremely confident that within next one-year, we will be able to start production and we can go into full volumes in next two years in those two platforms, which are growing market going ahead.
- Raghunandhan NL:** Good to hear that, sir. Wishing you all the best. My second question, like Company had garnered order wins of about INR 7.7 billion, INR 770 Crores in FY '23. Can you roughly indicate how much of new orders will commence in FY '24? Would it add, say, INR 150 Crores, INR 200 Crores additional revenue, because of the new order?
- Naresh Jalan:** Almost, I think Raghunandhan, it's going to be 40% of last year's what order wins. I think from second quarter onwards, you start seeing that in revenue as you may have seen some part has already started kicking-in the last quarter itself, and that's the reason we have been able to do better exports vis-a-vis year-on-year.



And second, third, means for the next nine months, we see our exports growing much better than what we had expected because of most of these orders getting into -- getting converted into supplies.

Raghunandhan NL: That's wonderful, sir. Last thing on -- just a housekeeping part. Export incentives is on the higher side. Is it likely to sustain? And another housekeeping, other income is on higher side, whether it includes any one-off like forex gain?

Lalit Khetan: Yes. Other income you have rightly said, it is on the basically loan liability foreign exchange loan, forex loan. There is a gain. That's why this other income is on the higher side. So that depends upon the foreign exchange rate. Rest other gains or you can say export incentive, that will be sustainable.

Naresh Jalan: And in terms of forex gain, that is only, I think, to the tune of INR 3 Crores and not the entire amount. INR 3 Crores is only the foreign exchange gain in the...

Lalit Khetan: Other income.

Raghunandhan NL: Got it, sir. Just a clarification here, export incentive as a percentage also looks higher. So when you say it is sustainable, if you can throw some light there?

Lalit Khetan: Just -- Raghunandhan, let me go to that slide because...

Raghunandhan NL: So generally, if I look at last two quarters, export incentive is in the range of INR 6 Crores to INR 7 Crores per quarter. This quarter it's about INR 13 Crores. So is there a change in rate or something like that?

Lalit Khetan: No, Raghunandhan, what you're looking at INR 12 Crores number that includes other income of INR 4 Crores something, okay?

Raghunandhan NL: Okay. Got it. Thank you so much for clarification. I'll come back in the queue.

Moderator: Thank you. We take the next question from the line of Garvit Goyal from Nvest Research. Please go ahead.

Garvit Goyal: Sir, my question is on the margin side. In the last three years, regular decent improvement in our EBITDA margins due to operating leverage. And now we are focusing on warm forgings and as you mentioned in the recent presentation in cold forging as well, which is obviously a high-margin thing. Plus you are also saying the JV will give you the similar margin.

So my question is considering all these factors, can we assume the OPM percentage will see upward direction from here like this 22% kind of margin will be a base margin for the company going forward?



Naresh Jalan: Yes. These margins which are there is going to be sustained, and we are looking at -- our aspirations are to go into much better margin trajectory, but at least 50 basis points to 100 basis points, you will see, keep on changing year-on-year basis.

Garvit Goyal: And sir, we are entering into the railway part like this new company that we are catering to. So we are planning to cater railway as an industry going forward. So my question is on the debt realization side, like working capital days, how it will shape up with this kind of projects we are taking?

Naresh Jalan: I think in terms of railways, payment is much better than what we are doing right now. So 98% or 95% of the payment comes within seven days of receipt of material in the railways. So I don't -- in terms of debtor days, I think it is much -- going to be much lower than what it is currently being a stand-alone basis in RKFL. In the railway business, the debtors are going to low, working capital not going to get stucked-up in the system in terms of debtors in the long run?

Garvit Goyal: And sir, you mentioned volume growth of 15% to 20% last quarter. Now you are saying it may exceed, right? So what kind of number we would like to put on?

Naresh Jalan: I am not saying that we will exceed. I am saying we are extremely confident of achieving and bettering that number of what we had guided in the full year call.

