RAMKRISHNA FORGINGS LIMITED

Date: 6 May, 2023

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 – Transcript of Earnings Call Q4 & FY 2022-23

This is further to our intimation dated 25 April, 2023 w.r.t conference call with the Analysts/ Investors for Q4 & 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 Q4 & FY 2022-23 Financial Results with the Analysts/Investors, held on Friday, 28 April, 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 Digitally signed by RAJESH MUNDHRA Date: 2023.05.06 11:27:31 +05'30'

RAMKRISHNA FORGINGS LIMITED KOLKATA

Rajesh Mundhra
Company Secretary & Compliance Officer
ACS: 12991

Encl.: As above

The Economic Times INDIA'S GROWTH CHAMPIONS 2020 statista

"Ramkrishna Forgings Limited
Q4 FY2023 Earnings Conference Call"

28 April, 2023

ANALYST: **MR. CHIRAG JAIN – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY2023 earnings conference call of Ramkrishna Forgings hosted by Emkay Global Financial Services. 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 pressing '*' then '0' on your touchtone phone. Please note that this conference 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 Dorwin. 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 management team Mr. Naresh Jalan – Managing Director; Mr. Lalit Khetan – Whole-Time Director & Chief Financial Officer and Mr. Rajesh Mundhra – Company Secretary & 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 Q&A session. Over to you Sir!

Lalit Khetan: Thank you Chirag. Good evening ladies and gentlemen. On behalf of Ramkrishna Forgings I would like to extend a warm welcome to everyone. We are pleased to report that despite the ongoing challenges in the global economy we have delivered strong results in Q4 FY2023 creating sustainable value for all our stakeholders. India's commercial vehicle segment has witnessed a remarkable growth in recent times with the increase in economic activity and infrastructure development the demand has surged. In addition the government's focus on boosting the manufacturing sector and implementing various initiative such as Make in India, Atmanirbhar Bharat has also given a significant impetus to the sector. The commercial vehicle segment in India is poised for further growth in the coming years driven by economic expansion, infrastructure development and adoption of greener technology. We are excited to say that Ramkrishna Forgings & Titagarh Wagons Consortium has received LOA for manufacturing and supply of forged wheels for Indian Railways which is a significant milestone for our Company. The order size 12,226 Crores and it is a long term contract of 20 years which adds to our strong revenue visibility for the coming years. Additionally we have renewed a long term contract with an overseas Tier-1 customer based in North America which included additional new product range. This contract renewal and additions bring the total number of contracts to 8 during the year totaling Rs. 774.70 Crores from various geographies and business verticals excluding the long term order from the Indian Railways.

Ramkrishna Forgings has also taken a step forward towards sustainability by planning to set up a 7.82 megawatt roof top solar power plant which will help reduce our carbon footprint and contribute to greener future. The total cost of project is estimated to be around Rs. 35 Crores. This investment reflects our commitment to responsible business practices and our dedication to reducing our carbon footprint. We are pleased to see an increase in demand for our products which has led to significant revenue and profit growth. In Q4 FY2023 we have recorded a revenue of Rs. 835 Crores representing a year-on-year growth of 22% and for the full year FY2023 we recorded a revenue of Rs. 3,001 Crores representing a year-on-year growth of 31%. EBITDA margin for Q4 FY2023 is 22.52% expanded by 42 basis points sequentially and we are confident of sustaining the margins and endeavor is to improve upon the same. Our net profit after tax was Rs. 67 Crores versus Rs. 86 Crores year-on-year. The decrease is due to the deferred tax reversal in the previous year. If you correct the tax impact the profit after tax has increased by 25% from the previous year in Q4. We are also pleased to announce that our long term rating has been upgraded by ICRA and India Ratings to A plus with stable outlook. This reflects the confidence of rating agency in our Company's financial state and growth prospect. Thank you all for your continued support. That's all from my side.

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

Mumuksh Mandlesha: Thank you so much Sir for the opportunity. Can you share some light on the railway project what kind of capex plan and how do you see the revenue flow from FY2026 and some light on the profitability side?

