www.mmforgings.com

# M M FORGINGS LIMITED

SVK TOWERS, A 24/25, THIRU VI KA INDUSTRIAL ESTATE, GUINDY, CHENNAI- 32
Phone: 91-44-71601000 E-Mail: corporate@mmforgings.com CIN L51102TN1946PLC001473

Date : 29 May 2022

| | |
|---|---|
| The Deputy General Manager<br>Corporate Relationship Department.<br>Bombay Stock Exchange Limited,<br>Rotunda Building, P.J.Towers,<br>First Floor, New Trading Wing, Dalal Street, MUMBAI –400 001 | National Stock Exchange of India Ltd<br>'Exchange Plaza', Bandra – Kurla Complex,<br>Bandra ( E), Mumbai – 400 051 |

Dear Sir,

Sub.: .: Transcript of Analyst/ Investor call pertaining to the financial results for the quarter and financial ended 31 March 2022.

1. Please find enclosed the Transcript of the Analyst/ Investor call on the Audited Standalone financial results and Audited consolidated financial results of the company for the quarter and year ended 31 March 2022 held on 26 May 2022. The results were approved in the Board Meeting held on 25 May 2022.

2. We request you to kindly take on records.

Thanking you,

Yours faithfully,
For M M FORGINGS LIMITED

J.SUMATHI
COMPANY SECRETARY

# "MM Forgings Limited
# Q4 FY2022 Earnings Conference Call"

May 26, 2022

**ANALYST:** **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

**MANAGEMENT:** **MR. VIDYASHANKAR KRISHNAN – VICE CHAIRMAN & MD - MM FORGINGS LIMITED**
**MR. VENKATAKRISHNAN – CFO - MM FORGINGS LIMITED**

**Moderator:** Ladies and gentlemen, welcome to the MM Forgings Limited Q4 FY2022 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Sir.

**Annamalai Jayaraj:** Thank you. On behalf of B&K Securities welcome to MM Forgings Limited 4Q F2022 Post Results Conference Call. From the management side we have with us today Mr. Vidyashankar Krishnan – Vice Chairman & Managing Director, and Mr. Venkatakrishnan – Chief Financial Officer. I now hand over the call to the management for the opening remarks to be followed by question-and-answer session. Over to you, Sir.

**Vidyashankar K:** Good afternoon, everyone. Thank you, Jayaraj. We ended last year with record sale of 1123 Crores up by 50% over the previous year's level of almost 750 Crores and also recorded profit after tax of 111.77 Crores. Effectively our EBITDA was 220 Crores registering a margin of around 19.61 on overall sales with reduction in interest cost and also slightly higher depreciation, net profit stands at 111.77 Crores. Domestic sales grew by 50% as also export sales and production tonnage has grown by 28% as compared to FY2021 and sales tonnage by about 36% compared to the previous year. Our sales per ton have grown from 1.54 lakhs to 1.73 lakhs per ton. These are some of the key figures of the performance of the year and I would like to throw the floor open for questions.

**Moderator:** Thank you Sir. Ladies and gentlemen, we will now begin the question-and-answer session.

**Vidyashankar K:** Until we receive a few more questions I can rattle of a little bit more about our performance. Overall, the sales of forged components stood at about 50% and machine components at 51, so 49 and 51. Our sales of machine components has grown about 43% in the previous year to 51% this year. This trend is held good across both domestic and export sales with an increase of around 7% in each. Sales across continents; India stood at 46%, Europe 18, US 20 and South America and rest of the world balance. Commercial vehicles stood at 85%, overall, 10% passenger car and non auto at about 5%. Overall, we see that we are about 95% auto dependent and 5% non-auto. Out of this 85 is CV and 10% is pass car. We ended the year with an outstanding term loan of around 434 Crores gross and less cash on hand or cash in cash equivalence. The net long term debt is 243 Crores working capital debt stands at about 245 Crores. Net debt including long term and short term stands at 488 Crores.

**Moderator:** Thank you. The first question is from the line of Krishna Kumar from Lion Hill Capital. Please go ahead.

**Krishna Kumar:** Congrats Sir on good performance on the first hand. Having said that we have seen sharp drop in gross margins and also on incremental sales Q-O-Q within a slightly larger term, could you give some colour about how the pricing is taking over and what kind of margins from EBITDA perspective one can look from next year perspective.