Garvit Goyal: Understood, sir. And one last question on the CV industry, like in this particular quarter, in India, India CV industry. Y-on-Y, there is a muted growth of 3%. So how do you see this particular thing, like going forward in this particular year?

Naresh Jalan: I am not basically tracking what industry is growing at. I am tracking what RKFL is growing at, and we are extremely confident to better our overall growth numbers of 15% to 20% volume growth for coming four years.

So with the capacity getting augmented continuously and with the new generation of forging, which is coming in, we will continue to add new segments, new components, which will add growth much better than what industry is doing. So that's the reason we are not dependent much on what percentage the industry is going, but if the industry remains stable, we will be able to do much better than what we have guided for.

Garvit Goyal: So how many years do you see the stability of these growth numbers 15% to 20%?

Naresh Jalan: I think basically we are working to is for the next three years' time.

Moderator: Thank you. We take our next question from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Great set of numbers. A couple of questions. Firstly, sir, on this acquisition, if you could give us more details regarding their, you know, how are the financial metrics with regards to the asset turn and the working capital? How is it for this set of products?



Secondly, what sort of synergies can we have with this acquisition? So I was just going through the website, so it also mentions Ramkrishna as their client. So yes, so I mean if you can tell us the synergy and the 14% EBITDA margins were reported can it be improved further? Yes, these are my first two questions.

Naresh Jalan:

I think in terms of margin, we are extremely confident in the next two years to significantly improve the margins on stand-alone basis in Multitech, I think at least 200 to 250 basis points improvement in next two years in terms of margin on a stand-alone basis.

Synergy basically with the acquisition of Casting and with the acquisition of Multitech, now we are almost except the sheet metal, and tyres and engine, we are available across all platforms in any vehicle, which is moving on road.

And with -- like you have seen in the slide that RKFL is one of their customers. So we use their component to make assemblies, some assemblies which we have already started. So now we can aim with this casting to get into much bigger product platforms, which can be highly EPS accretive for RKFL on a stand-alone basis going forward in the next two years.

And I think in our presentation, we have already shown two different platforms in coming future, which we will be launching within RKFL's purview with the support of Multitech's casting. And I think that's going to be a big game changer going forward for RKFL.

Dhaval Shah:

Interesting. And what do they do in railways? Is it a larger product segment for them, or is earlier trailer?

Naresh Jalan:

It's a small product segment for them in railways. So we will -- railway requires quite a good amount of castings also. So basically, with this, now we can go to a customer and offer them entire gambit of components or product assemblies, which are required in forgings and castings by a customer to manufacture a vehicle.

Dhaval Shah:

Okay. And sir, this company also has a 100% subsidiary. But while mentioning, you always mentioned stand-alone number of INR 300 Crores. And I think the subsidiary also has significant amount of revenue. So what is the size of the subsidiary? And what is that into?

Naresh Jalan:

I think this INR 300 Crores revenue capture the subsidiary revenue; we have just knocked off entire related party transactions getting the two companies. And this is the revenue, which is including outside sales except the related party transaction is INR 300 Crores.

Dhaval Shah:

Okay. So in Mal Metalliks is included into it?

Naresh Jalan:

Yes. Everything is included consolidated and INR 300 Crores with close to 14% margin is the current operational -- and their asset turn is close to around 1:3.

Dhaval Shah:

1:3 asset turn, and working capital?