Naresh Jalan: Total project cost on this project will be close to around 1,200 plus Crores and the LOA which we have received from railways is close to around 12,226 Crores for 20 years starting FY2027 onwards that is the reason we have mentioned also in our presentation that we expect to start production from last quarter of FY2026. While railway requirement and confirmed guarantee is for 80,000 wheels per year, we are setting up the capacity for 2 lakh plus wheels and we expect to do a business of close to around 28,000 Crores over next 20 years from this project and profitability right now it is being worked out. I think we can safely say that the current margins which we are doing in standalone basis in RKFL we are aiming for similar margins in the joint venture.

Mumuksh Mandlesha: The additional capacity which you are planning for the field is it will be for export market or what kind of opportunity you are seeing?

Naresh Jalan: I think the 80,000 is for railways self consumption for OE application plus I think there is huge market within India for wear and tear for passenger coaches and as well as the privatization of railways which are happening in Vande Bharat. Right now they are importing wheels so those also will be required and as well as export market is huge and there is right now very limited capacity globally post the Ukraine war so we are already in touch with lot of OEMs globally who buy wheels and I think before the plant commences production we will have a long term contract with these OEMs also.

Mumuksh Mandlesha: Thanks Sir. Can you share outlook for the overseas CV market for next one year?

Naresh Jalan: I think the overall global market right now in export is strong and we expect it to remain strong over the year.

Mumuksh Mandlesha: Right Sir. Can you provide timelines for the completion of JMT Auto and ACIL acquisition and post-acquisition what would be the capex plan for both the companies?

Naresh Jalan: I think JMT Auto and ACIL both are from our side whatever we could have done we have done. Right now it is at Indian Legal system so we are hopeful of having this as fast as possible but I think legal process takes its own time so we would not like to comment on exactly the timelines of it. In terms of capex I think both taken together to modernize the plant and bring it up to the shape we expect including both to close to around 100 Crores of capex will be required to get 100% result from both the plants.

Mumuksh Mandlesha: Thank you so much for the opportunity Sir.

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

Abhishek: Thanks for opportunity and congrats for a great set of numbers Sir. You have won the new orders from the railway for supplying huge wheels and the total wheels production would be around 2 lakh per annum so what would be the total project cost and what would be your sharing for that?

Naresh Jalan: I think this JV is at a 51-49% model and share of finances also will be similar and we expect a capex of close to around approximately 1,200 Crores plus minus 5% at the current levels of market.

Abhishek: The revenue would not be added in your top line it will come into your bottom line?

Naresh Jalan: Revenue will be added in my consolidated as well as the profitability will be also added in my consolidated.

Abhishek: So it would not be shown as JV profit?

Naresh Jalan: We will need to bring that 51% of revenue in to my consolidated.

Abhishek: In domestic market basically because of BSVI phase two number was quite strong in Q4 but there is expectation that FY2024 number would be muted so can you give some colour on how the outlook would be for the domestic market in M&HCV segment?

Naresh Jalan: I cannot comment on the exact market share I can only comment on what RKFL is and we are extremely confident of a strong performance in FY2024 and given the global scenario, given the domestic market and given the order book we right now have and the visibility we have from all our customers we expect to continue our growth trajectory and we produce strong results.

Abhishek: Earlier in Q3 you had mentioned that you are looking for 15% to 20% kind of growth in the top line in tonnage segment so your guidance is intact despite the strong base in Q4 numbers?

Naresh Jalan: I think my Q4 numbers already are visible in terms of tonnage growth and I think we will continue to have similar growth or as I say that we expect to have a very strong year FY2024.

Abhishek: In last two years the capex was very strong and you have done great numbers in your top line as well going ahead you are coming with two, three acquisitions and plus that you are going to set up a plant for forged wheels side so what would be your next two years capex target FY2024-2025?