**Vidyashankar K:** What has happened is that there has been an increase in price of steel in price of raw material from Q3 to Q4, so as the base keep increasing it might not be possible to elongate the margins as well while the increase is passed on to customer, it cannot always result into a translation or retention of margins because the numerator and denominator grow at the same rate, so A/B becomes A+Delta/B+Delta and in fact the ratio will be less than A/B normally, so we can look at margins around these levels that we ended this year at plus or minus fraction, so around 19.5% plus/minus 1% would be the targeted margin, but this depends a lot on raw material prices as well as freight. Freight also goes up. Freight also gets added on, which means that these two do not add to the margins, so what happens is that denominator gets inflated, but the delta between the two remains constant so that is why you could see a small compression in margins, if I can use the word.

**Krishna Kumar:** I am just asking whether the EBITDA per ton or rupees per ton basis has been maintained since that is a measure, which will not be impacted by raw materials per se.

**Vidyashankar K:** I will come back to that number in a few minutes Krish.

**Krishna Kumar:** If you can share some volume numbers over the call that will be helpful. Sales and production volumes for the full year and fourth quarter if you can share that will be helpful for the participants.

**Vidyashankar K:** The production for the year stood at 62,000 tons and sales at 66,000 tons.

**Krishna Kumar:** You have talked about fairly strong growth at the end of Q3 for FY2023, something like 82 and 90,000 tons somewhere in between, so are we looking at the growth opportunity now given some changes in environment in terms of demand, can you comment on that Sir?

**Vidyashankar K:** Definitely the outlook is slightly worse from an overall economic point of view in FY2023 now as compared to what it was four, five months earlier naturally because of the war and the inflation that it has triggered and the consequent petering out or lessening of demand that is expected as a result of higher inflation, but not withstanding that I would still expect us to end up this year anywhere between 80,000 and 90,000 tons of production because of two reasons one is a significant amount of our growth comes from the Indian Market, which is looking pretty strong. Okay even if there is a lag, we are launching or we have developed slew of new products or have been developing new products over the last couple of years. All these products are continuing to come into serial production even as we speak, so all that will be sales accretive. As a result, I would except that we will achieve somewhere in the region of 80,000 to 90,000 tons depending upon how the market goes, but broadly I will still hold whatever we have been saying earlier. Last year if you take April was strong. May and June were very tight because of the second wave, the delta wave, as a result we do not expect such a prospect in the months ahead.

**Krishna Kumar:** Thank you Sir. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

**Shyam Sundar:** Good afternoon. Thanks for taking my question. My question was on the steel price inflation that you spoke about. On a per ton basis, how much is the under recovery or yet to be recovered steel cost that is still pending from our end.

**Vidyashankar K:** Hardly anything left Sriram. Most of the steel cost have been recovered.

**Shyam Sundar:** Are you seeing the steel price softening due to government actions.

**Vidyashankar K:** Even before, it had started softening but the actions for the government have accelerated a sharp fall and surely steel prices are going to be much lower.

**Shyam Sundar:** Will we have to pass on this immediately starting from this quarter itself, is that how that works from 1Q FY2023?

**Vidyashankar K:** From 1st of April onwards there is bound to be an increase and from 1st July I would expect it to correct including that increase. Increase is lightly reversed.

**Shyam Sundar:** Okay understood Sir. From a tonnage perspective this quarter, we would have been 20,000 of sales tonnage because you said the full year was 66,000 tons so if I exclude the numbers, we have shared earlier is it like 20,000 tons we have done from sales this quarter.

**Vidyashankar K:** No. 63,000 tons of sales and 61,000 is production. For this quarter we have done 18,000 tons of sales and very similar production numbers almost matching.

**Shyam Sundar:** Understood Sir and last quarter, we had 15,000 tons of sales right.

**Vidyashankar K:** Correct.

**Shyam Sundar:** Then the tonnage volume growth sequentially was around 20%, which means the realization on per ton has dropped because of exports dropping. Just from a missed perspective, I am just trying to understand.

**Vidyashankar K:** Overall there is a drop of around Rs. 7000 per ton between Q4 and Q3.

**Shyam Sundar:** Okay and is this because of mix or is that any other factor?

**Vidyashankar K:** Not any secular trend and EBITDA, just to give some numbers Krishna Kumar was asking what is the EBITDA per ton. EBITDA per ton for the entire year stands about Rs. 36,000 as against quick numbers around Rs. 30,000 level the previous three years, so I would say EBITDA per ton has only gone up.