- Lalit Khetan:** Working capital is around 60 days. Net working capital is around 60 days.
- Dhaval Shah:** Okay. Thank you. I will come back into queue.
- Moderator:** Thank you. We'll take a next question from the line of Abhishek from Dolat Capital. Please go ahead.
- Abhishek:** Congratulation for the strong set of numbers in very challenging time, sir. Despite a weak MHCV domestic industry volume, the volume remained strong in this quarter. Is it because of the new business wins – win in the domestic market?
- Naresh Jalan:** I think, Abhishek, both in terms of new order wins as well as new product launches, which we have done over in this quarter. And I think for us, I don't know from where the slowdown or a weak market is right now coming from. We see, we are going into Q2 with a very strong demand scenario, and we expect the full year to be extremely strong in terms of our own manufacturing is concerned.
- Abhishek:** As industry participants, I mean, the OEMs are guiding around 7% to 10% volume growth in the MHCV segment. So most probably that you outperform the industry growth because of the new businesses?
- Naresh Jalan:** Yes. And we will continue to do that. And I think like, I answered the previous call, we stick to our guidance, and we can confidently say that we will be doing better than what we have guided for.
- Abhishek:** Sir, can you explain what would be the growth rate in domestic versus export in FY'24? Or what can be the mix?
- Naresh Jalan:** We basically, mix should be on the same 60%, 40% or 62% to 38% here and there, but we continue to look at 60%-40% domestic and exports market as. And both the sectors are doing extremely well for us. So we continue to do that right now.
- Abhishek:** And you have mentioned that total capex would be around INR300 billion to INR350 billion in FY '24. This is including the capex for this railway projects?
- Lalit Khetan:** No. What we have said INR 300 Crores, INR 350 Crores is for capex, what the RKFL is doing, whatever the investment that will be separate.
- Abhishek:** Okay. And so most probably that you will go for the equity dilutions because of this, because there will be...
- Naresh Jalan:** No, there is no question of any equity dilution. We see operational cash to be deployed prudently into the system to basically augment capacity, create new investments and create new opportunities. But there is no equity dilution even in thought process in coming days, coming months or the coming year.



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

Mitul Shah: Congratulations on a very strong performance, and thank you for opportunity. Sir first question is on raw material side, as raw material already started cooling off. But when we look at your raw material per ton basis, there is an increase of 3% on a sequential basis, 3.3%. So can you explain this?

And on the production side also similarly, when we look at your production number versus your sales volume, there is a huge difference. For example, there were segmental, the volume number is 38,000 tons, which is more or less flat, compared to last quarter. But the production is significantly down from 48,000 tons to 44,000 tons. So can you clarify these two things, sir?

Naresh Jalan: So in terms of production, I think first, 7 to 10 days in the month of April, we take maintain to -
- annual maintenance of most of our presses. As well as you are aware that due to extreme heat during month of April and May until mid of June, ultimately, labor fatigue or this heat, there was a production disruption or slowdown in terms of production is concerned.

So I think 42,000-odd tons, which we have achieved is extremely good as per our achievement, we can say. And in terms of sales, I think that the floating inventory is always there and that's -
- we are trying to debottleneck so that whatever we produce, we can 100% sell.

And in terms of RM prices, we don't -- I don't know from where you've got the 3% number of raw material cooling -- raw material prices dropping. Yes, when we see the television or the news shows, yes, we see that steel prices have gone down, we are basically buying steel at customer-directed suppliers and cost. So basically, we have not seen any decline in alloy steel market till now. And if and when it comes, you will automatically see the reflection in our balance sheet also as the steel price decline.

Mitul Shah: Sir your price has gone up that is what I'm clarifying that prices of the steel forging was...

Naresh Jalan: See, basically the price of steel has gone up on -- because of alloys, nickel, moly, whatever we use, they are basically alloy element pricing, which may have increased at that period of time.

Mitul Shah: Understood. Sir my second question on a long-term basis. When we earlier highlighted two -- sorry, sir, when we highlighted for non-auto segment contribution to reach to 30% overall in the next two years. But now this acquisition, again, entirely from the auto side. So further, it will reduce our non-auto contribution below 20% or maybe close to 12%, 15%. So what would be a road map or strategy going forward?

Naresh Jalan: I think the road map in terms of getting into 30% non-auto business is intact and we will be able to achieve that on a stand-alone basis of RKFL. In terms of acquisition or investment, which we have made into this, this is basically getting into new platforms and new businesses or product lines rather than being a component supplier.



So do you need to look at both the things in a separate way. In terms of RKFL who are only -- today, one of the leading players in making forgings and components, we are targeting to get into non-auto, auto and we will achieve this figure of 30 to 70 mix, but additional Multitech will give us also a bigger volumes in terms of reaching the product line category, which we were never at.