Naresh Jalan: Standalone basis RKFL will continue to grow and continue to deploy cash in terms of whatever we earn we have already defined our capital allocation policy we will be strictly following those capital allocation policy in terms of our debt reduction as well as allocating capital for the growth of RKFL on standalone basis, acquisition we will see as and when it comes. I think right now till we complete the legal process I would not like to comment on those but in standalone basis RKFL we can very clearly say that we have a defined capital allocation policy and we will follow the policy strictly in terms of debt reduction, dividend and whatever left over cash we will deploy back into the growth of the capacities within RKFL.

Abhishek: Your most of the acquisition on consolidated basis so if you can throw some more light on that how much capex you are looking in the ACIL, JMT as well as your other plants like forged plants and what is your debt repayment plan ?

Naresh Jalan: JMT, ACIL already my acquisition cost has already been in the market domain so unless it comes right now I will not be able to say anything when and how it will happen so we will wait till the Court order comes through and then only we will able to comment on that and we will surely keep our investors updated as and when the acquisition gets cleared through the legal process and in terms of the wheel project my responsibility is for 51% of the capex spend and part will be funded through debt and equity so equity is the portion which RKFL will bring into that SPV so we are working out. I think we have not yet freezed on the numbers. I think by first quarter we will give you the numbers what RKFL intends to get in equity in that company and what is the debt going to be in the company but that is over next three years which is going to happen.

Abhishek: What is the ROCE of this business, forged wheel business?

Naresh Jalan: I think right now we will need to wait because I think not even 40% capacity has been sold so we will need to wait for the rest of the contracts and other things to get closer. I think FY2025 we should be speaking on what is going to be ROCE.

Abhishek: Thank you Sir. That is all from my side.

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

Balasubramanian: Thank you so much for the opportunity Sir. My first question on the wheel set side like we are going to sell FY2026 Q4 onwards what would be the average realization for this wheels because we are going to supply for next 20 years what kind of price escalation clause we have with Indian Railways?

Naresh Jalan: I think price realization right now we have shared it in the market it is close to around Rs.190 per kg right now and price escalation clause is very clear that is as determined by every quarterly in the RBI index of steel and inflation.

Balasubramanian: Okay got it Sir. My second question on the wheel set side how many wheels we have to sell for breakeven in that project?

Lalit Khetan: Breakeven at 40,000 wheels per annum.

Balasubramanian: I just want to understand about the wheel set market overall in global forged wheel set comes anywhere between 2.5 to 2.8 lakhs so could you please breakdown that what are the components available?

Naresh Jalan: I think it is not relevant question right now and it is very difficult for us to answer right now. It is a project which has been just taken up and we are working on it and it is right now very preliminary to give all those information.

Balasubramanian: Thank you Sir.

Moderator: Thank you. The next question is from the line of Pratik Banthia from Girik Capital. Please go ahead.

Dhaval Shah: Sir my question is related to the slide 20 where you are mentioning about warm forging capability if you could tell us about this new capability which we are adding to our portfolio and we have mentioned under product family about differential gears and differential pinions so how many other players are there in India in this and which customer segment we would be targeting?

Naresh Jalan: In warm forging since last two quarters we have already started supplies to domestic and overseas customers and primary right now we are catering to the commercial vehicle market and with the new installation which is getting completed in next couple of months we are going to target the light vehicle market also and for which we have already got some contracts and we are in process of getting some contracts globally and within India. To answer your second question I think the biggest player within the Indian market in this segment is Sona Comstar. We are just starting part of this and we will gradually grow in this business and I think we look to make significant progress over next two years and this is the first step to make entire differential assembly as one of our product platforms.

Dhaval Shah: With this product coming in now our average EBITDA per tonne how will that move like under warm forging what sort of profitability is there in the product?

Naresh Jalan: I think right now in last two quarters we are not very significant player right now so we will continue to work on margins in this and with the installation and modernization which is taking up right now which is going to get completed and I think in the next six months time we are looking at, at least 100 to 150 bps more than what we are on an average doing in our traditional forging setup in warm forging.

Dhaval Shah: Got it Sir. This question is on the balance sheet and the cash flow side. In the current setup and in our organic way which we are going by expansion over the next two years or by three years we will have a significant cash flow coming in so how will our debt on books be and we also have JMT, ACIL where we will be investing 200 Crores plus our railway project also, so over the next three years how the cash flows will be used because you seem to be fairly confident about the growth from the existing setup so how will this cash flow be used?