**Shyam Sundar:** Sure, thanks for that. Export revenue in FY2022 how much would that have been approximately?

**Vidyashankar K:** 540 Crores.

**Shyam Sundar:** Is there any softening in exports per se that we are seeing going into the next year from this level of 540 what we have clocked. Is it expected that exports will be lower than this number or how are the schedules or your conversations with customer looking like at this point of time?

**Vidyashankar K:** At this point of time, numbers are okay, but we do expect some amount of softening. The end customer demand on our customers is still strong.

**Shyam Sundar:** Okay mainly because of the order backlog that is there.

**Vidyashankar K:** We have a huge order back log.

**Shyam Sundar:** Understood and that was helpful. One other aspect, employee cost has gone up quite meaningfully in FY2022 on a year-on-year basis what is leading to that? Was there any wage revision per se that has happened most on Q4 per se or anything specifically from an employee cost that you can share?

**Vidyashankar K:** Overall post-COVID employee expectations have gone up and as a result we have seen employee cost going up.

**Shyam Sundar:** In percentage, in comparison to growth in volumes, the employee cost has been higher this year, so how to think of employee cost going into the next couple of years?

**Vidyashankar K:** Some amount of rationalization of manpower will take place and we except to reign in the rise in employee cost.

**Shyam Sundar:** Okay understood, so employee cost should be largely in line with the volume growth per se.

**Vidyashankar K:** This year I would be surprised if employee cost did not fall a little bit compared to growth.

**Shyam Sundar:** Okay so it should be slightly lower than the volume growth.

**Vidyashankar K:** Exactly lower than volume growth, so there is some scope of EBITDA contribution from employee cost.

**Shyam Sundar:** Freight cost, you also spoke about the freight cost going up very significantly. We are also hearing that narrative from multiple exporters per se, how much would be freight cost for us in FY2022? It was around 19 Crores in FY2021. Just trying to understand how much would have been the hit for us from a freight cost perspective.

**Vidyashankar K:** 19 Crores in FY2021 versus 47 Crores in FY2022 and assuming that there was a 50% growth in numbers or 38% growth in numbers so 19 x 30% will be about 26, 27 Crores where as we have had a 20 Crores increase beyond that. 20 Crores increase means 1000, 1100 Crores roughly, 1.8% to 2%.

**Shyam Sundar:** Got it Sir and are we seeing further increase as well rising from the Q4 levels.

**Vidyashankar K:** Freight cost has softened from the highs and have generally found lesser levels now as compared to earlier. This bar is also putting pressure myself as well as the zero COVID policy of China.

**Shyam Sundar:** Got it Sir. Essentially as we go into next year and all this freight cost, we would have incurred and this is something that we would not be able to pass on to the export customers or anywhere for that matter. Is that a fair assumption?

**Vidyashankar K:** Most of it is passed on to customers. Some portion we have also taken hit, so roughly you can say that this would have contributed about 1% to EBITDA.

**Shyam Sundar:** Okay understood and next year when we talk of this outlook of 80,000 to 90,000 tons, are we making any softness on the export side or this outlook is primarily because of the domestic recovery that we are seeing on the truck side.

**Vidyashankar K:** This outlook is based on the macroeconomic situation prevailing reasonably stable as of Q4 of the year under review, so that holds then we should look at these numbers. I am adding the statement a little bit that these are really volatile times, so India is definitely looking very positive. This continues certainly, we should be looking at 80,000 plus certainly, but what India had if there is softness in export market, which is beyond what we see right now that could be a little bit negative.

**Shyam Sundar:** Just one last question, I will go back to the queue. You said realization has actually dipped around Rs. 7000 on a per ton basis sequentially. Is this because of product mix per se. I am just trying to understand what would have led to realization drop because underlying steel price has been going up. Can you share any perspective on that?

**Vidyashankar K:** It is just due to product mix.

**Shyam Sundar:** As we go the lower tonnage that is how we should think.

**Vidyashankar K:** Maybe some lower tonnage product increased and unfinished products went up so all that together will add to a slightly lesser realization.