So we will be able to get into the B2C market of making our own products and branding that at RKFLs brand name and selling this into the market.

Mitul Shah: Lastly, sir, out of all this ACIL, JMT as well as this recent Multitech, any of these companies has any meaningful non-auto contribution at present or in a shorter period, can we do some ramp-up there for non-auto side?

Naresh Jalan: JMT has a very meaningful non-auto presence, but we will be able to comment only when JMT comes in. Multitech has only 5% to 7% non-auto segment. but opportunities of supplying castings to railways and other off-highway and other applications are huge.

And probably the management bandwidth of the company we have acquired was not that big to go into those markets. With our own expertise in market, obviously, we will be targeting that market. And I think overall, I can -- we are very confident that we will be able to stick to our guidance for 70, 30 non-auto and auto business.

Moderator: Thank you. We take your next question from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Yes, hi. This is Sangeeta Purushottam, Andrey's partner. Sir, I just wanted to ask you about your plans to reduce debt to zero, which is what you had guided earlier by I think, '25 or '26. And in the presentation, I noticed that the guidance now is that your, you know, you plan to bring it down to 1:1 debt-to-EBITDA, so are you now willing to live with higher levels of debt, has the thinking changed a little there? Could you just elaborate, please?

Naresh Jalan: Ma'am, I think you are going backdated when we were raising equity, we had thought that one-year back when we were in a round for a QIP, we were at that period of time, we were looking at raising equity and paying off the debt and being a net debt zero company.

But with the operations doing extremely well since last six to seven quarters when -- with the free cash flow which we have in system, we want to grow the business rather than diluting equity. And that's the reason our presentation states and we have been repeatedly since last several quarters in our call also has said, the company targets by FY '25 end to be debt-to-EBITDA 1:1.

So we are not looking at higher debt. Basically, we are looking at a lower debt. We used to that have a higher Debt : EBITDA and we are looking at the next couple of quarters or say six quarters from now and seven quarters from now to get the debt-to-EBITDA 1:1. So obviously, we are looking at debt reductions with the growth we have also in mind.



- Sangeeta Purushottam:** Right. Okay, sir. No, because I remember asking the same question actually about three or four quarters ago, I think. And at that time, you had said that your internal cash flows would be sufficient to pay down debt and your target was to bring it down to zero. Back now, I'm assuming that you're willing to just reinvest back in the business and you're comfortable with keeping some debt on the books, right? That's what...
- Naresh Jalan:** Ma'am, four quarters or five quarters that you are quoting, we exactly have said that, but we have said that we will not then reinvest money into the Company. We will generate enough cash to pay back the debt. And still, if you see, if we are generating that kind of cash and if we do not augment fresh capacity and we keep the growth stable as where it is now, obviously, we will have enough money to pay off the debt. But I think we would rather want to grow the company, grow the balance sheet rather than being debt zero Company.
- Sangeeta Purushottam:** Right. Okay. And in terms of your average interest cost, what would it be right now?
- Lalit Khetan:** It's around 8% ma'am. 8% per annum.
- Sangeeta Purushottam:** Okay. And is that likely to remain the same or any chances of it coming down?
- Lalit Khetan:** I think, interest rate has peaked out, so it will not go up from here as we see there may be marginal corrections going forward maybe in the next two, three quarters.
- Sangeeta Purushottam:** Okay. And there any rating changes expected? Or...
- Lalit Khetan:** Rating was changed in the month of February.
- Sangeeta Purushottam:** Okay.
- Lalit Khetan:** I think revision now after three or one or two more quarters.
- Moderator:** Thank you. We take the next question from line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Congratulation on a great set of results. Sir, I think most of my questions have been answered. So I do have a few basic questions. So are -- new acquisitions being consolidated by what time or when will the acquisition be through of Multitech?
- Naresh Jalan:** Multitech acquisition, SPA has already been signed today. The change of equity and handover of the organization is going to happen by month end. So we can expect at least eight months of consolidation in this year.
- Darshil Jhaveri:** Q2 will have revenue of Multitech or what we can expect, right?
- Naresh Jalan:** Yes.