Lalit Khetan: Whatever we have in the cash flow and we have the future growth plans, our future cash flow will be enough to take care of our acquisitions also and working capital requirement so overall we are not anticipating to increase on that and every year the debt will go down even if you look at the standalone basis it will be at least Rs. 200 Crores we will go down and on the consolidated basis also the overall debt will not increase.

Dhaval Shah: So this Rs. 1,200 Crores debt which is there as on March 31, 2023 so over next three year period this absolute number will keep coming down.

Lalit Khetan: Yes it will keep coming down with growth also and acquisitions also and on a standalone basis it will continue to go down by at least Rs. 150 to Rs. 200 Crores per annum.

Naresh Jalan: As well as also Rs. 1,200 Crores is the gross debt at the net level if you see minus the bill discounting Rs. 1,093 Crores is only the net debt and we expect the net debt to be on the downside going forward with the cash flows which comes out of the operation.

Dhaval Shah: Correct and how much will be our contribution towards this railway project?

Lalit Khetan: That will be Rs. 180 Crores of equity and that will go over a period of three years.

Dhaval Shah: So it would not be too stressful for us in terms of cash got it. We have removed the Rs. 5,000 Crores figure from the presentation any specific reason?

Naresh Jalan: Basically we do not want to put a number right now. We are looking at extremely strong growth in next two years and three years with the kind of plans and the vision we have so we did not want to put a number to it. Number may exceed expectation so we do not want anybody to judge the Company based on those numbers.

Dhaval Shah: Correct. Got it. Thank you very much and good luck.

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

Mitul Shah: Thank you for the opportunity. Sir one clarification of previous question on debt we said that standalone debt will keep coming down and consolidated debt will not go up so can we assume that consolidated debt for sometime would remain at current level or it will also come down?

Lalit Khetan: Mitul it depends upon lot of things when the acquisitions approval come and when we need to deploy the capex and the capex will be done also in a calibrated manner and those company will have their own earnings also with that capex so everything will pan out in span of time but right now that is very clear and the vision of the Company is very clear that on standalone debt we are going to reduce and on consolidated also we never used to increase the debt but reduce the debt so that will continue because whatever cash flow is available we will try to grow from that only.

Mitul Shah: Second question on raw material side. In fourth quarter RMY sales raw material as a percentage of sales has gone up by 200 basis Y-o-Y as well as Q-o-Q so now it is coming almost eight quarter highest at 50.2% whereas actual raw material price movement is very limited during the quarter so any specific reason any delay in compensation from the vendor or what could be the reason behind it?

Lalit Khetan: That basically happens due to the product mix because we sell the product of different categories and that is why there is a function of sales realized versus raw material consumed so that is why there is 100 to 200 basis point plus minus quarter-on-quarter and that has nothing to do with right now price movement or any discount from the vendor.

Mitul Shah: So there is nothing related to delay or lag effect of passing price escalation to vendor. At the same time other expense also came down significantly Q-o-Q despite our revenues and volume going up so here any specific reason?

Lalit Khetan: The other expense has gone down due to reduction in ocean freight basically and shipping cost.

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

Chirag Shah: Thanks for the opportunity Sir. Congrats for good set of results. Before I ask my question a clarification on this JV so is this a completely ground up plant or some part would be done by RK forging standalone like a basic forging and machining would be done at the JV level or it is a completely ground up plant?

Naresh Jalan: It is completely Greenfield project.

Chirag Shah: So everything would be done over there. Sir my question pertains to EU and US customer, so in the past you have been indicating that you are in discussion with few customers and you are very hopeful of adding some of them, any update if you can share on that it would be helpful any new customers you have added?