**Shyam Sundar:** Got it. Thank you very much Sir and best wishes. I will fall back in the queue.

**Moderator:** Thank you. The next question is from the line of Govind Parikh from GPSPL. Please go ahead.

**Govind Parikh:** Actually, I have two questions. I will restrict only to them. The first one is that with export duty levels in India, Indian steel gets much cheaper, so how our export contracts based on Indian steel or based on global steel prices.

**Vidyashankar K:** Mostly we have reverted to Indian steel prices, mostly.

**Govind Parikh:** They will revert to Indian steel prices.

**Vidyashankar K:** Yes.

**Govind Parikh:** Okay the second question is on CV market. CV market in India and US if you can throw some light on that.

**Vidyashankar K:** CV markets in India are expected to be at least 15% higher than previous year level at least if not 30%. Markets in Europe are expected to be flat perhaps slightly down about 10%. Markets in the US, I would say would flat to 10% above. All exports flattish and domestic good growth.

**Govind Parikh:** Thank you very much Sir.

**Moderator:** Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

**Subrata Sarkar:** Can you share the breakup of the tonnage for this year? Out of 63k, what is Indian tonnage and what is US tonnage?

**Vidyashankar K:** I could give you broad percentage numbers I think that should suffice.

**Subrata Sarkar:** In terms of volume.

**Vidyashankar K:** I will give to you in terms of value, volumes I do not have it right now.

**Subrata Sarkar:** Rough estimate will also do.

**Vidyashankar K:** You can broadly take it on the same percentages of the values. The percentage of what I said earlier.

**Subrata Sarkar:** Okay Sir. Please share the numbers.

**Vidyashankar K:** India was at 46%. US and Europe at 20% each that takes you to 86 and South America and rest of the world 14%.

**Subrata Sarkar:** When you are giving this outlook for India, Europe, and US, you mean also relevant for South America or what is the outlook on South America and rest of the world? You have told India you expect at least 15% up to 30%. US is flat to marginally positive so any outlook on South America and rest of the world.

**Vidyashankar K:** South America should follow a middle line between Europe and US, so flattish.

**Subrata Sarkar:** Mainly, we are expecting growth from India in that case for this year.

**Vidyashankar K:** Yes.

**Subrata Sarkar:** One question. Is there any significant difference in EBITDA margin in terms of India to that of Europe to that of exports?

**Vidyashankar K:** Generally, we do not go customer wise. We do not look at it that way and broadly I can say that export margins are better off than Indian margins. If you look at product wise, zone wise, customer wise, so all this is too complicated.

**Subrata Sarkar:** One question on the working capital side. Since we are expecting higher volume from domestic market this year, will that have a positive impact on the working capital because generally export requires higher working capital.

**Vidyashankar K:** We are expecting exports to be static or marginally improving, so I will say working capital cycle will not be unduly increased with regard to sales.

**Subrata Sarkar:** Working capital to sale figure should increase in that case because like our domestic share will go up and generally domestic business require lower working capital, so the incremental in the working capital should be lower than the incremental in terms of sales. Is it a right estimate?

**Vidyashankar K:** That would be a reasonable conclusion to come to, but mostly customers pay reasonably on similar times, so I would say yes. It is slightly biased towards lesser working capital funds.

**Subrata Sarkar:** Any outlook on the debt repayment side and the capex for next year?

**Vidyashankar K:** About 90 Crores of debt is required to be repaid and we have planned the capex in the region of around 300 Crores.

**Subrata Sarkar:** For FY2023.

**Vidyashankar K:** Yes.

**Subrata Sarkar:** Last question, what is our current capacity utilization level?

**Vidyashankar K:** Our 6300 tons is getting commissioned this year, so we have about 60%, quick number is 60%.

**Subrata Sarkar:** We are only at 60% in that case.

**Vidyashankar K:** Yes, we are only at 60%.

**Subrata Sarkar:** Just hypothetical question. Maximum capacity utilization can be high as 85% to 90%.

**Vidyashankar K:** Yes easily.

**Subrata Sarkar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Jeetu Punjabi from EM Capital Advisors. Please go ahead.

**Jeetu Punjabi:** Thanks so much for all the explanation. I have one very fundamental question. Can you give some colour on your comments, which said that the US will be marginally up and others could be flat this time; what our customers are doing, are they cutting back on volume guidance or are they just totally pulling back. Can you just give us some colour on that what is actually happening in those markets and what is driving those decisions?