- Darshil Jhaveri:** Okay. That's great. And I just also want to ask, sir, any risk that you see – that can be a roadblock to us on a path to growth? Any risks that you could, see?
- Naresh Jalan:** I am extremely optimistic and with the market performing so well for us, I don't see any risk unless there is a sudden change in the government or policies of the government. Ultimately, we are all going to get affected. But unless global situation remains what it is today, we don't see any risk to it.
- Darshil Jhaveri:** Okay, that's great to hear, sir. And just on the new JV with railway, so how would the time line work? Like how would we allocate capital or what? Where will we start our production? Could you just give some rough...
- Naresh Jalan:** I think, Lalit has already given the figure that we will be funding this project, 30% equity and 70% debt. Out of the 30%, the 50% contribution we will need to bring that in next three years' time, and we are looking at to start production by FY '26 -- calendar year '26 mid, we hope to start the production, our first batch for approval.
- Darshil Jhaveri:** Okay. Great sir. That answers all the questions. All the best for future quarters.
- Moderator:** Thank you. We take our next question from the line of Simar from Negen Capital Services. Please go ahead.
- Simar:** So the expansion into the warm forging capabilities looks promising. Can you provide me more insights into the product mix along with that the customer segments that are targeted for this new capability? And when do you anticipate reaching optimal utilization, if that might also for.
- Naresh Jalan:** The warm forging facility, which we have augmented is catering to basically differential parts, differential gears parts only. And the main segments right now, we have already started bulk supplies to commercial vehicles. We have already started submitting samples in the tractor industry and also in the PV industry.
- So we look at targeting all the three industries, and I think we are right now at almost haul around 25% utilization in this capacity. And I think by the fourth quarter of this year, we should be around 50%. And next year, we are looking at to run it in a full volume.
- Simar:** Okay. How much do you expect them to contribute to the revenue growth and the margins in the near-term?
- Naresh Jalan:** I think more than revenue, we are looking at margins from this. And I think in terms of tonnage, I think it is very difficult to say because the warm forging is -- because the market we are catering from CVs to passenger vehicle, so there is a different tonnage all -- and it is all about number of pieces we can sell, and we are looking at basically extremely high margins from this. So that I think will start showing in our balance sheet from third and fourth quarter of this year.
- Simar:** All right. Thank you. And wish you getting success and growth in the future. Thank you.



Moderator: Thank you. We take our next question from the line of Chirag from White Pine. Please go ahead.

Chirag: Sir, congratulations for good set of numbers and a very good presentation, sir. I have actually three questions. First, a slightly broader one on the management bandwidth. How are you looking to address? Because when I look at your presentation over the last four years, you have entered into many new products, added new segments and once the acquisition happens, further more additional segments will happen. So between traditional business and new businesses, how are you managing your people strength? And what are you doing...

Naresh Jalan: Every business comes with people only. And I think RKFL is a thoroughly professional run company with the entire leadership team within the organization, which handles each and every segment and every portfolio independently. So obviously, every platform is manned by a leadership team. So I don't think there is any people challenge. I think, people are there in the business, and they are growing as the business grows.

Chirag: And sir, if you have to look at from a five-year perspective, between this traditional forging business that we have, plus when I say traditional the press business that we had run including the cold and warm forging from that plus the railway and the non-auto thing. So how should we look at the broader picture of -- or what you aspire to have it over a five-year view between all these four, five pieces that we have. And I'm excluding the acquisitions that are yet to happen?

Naresh Jalan: Chirag, we are looking at growing in terms of 15% to 20% volume year-on-year continuously for next three to four years' time. The visibility and the landscape we have created for ourselves, we are very confident to have 15% to 20% volume growth. And for this, I think in terms of capital, in terms of equipment, in terms of people, I think we are on it and we are completely laid out road map to achieve those targets.