Naresh Jalan: I think Lalit has already updated close to around Rs. 700 plus Crores of order wins in this year is basically on whatever we have been able to complete in terms of our customer acquisition is concerned and in terms of revenue if you see already Europe is growing. In absolute numbers if you see Europe is close to 15% now of our total revenue. Starting from a base of zero and within two years we have reached a revenue of close to 15% from Europe so I think that substantiates out statement what I have said that we are working on customers and it takes time but customers are getting converted as we move up.

Chirag Shah: I was more referring to number of customers. I understand Sir customer breakthrough could happen immediately or could take number of years it depends upon when and how they want to ramp it up so is there any breakthrough being made that where a new customer has given some trial order or we have got some approval?

Naresh Jalan: Yes that is the answer to it that we have already converted lot of customers wherein we were doing trials and that is the reason this kind of revenue we were able to achieve in this sluggish market also and with the strong growth what we see is basically the marketing activity which we have done over the years from where we are still having a visibility of very strong year going forward.

Chirag Shah: This breakthrough is largely in US or it is more Europe driven?

Naresh Jalan: It is globally. I cannot put a particular geography to it but in terms of overall performance we expect strong growth and we are extremely happy with the customer response globally.

Chirag Shah: Last question on cold and warm forging so it was supposed to start in Q1 right operationalization of that?

Naresh Jalan: I think last two quarters already we have started doing warm forging and the latest new equipment which is entrant we are in process of starting that equipment I think from second quarter onwards by that we have already very clearly mentioned all this capex of addition of around 56,000 tonnes will get completed on or before September 2023 and we have already given an entire roadmap by first quarter what is going to get completed and by second quarter what is going to get completed.

Chirag Shah: Sir my question was how should we look at ramp up of this plant?

Naresh Jalan: This is basically ramp up plant. Capex if it is getting completed and commissioned and start up so we have immediate order book to ramp it up and we have given guidelines based on ramp up plant itself that first quarter end we will be able to see the tonnage mentioned, ramp up will happen from second quarter and the second quarter the part which is getting completed from the third quarter we will see the ramp up of those.

Chirag Shah: Basically once you start the asset over like 12 months we can achieve optimal utilization levels or it may take slightly longer time?

Naresh Jalan: Within six to eight months we can see optimum levels, with the current order book we have we are very confident to achieve that.

Chirag Shah: Is there any addition of customer for this facility we already have one or two customers because you were in active discussion with more customers?

Naresh Jalan: We already have a complete order book and our production capacity is almost sold.

Chirag Shah: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Deepak Jain from ENAM Asset Management. Please go ahead.

Deepak Jain: Can you talk about working capital. How it is poised for the next year given that you are expecting a strong growth on an absolute terms will it remain there or it will expand what is your view on that?

Lalit Khetan: Working capital Deepak is right now at around 108 days and our endeavor will be to bring down by another 8 to 10 days so we target the working capital days to remain at 100 days going forward.

Deepak Jain: Can you share your outlook on class 8 demand from the industry level?

Naresh Jalan: No I do not think I would be able to comment on class 8 but overall we see the commercial vehicle market overall in North America is doing extremely well in terms of production. I do not see as an order book, as a production all OEMs are sold out and offtake of material is extremely good.

Deepak Jain: Thank you.

Moderator: Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Congrats for a good set of numbers. Sir couple of questions. First question is on the growth side you are saying that next two years will be very good but can you quantify as in this year we did 20% volume growth so can the coming years be similar or can they be better than this also?

Naresh Jalan: First of all I have never said for two years I am saying for FY 2024 we are expecting strong growth and we stick to that statement in that we would not like to put a number to it. In terms of previous quarter we have given a tonnage guidance of 15% to 20% growth we would like to stick to that. I think we are expecting continued volume growth and revenue growth in this year and we feel that the performance we have been able to achieve we will continue with strong performance in FY 2024 also.

Ankur Kumar: Sure Sir. Next question is on the margin. Gross margin has come down this year compared to the last so any reasons and what is our expectation on that front?

Lalit Khetan: No gross margin from last year it has improved, if you look at EBIDTA per tonne it has improved by Rs. 2,500 per tonne.

Ankur Kumar: Sir I was asking in terms of gross margin percentage?