**Vidyashankar K:** With trade between western Europe and Russia is grinding for halt, the requirement of trucks in the European market would definitely come down and consequently we will see a difference in those markets. It should juggle on barring a severe recession. There is still pent-up demand in the US market. People order a truck today and the truck delivery is 12 months away.

**Jeetu Punjabi:** The other question is that you 300 Crores capex in the context of this scenario. Is that a longer-term capacity building exercise?

**Vidyashankar K:** Largely longer term. None of that is required to achieve this 80,000 plus tons of production.

**Jeetu Punjabi:** Okay thanks so much.

**Moderator:** Thank you. The next question is from the line of Munzal Shah from EDHA Wealth. Please go ahead.

**Munzal Shah:** Sir just wanted to know more on the 300 Crores capex. One is how much increase in capacity would be because of this capex.

**Vidyashankar K:** The increase would largely be on the machining side and on the forging side, it would be debottlenecking and a little bit of capacity addition say about 10,000 tons in terms of capacity per annum.

**Munzal Shah:** Then total capacity will be 1,30,000.

**Vidyashankar K:** 1,30,000 tons.

**Munzal Shah:** 1,30,000 tons right, so we should expect debt to increase going forward, right?

**Vidyashankar K:** Naturally, debt will increase to some extent or be static.

**Munzal Shah:** Because we do not generate that much of cash flow.

**Vidyashankar K:** Yes, debt will go up.

**Munzal Shah:** Because you never know, as you mentioned these are challenging times to even ascertain on working capital, we could be sure maybe after a quarter or two quarters that is what I think so in a challenging environment, working capital could be volatile.

**Vidyashankar K:** To answer your question, yes, debt is slightly to go up provided we spend that kind of money that is also there. If we spend all the planning definitely debt will go up.

**Munzal Shah:** This capex will be at the existing site or it is a Greenfield.

**Vidyashankar K:** Mostly it will be at existing sites.

**Munzal Shah:** Asset turnover of this should be higher since the bulk of the amount would be spent on machining should we expect higher asset turnover because of this?

**Vidyashankar K:** The highest asset turnover will be seen in this coming year and that is largely on account of investments already made, so I would not attribute it to the investments that are going to come.

**Munzal Shah:** My question was the 300 Crores how much revenue can it give. Could it give 500 Crores revenue. Could it give 600 Crores revenue, 400 Crores revenue; any ballpark number on average realization?

**Vidyashankar K:** Between the region of around 400 Crores.

**Munzal Shah:** It would be 400 Crores for the 300 Crores investment.

**Vidyashankar K:** Roughly, yes.

**Munzal Shah:** Just one basic question again. Suppose hypothetically, there is a 25% to 30% reduction in raw material prices maybe 6 months down the line, 12 months down the line, how confident are we to then make this 36,000 per ton of EBITDA.

**Vidyashankar K:** Not 36,000 per ton. Per ton of EBITDA could come down a little bit or could be static.

**Munzal Shah:** Currently we are working at Rs. 36,000 a ton.

**Vidyashankar K:** What will also happen is scarp prices will come down with raw material prices, so EBITDA per ton could come down.

**Munzal Shah:** It would not be static that also can come down right. That is what my question is.

**Vidyashankar K:** Naturally, yes.

**Munzal Shah:** Is there a possibility also that if the commodity prices come down, your volumes will increase significantly because there will be more demand.

**Vidyashankar K:** Correct. The slowdown in export market is less likely.

**Munzal Shah:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Chetan Vora from Abakkus. Please go ahead.

**Chetan Vora:** Hi Sir my questions have been answered. I just wanted to confirm this 300 Crores will be incurred next year or it is over a period of time.

**Vidyashankar K:** We expect to incur it over the next 12 to 18 months, largely in a 12-month period.

**Chetan Vora:** Any reason still our capacity utilization is quite lower and why we would like to go for such a big amount of capex.

**Vidyashankar K:** Because these will be into launching newer products or for products where capacity is not available.

**Chetan Vora:** Okay fine Sir. Thank you.

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

**Pritesh Chheda:** I have two questions one of the realization sides, what kind of realization increase are yet to happen on account of steel price or do you see a situation where this Rs. 175 a kg realization, which was there for FY2022 will start seeing a lower number or lower price now considering the steel price.