Chirag: Okay. Sir, last question, so just a clarification on this cold and warm forging. So these 25,000 tons that you have mentioned in the presentation is the additional capacity, right? We already had some cold forging capacity up and running?

Naresh Jalan: No, we do not. We have zero cold forging capability right now. We have warm forging capability right now. We are installing a cold forging capability for which we have already received complete sold-out order for seven years, which we'll start operations from FY '25 first quarter.

Chirag: Okay, sir. Sir, one last question if I can squeeze in? See, on this differential business, the differential business that we're referring to is more of a differential axle side of the business or it will be differential assemblies for passenger vehicle differential gear assemblies for...

Naresh Jalan: We are looking for differential not only for passenger vehicle, we are looking for commercial vehicle, we are looking for even electric vehicles. All the three segments, we are going to have our own product line in next two years' time.



- Chirag:** Sir why I was asking is traditionally in the ICE category, differential assembly business is done in-house. And in EVs clear....
- Naresh Jalan:** With the coming days, everybody is offloading everything outside and want to have only assemblies.
- Chirag:** So even in ICE you are expecting this change and I presume this is more domestic driven for next 12, 18 months or it's -- okay.
- Naresh Jalan:** Both export and domestic driven it will be.
- Moderator:** Thank you. We take a next question from the line of Kaushik Mohan from Ashika Stock Broking. Please go ahead.
- Kaushik Mohan:** Congratulations for the good set of numbers. I have a very specific question in the Q1 in your presentation that you have mentioned that railways have increased their revenue contribution, it comes out to be 3.2 percentage. With the visibility of wheel segment division and some more divisions of railway segment. What do you think, as a total revenue, what can be the percentage of this segment can be?
- Naresh Jalan:** I think railway should be doing anything between 4% to 4.5% in this year on a full year basis.
- Kaushik Mohan:** Okay. Sir, my second question is on the, what kind of margins that you have in the wheel segment with our new business?
- Naresh Jalan:** I think it is too early for me to comment on the wheel business. We will go with the tide, and I think let us first establish the plant. We are still negotiating for the equipment. We are still negotiating for the every detailing is going on. So it is right now not prudent for me to comment on profitability of the plant.
- But I can only tell you that this plant in two years of operation will be EBITDA positive and I think we are looking at a five-year payback for the entire investment we made from the wheel plants.
- Kaushik Mohan:** Okay. Thanks for that. And the last one final question, sir I just wanted to understand what kind of volume growth that we are expecting for the year?
- Naresh Jalan:** I think we are looking at, at least 15% to 20% minimum volume growth this year from our current operations.
- Kaushik Mohan:** Okay. This is the minimum side, right, sir?
- Naresh Jalan:** Yes.
- Moderator:** Thank you. We'll take a question from the line of Priyum Daga from VT Capital. Please go ahead.



Priyum Daga: So my question was regarding the new acquisition Multitech Auto Private Limited. So the company did the turnover of around INR 300 Crores in FY '23, and we are paying around INR 205 Crores for relatively equity. So my question was regarding why the promoter is going to sell the company at a price is of around 0.7x. I mean that's quite cheap. So what is the thought process behind the promoter of that company selling to us?

Naresh Jalan: I think you should go and ask the promoters of that company. How can I tell you what is there in the mind of the promoter of that company? And why selling at that price. How can I comment on that? We know that we have done a good deal. But obviously, I cannot say what is running through the promoter's mind and why he is selling it at that -- this price.

I can only tell you that I have bought a good asset at a good price, and it is going to be value accretive for me and my investors in RKFL, but I cannot comment on why and what makes the promoter of Multitech sell the company.

Priyum Daga: Right. The other value is quite effective hence the question, but yes, that was my question. Thank you so much, sir.

Moderator: Thank you. We'll take a next question from the line of Chirag from White Pine. Please go ahead.

Chirag: Sir, I had a question on one of the acquisitions that you indicated TSUYO and it seems to be more on the motor and controllers. Sir, any thought process why you are looking at that space because that seems to be a crowded space in general?