Lalit Khetan: Percentage wise there was a cost pressure this year that is why the EBITDA margin has gone down by 100 basis points from the last year but from here on it will sustain at this level or improve from this level.

Ankur Kumar: Sure Sir and tax rate will be 23% or 25% next year?

Lalit Khetan: Yes next year we will be moving to 25% tax rate, the 22% plus surcharge.

Ankur Kumar: Sure Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir I have three questions. The first question is in Europe and North America what would be our CV dependence in terms of business, my second question is if you could give the tonnage growth outlook for Europe, US, and Asia separately if possible and is there any deflation element in FY2024 whereby there can be any price reduction for us to understand the top line?

Naresh Jalan: I think first of all in terms of Europe and North America or maybe India as overall order book 70% of my order book is from automotive sales and this entire automotive sales is from different type of commercial vehicles only, M&HCV or CV or LCV. We are not into PVs and I have clarified that in earlier quarters also we are in only commercial vehicle market across the globe in automotive segment. North America or Europe we also cater to the off-highway industry, oil and gas and long haul trailer bodies as well as we have just entered oil and gas in gulf countries so that is also a market which we are looking to grow considerably. In terms of deflation all our contracts are tied up, in terms of inflation we are not affected.

Pritesh Chheda: Sir my question was as on today whatever you understand will there be a deflation in your realization next year driven by steel price?

Naresh Jalan: I think steel price quarterly is a reset. In case there is a reduction in steel price the top line may go down, in case there is an increase in steel price top line will go up but my margins and other things are not dependent on basically steel pricing.

Pritesh Chheda: Your volume growth outlook for tonnage growth in Europe, US and Asia?

Naresh Jalan: We do not have a bifurcated tonnage as of now but surely we can ask our CFO you can have a one-on-one call with him to get all this information.

Pritesh Chheda: My last question is there is a working capital improvement for a certain extent driven by better payables can you explain the rise in payables what kind of credit and where are we getting?

Lalit Khetan: Rise in payable is basically due to the higher volumes also and there is no such rise in debtors commensurate to that. That is why it is there. If you look at my payable from last year to this year it is in proportion to our revenue growth so there is no significant rise in payable in that way and if you look at my debtors, debtor has not rose that significantly and that is why there is an improvement in overall working capital cycle.

Pritesh Chheda: Okay Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Kaushik Mohan from Ashika Stock Broking. Please go ahead.

Kaushik Mohan: Congratulations for the good set of numbers. I just wanted to understand some guidance not on the exact number wise what would be your revenue mix on the railway and oil and gas?

Naresh Jalan: I think we are looking at almost doubling our sales to railways in this year so I think whatever percentage right now we are close to 3% right now, we are looking at 5% plus this year from railways and in oil and gas also we expect at least 100 to 150 basis points increase in share of business from oil and gas.

Kaushik Mohan: Sir another question like how is the railway payment happening if you bill it today like how long will they take to put the cash in your bank?

Naresh Jalan: From the date of dispatch from my plant the payment is received in my bank account within 25 to 26 working days.

Kaushik Mohan: I just wanted to understand another thing you have partnership with Titagarh for wheels how much percent of that entire project will be your revenue?

Naresh Jalan: 51%.

Kaushik Mohan: What will be the cost and how is the production going to happen and what is the plan on that?

Naresh Jalan: I think capex plan is close to around Rs. 1,200 plus Crores and we expect the production to start from last quarter of FY 2026.

Kaushik Mohan: How is your EBITDA margins over there?

Naresh Jalan: Right now I think it is pretty nascent to speak on the EBITDA margins we would work on it and come back basically in FY 2025 for that.

Kaushik Mohan: Thanks for this.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Congratulations Sir on good set of numbers. I have two questions from my side. The first one is I just want to know the tax rate as of now we are paying somewhere around 30 % plus around 31-32% that is probably one of the reason being deferred tax coming in I just want to know are we going to continue in the same slab for FY 2024 or we are going to switch to a 25% slab like many other companies in manufacturing are doing?