**Vidyashankar K:** This is most likely to go up in Q1 due to increase in price of steel and in Q2 it is likely to crash.

**Pritesh Chheda:** On annual basis, we will see low realization, right.

**Vidyashankar K:** I cannot predict what will happen in Q3 and Q4, but assuming that the trend of Q2 is held, I would say that we would revert back to raw material prices of the previous year.

**Pritesh Chheda:** Realization of about 160.

**Vidyashankar K:** No. I am taking about prices of steel, so I would say look at it this way April onwards there is an increase from June very lightly, July lightly of a lightly reduction so we are lightly to end up September at prices that are very close to March level then you extend the same level of pricing of steel for Q3 and Q4, so Q1 went up, Q2 went down to let say March level, Q3, Q4 are at March level. Overall steel prices for the year would still be higher than the current year. I would say even if in Q3, Q4 there was reduction I would say end to end it will be same as previous year same as the year under discussion.

**Pritesh Chheda:** Perfect. My second question is you mentioned that we will do about 80,000 to 90,000 tons of volume and bulk of the extra volume is dependent on India and within India, we have some new products developed for Indian Market, so here if you could give some colour on this new product and which auto class it is for?

**Vidyashankar K:** Basically, the CV market and also a lot of parts go into the agri segment.

**Pritesh Chheda:** In CV, is it for MHCV or LCV.

**Vidyashankar K:** MHCV and LCV.

**Pritesh Chheda:** My last question is, I was just trying to note down what you mentioned you said about Rs.36 a kg of EBITDA and when I am trying to do the reverse to figure out the volume, at 36 the volumes come to at about 53,000 ton and what you mentioned that you sold about 62,000 to 64,000 tons right for FY2022, so is there any error in this EBITDA per kg figure by any chance.

**Vidyashankar K:** If there is an error, I will come back to you.

**Pritesh Chheda:** Thank you.

**Moderator:** Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

**Subrata Sarkar:** Last quarter we had some discussion. Is there any development on the EV side currently or in the near future?

**Vidyashankar K:** We are producing lot of parts for export, which goes into EVs. Domestic**,** it's a matter of parts only and we expect to strengthen our presence in the EV market in the months to come.

**Subrata Sarkar:** Thankyou. Just a small request. Whenever we announce any capex or anything generally, we give a disclosure, so it will be great whenever we make some investment or something related to EV in the disclosure, we mention that it would be great.

**Vidyashankar K:** Sure, it will come, so that will be market sensitive. If we are seeing something that is specific on the EV side, we will definitely let you guys know.

**Subrata Sarkar:** Ok thank you.

**Moderator:** Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

**Shyam Sundar:** Thanks for the followup. My first question is on the subsidiaries between the standalone and the consolidated when we look at the profit numbers there is not much of a deviation per se. How are the subsidiaries performing including recently Cafoma acquisition that we did the DVS; can you share some perspective on that?

**Vidyashankar K:** DVS could do a lot better. Cafoma is tiny, but going ahead as planned but both these are adding to the sales of parent to the opportunities that come to the parent, so simple consolidation itself does not do much justice to both the subsidiaries. Of course, Cafoma just starting to see realizations on the sales side. As far as DVS is concerned, the subsidiary itself could do a lot, lot better candidly, but overall MM Forgings has benefited considerably and I hold the view. The same question raised by you or by someone else on running of the subsidiary. Overall MM is only benefited by it.

**Shyam Sundar:** This capex of 300 Crores, how much will be machining per se of this because machining is usually more capex intensive.

**Vidyashankar K:** This time I am ready quick number 200 Crores on machining, 100 Crores on forging.

**Shyam Sundar:** Forging largely like you said that debottlenecking and 10,000 tons for the new, is this also for 6300 tons that we are now commercializing per se.

**Vidyashankar K:** Little bit of that. That is only straggler capex, most of that is already done so press is stroked now and the induction heat is ready everything is being paid for so a little bit of tuning has to come then we are ready to run, so these 6300 tons is almost ready to go.