Naresh Jalan: No, I am not looking at that space. I am looking at -- to be a consolidator at EV. Motor controllers, differential and e-axle, these are the complete platforms in the next two years. Rationale behind buying TSUYO, so we have already given in our earnings call previously. Basically, it is only a starting or stepping stone into a bigger platform of supplying complete differential e-axle and motor controllers.

So we are not looking at just motor controller in an isolated form. This is one of the platforms we have entered to make us bigger space in EV to supply this entire set of platforms, which makes our overall exposure into EV in a bigger way.

Chirag: And again, the focus of this entity would be more domestic at least in the initial three, five years?

Naresh Jalan: Yes, initially, for three years, it is domestic.

Chirag: And one last question, if I can. So the journey from component to assembly, are there any changes in the business model, the way you approach the customer, and the approval process is how much time, if you can elaborate on that? Because it has a significant impact on your positioning with that particular OEM where you're able to make this journey?



- Naresh Jalan:** I think whatever platforms we are entering, it's a non-OEM business of -- the trailer axle is a non-OEM business. Differential, we are working with OEM to supply them the differential assembly. We are not looking at being a competitor to the OEM, we are looking to work with the OEM to get into a bigger platform stage.
- Chirag:** No. Because they must be doing that, right, like already somebody...
- Naresh Jalan:** OEMs are not manufacturing trailer...
- Chirag:** I'm saying, the assembly, OEM may be acquiring via an assembly model already, right?
- Naresh Jalan:** No, trailer axle is a B2C business done independently with the people who make trailer bodies.
- Chirag:** Okay. Sir, that is a wide space available like nobody is focusing right now. So that's how you are looking to...
- Naresh Jalan:** That's not an OEM business. That's a B2C business, and we are -- and highly profitable business, we are wanting to enter in a big way in the B2C business.
- Chirag:** And when do you think all the pieces will fall in place for you as...
- Naresh Jalan:** We are looking to get approvals for this or, say, there is a system of approval of the axle. We expect by March approval to be in place and next year to start hitting the markets with our own production, but full volume will take at least two years' time before we reach peak volumes in this.
- Chirag:** And this will be more domestic driven?
- Naresh Jalan:** Yes, it's mostly domestic driven.
- Chirag:** Domestic driven. Okay. Yes, sir, you're saying something, sorry.
- Naresh Jalan:** So basically, this is -- basically what I wanted to say that this is a business -- non-OEM business, a B2C business and it's a brand play. And I think, we are extremely confident that the brand RKFL or brand Ramkrishna is doing extremely well right now in the commercial vehicle industry. So we will be able to garner at least 15% to 20% market share in next two to three years.
- Moderator:** Thank you. We take our next question from the line of Garvit Goyal from Nvest Research. Please go ahead.
- Garvit Goyal:** Sir, just a clarification kind of like we did PAT of INR 78 Crores in this quarter. So are we able or are we confident to maintain this run rate going in the next three quarters?
- Naresh Jalan:** I'm not able to understand your question, please.



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- Garvit Goyal:** I was talking about the run rate of PAT, like we did INR 78 Crores in this quarter. So can we maintain at least this run rate in the next three quarters?
- Naresh Jalan:** No, I think our tax rate, Lalit can comment on it exactly.
- Lalit Khetan:** So coming to the -- I think you're asking about the PAT run rate. So PAT run rate is certainly going to improve from here on because we have given a guidance on the volume growth. So when there will be a volume growth certainly there will be improvement in overall EBITDA and PBT margin, and it will have an impact on the PAT itself. So it's not going to remain here, I think it will improve from here on.
- Moderator:** Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. And I would now like to hand the conference back over to the management for closing comments. Over to you, gentlemen.
- Rajesh Mundhra:** Thank you. We take this opportunity to thank everyone for joining the call. We wish all a very happy weekend. And we hope that we have been able to address all your queries. For any further information or assistance, you can get in touch with us or our Investor Relation Advisors. Thank you very much for joining the call.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thanks for joining with us, and you may now disconnect your lines.

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