Lalit Khetan: We are going to shift to 25% tax rate in the next financial year.

Vignesh Iyer: My second question is just to understand from just purely utilization point of view our press is running almost like on 94% forging has been consistently doing above 100% I just want to understand from where would the next leg of growth come?

Naresh Jalan: 56,000 tonnage is going to get added in next six months' time and out of that within this quarter I think close to around 20,000 plus tonnes is getting to get added and start production, total 53,000 tonnes is going to get completed within the first six months and as well as the utilization level 94% which has been shown I think we will revise those percentages also in next six months time so overall we see that things are going to be much better in this year.

Lalit Khetan: Plus there is lot of capacity left in our fabrication plant ramp up where we are doing the production for railways where we have lot of capacity left out to grow in railway segment so that is not added in tonnage.

Vignesh Iyer: That is separate okay. Yes that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Navin Matta from Mahindra Manulife. Please go ahead.

Navin Matta: Thanks for the opportunity. Sir I think the question I think we all trying to grapple with is that next year potentially some of the industry bodies in US are saying that class 8 might see a decline so just one way of trying to understand this is in case assuming that the market is flat how much can we outgrow based on our order book or market share gains that we are looking at?

Naresh Jalan: First of all I have not heard that any OEM has come out and said that they are going to see market degrowth next year or this year no OEMs have come out and said that and second is that we are not into alone class 8 in the North American market we are across all platforms of commercial vehicles, class 8 forms one of the part and with our past experience in the current order book we are extremely confident that the way we have improved our content per vehicle we will be extremely doing well and we are confident of outperforming the market but we cannot put a percentage how much we will be able to outperform the market.

Navin Matta: Understood Sir and just based on our product mix improvement do we see scope for further margin improvement from current levels?

Naresh Jalan: We expect to retain and improve both. You will see continued outperformance in terms of margins. I think we continue to work on improvements in terms of our structure of working and I think this will result in continued improvement in bottom line of the Company.

Navin Matta: So it should be kind of more cost control led opex cost control is what we are trying to indicate that we can kind of improve margins from that side is that understanding right?

Naresh Jalan: Yes.

Navin Matta: Got it Sir. Thank you very much.

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

Mitul Shah: Thanks for followup opportunity. Sir question on this railway business in new JV it would be forging and machining everything in house?

Naresh Jalan: Yes everything has to be in house.

Mitul Shah: Second question on the EV strategy can you give what is our current revenue contribution and for next two years as already EV are now becoming sizeable in the Indian markets particularly in the two wheelers and PVs so we are anywhere entering into this two wheelers and PVs also?

Naresh Jalan: We are not entering two wheeler we are entering PVs and I think right now we are not in PV so we are not affected with the PV strategy right now but EV continues to be a big focus for us and we have already updated in our presentation where we are in EV and what is the future for us, how we look at EV going forward for RKFL.

Mitul Shah: On this EV this new investment 51% for TSUYO Rs. 100 Crores we are planning to invest with a revenue potential of Rs. 500 Crores so would that be in a phased manner or you expect in last one or two years?

Naresh Jalan: TSUYO has done close to around Rs. 12 plus Crores already in the last financial year and I think this year also we expect at least three folds jump in the top line from TSUYO and gradually we are putting in money and our Rs. 100 Crores investment is based on some assumptions and capex plans at TSUYO to graduate from only motor supplier for a complete solution of e-axle and transmission in next five years from TSUYO, but TSUYO will form a formidable arm for RKFL as we continue our investment in TSUYO till the tune of upto 51% it will become one of the significant arms of RKFL in terms of our EV portfolio and EV visibility is concerned.

Mitul Shah: Lastly on this what would be break even revenue for this TSUYO?

Naresh Jalan: TSUYO is already breakeven.

Lalit Khetan: We are in profit already in profit.

Mitul Shah: Thanks.

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

Rahul Shah: I just wanted to ask regarding this North American customer where you have an LTA can you just give me the broad contours of that deal is there going to be a price revision with steel compensation or manufacturing cost increasing in India?