**Shyam Sundar:** With this 100 Crores is there a new press that we are putting up.

**Vidyashankar K:** Couple of forging lines we are adding.

**Shyam Sundar:** Forging lines we are adding. Got it. With this machine capex that we are adding, now we are at very good level of machining percentage of revenue around 50% per se now, how will that change going forward and will this also give us more than the revenue, does this place us in a better position with the customer since we could be a single window supplier rather than having to source the same part from multiple vendors, one forging, one machining how does this strengthen our position with customers?

**Vidyashankar K:** Our sales of machine products are likely to go from 50% to about 60% this year and likely to go up to about 65% to 70% levels and stabilize there, so naturally we have transitioned from being a forging supplier to a component supplier, so definitely our integration with customers is far better.

**Shyam Sundar:** Just one other followup. Sorry to harp on this particular point, as we go into the next few quarters, this quarter for example, we had a mixed change per se and that has also led to a realization drop. Is this something more seasonal or do we expect this kind of mix to prevail into the next few quarters as well?

**Vidyashankar K:** There is nothing on the business side that would lead to a realization drop. It should be either just a natural change in the mix. I would not see any concerns there as of now.

**Shyam Sundar:** Understood, got it. Because we were also talking of increasing our heavy tonnage in our product basket per se and I am little bit surprised by the mix reversal a little bit per se that is where I am coming from. How are the heavy tonnage volumes spanning out for the full year?

**Vidyashankar K:** Planning out well.

**Shyam Sundar:** Would you have any number that can you share?

**Vidyashankar K:** All internal numbers, so I would like to keep a measure.

**Shyam Sundar:** Thank you very much Sir. Best wishes.

**Moderator:** Thank you. The next question is from the line of Munzal Shah from EDHA Wealth. Please go ahead.

**Munzal Shah:** If we break all the three markets, the US, Europe, and India, in all these three markets, which country would be your competition, like will it be Chinese, can you just throw some light on this actually?

**Vidyashankar K:** Mostly these three markets competition will be India.

**Munzal Shah:** Will it be Indian companies who will be fighting for orders.

**Vidyashankar K:** Mostly yes.

**Munzal Shah:** Are there are any other countries, which you see as a threat for example like China if it opens up, you do not see as a threat in the form of competition?

**Vidyashankar K:** No. I do not see much of a threat.

**Munzal Shah:** Okay. Thank you very much.

**Moderator:** The next question is from the line of Vidrum Mehta from Aditya Birla Capital. Please go ahead.

**Vidrum Mehta:** Thank you for taking my question. I just had a query on new product. What is the contribution of new product for Q4 and FY2022 and if I understand correctly probably crank shaft sales was expected to be around 60 odd Crores for FY2022 and that is likely to hit 400 to 500 Crores in the next two to three years, so if you could highlight on that, it would be great?

**Vidyashankar K:** I do not think I have said 400 to 500 on just one part, so I would have to really go back and take a look at those numbers, but new products would have contributed around 30 Crores for that quarter at a bare minimum.

**Vidrum Mehta:** What would be that for full year.

**Vidyashankar K:** About 70 Crores.

**Vidrum Mehta:** 70 Cores? Okay. Which are the main products we are working on and probably what is our target in terms of scaling of this?

**Vidyashankar K:** The scaling up numbers have already been discussed. They are reflected in our projection, so we expect to do this year anywhere in the region of 80,000 to 90,000 tons. Huge numbers of parts starting from horn, steering arm to front axle beam, knuckle, con rods, crank shaft, cam shaft; the list could be even longer, gear blank, so each product has its own growth story.

**Vidrum Mehta:** Where I was referring is that as a percentage of overall volume or say revenue, what could be that over the next three to five years.

**Vidyashankar K:** Can you be a bit more specific?

**Vidrum Mehta:** You highlighted new products accounted for 70 Crores right for FY2022 and if I look at the full year our top line is 1100 odd Crores, so what could be the mix going ahead. The current new product mix is just 6% what are we targeting from this new product to contribute over the next three to five years?

**Vidyashankar K:** New products will contribute close to 400 Crores in the next few years easily.

**Vidrum Mehta:** Okay fair enough. Thank you and wish you all the best.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Annamalai Jayaraj for his closing remarks.

**Annamalai Jayaraj:** We thank all the participants. We thank management for taking time out for the call. Have a good day.

**Vidyashankar K:** Thank you all. Thank you, Jayaraj.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Batlivala & Karani Securities that concludes this conference. We thank you for joining us and you may now disconnect your lines.