Naresh Jalan: I think all our global contracts are backed by steel and inflationary changes steel is every quarter and inflationary changes every once a year. Inflation and energy is every once a year.

Rahul Shah: Second question is you have installed some solar capacity in the plant is there any impact on this on the bottom line like what percentage of your energy cost is taken care by solar now?

Lalit Khetan: Solar we have just placed the order and I think we expect the installation to get completed in nine months time. Once that happens to that tune cost of electricity/energy is going to come down.

Rahul Shah: Thank you.

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

Chirag Shah: Thanks for the opportunity again. Sir just one clarification. You indicated that the press capacity is likely to get restated right so basically your operating efficiency is improving over that?

Naresh Jalan: Not only operating efficiency which is improving we are improving in terms of automation which we are putting in will improve the efficiency. We are right now working and gauging exactly to what tune the capacity can be revised at and accordingly in coming quarters the capacity will be revised.

Chirag Shah: So is it possible to indicate by when do you expect to come to a conclusion on this because you are still on operating leverage side?

Naresh Jalan: I think you can safely say that at least in my press plant capacity is going to go up 8% to 10% but by August 2023 this entire exercise is going to get completed. Second quarter should at least see 10% to 15% jump in capacity from the press plant.

Chirag Shah: Similarly on the ring rolling side how much you can stretch it more?

Naresh Jalan: I think we are working in ring rolling at the optimum.

Chirag Shah: Any thought of adding more capacity for ring rolling?

Naresh Jalan: No.

Chirag Shah: This is helpful Sir. Thank you very much.

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

Abhishek: Sir you have mentioned that your debt has gone down but if you see the numbers in interest cost that has gone up quarter-on-quarter basis and Y-on-Y basis so is it the impact of the increase in the yield or is that last minute of change in the working capital that is why it has gone down?

Lalit Khetan: Abhishek if you look at our all four quarter performance the debt has not gone down in the last minute and it has gone down on each quarter if you look at all the four quarter number and interest cost has only gone up due to the increase in rate and it includes bank charges also that increase is due to the higher utilization of limits or non-fund based limits.

Naresh Jalan: With the increase in top line Abhishek we have to use more LCs to get raw materials so LC usage bank charges are also included in the interest rate as well as while we are reducing our debt we are not reducing our limits, limits stay intact and to get renewal of those limits we need to pay commitment cost to the banks so those charges are also built into that.

Abhishek: How much increase in the interest cost in last one year because of the change/increase in interest cost?

Lalit Khetan: It is almost 30% Abhishek it has gone up from 6% to around 8%.

Abhishek: As you mentioned that steel and energy contracts are renewed on yearly basis so this year many contracts would be revised?

Naresh Jalan: We are still working with the OEMs. I think it will take another one or two months where we will have a clear visibility because different countries have different mechanisms for energy and electricity and inflation so we are working with the OEMs. I think we should be clear in next month or so.

Abhishek: In most of the cases the prices are revised based on the indexations and that is renewed on average three to six months. Is it not with you?

Naresh Jalan: That is for raw material basically and for inflation and energy it is dependent country specific so we need to produce our own invoices and the increases which has happened in India in gas, electricity and other denominators and they are verified and then they are worked on so it takes its own time.

Abhishek: Thanks Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Akshay Karwa from Anand Rathi. Please go ahead.

Akshay Karwa: Thank you for the opportunity. Just a question on capex so what is capex for FY 2024 and FY 2025?

Naresh Jalan: FY 2024 like we have said whatever post dividend and debt we are looking at debt reduction of Rs. 100 Crores to Rs. 150 Crores, post debt reduction and dividend payout whatever cash is there we will deploy that cash back into the system to grow the capacities both in terms of forging as well asin terms of value add.

Akshay Karwa: That is all from my side.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments. Over to you Sir!

Rajesh Mundhra: Thank you all. I take this opportunity to thank everyone for joining the call. I hope we have been able to answer all your queries and questions. For further enquiry and information, you can get in touch with us or with our investor relationship advisors. Thank you and have a great pleasant weekend.

Moderator: Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.