# M M FORGINGS LIMITED

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Date: 18 February 2023

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| 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 Sirs,

**Ref.:** **NSE: security code- MMFL –EQ; BSE: Security Code -522241**

**Sub.**: **Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Analyst/ Investor call**:

1. Please find enclosed the Transcript of the Analyst/ Investor conference call held on 15 February 2023, on the unaudited Financial Results for the quarter ended 31 December 2022. The results were approved in the Board Meeting held on 13 February 2023.

2. We request to take the same on records.

Thanking you,

Yours faithfully,
For M M FORGINGS LIMITED

J Sumathi

Digitally signed by J Sumathi
Date: 2023.02.18 00:58:18 +05'30'

J.SUMATHI
COMPANY SECRETARY
Encl: as above

# “MM Forgings Limited
# Q3 FY ’23 Post Results Conference Call”
# February 15, 2023

**MANAGEMENT:** **MR. VIDYASHANKAR KRISHNAN – VICE CHAIRMAN AND MANAGING DIRECTOR – MM FORGINGS LIMITED**
**MR. VENKATAKRISHNAN – CHIEF FINANCIAL OFFICER – MM FORGINGS LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the MM Forgings Limited 3Q FY'23 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. 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 call, please signal an operator by pressing star then zero 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:** Thanks, Tanvi. Good evening, everyone on behalf of B&K Securities welcome to 3Q FY'23 Post Results Conference Call of MM Forgings Limited. I also take this opportunity to welcome the senior management team of MM Forgings Limited. We have with us today Mr. Vidyashankar Krishnan, Vice Chairman and Managing Director; and Mr. Venkatakrishnan, Chief Financial Officer.

I will now invite Mr. Vidyashankar Krishnan for the opening remarks to be followed by question-and-answer session. Over to you, sir.

**Vidyashankar Krishnan:** Good afternoon, everybody, and thank you, Jayaraj. So, ladies and gentlemen, welcome to this call. We have pleased to announce the results for this year for the nine months ended 31st December. On an overall basis, we have achieved a turnover of INR 1,040 crores stand-alone and cumulative and a consolidated basis of INR 1,080 crores approximately. And production tonnage stands at about 55,000 tons for the nine months. We expect to end this year close to 72,000 tons, as we have been confirming around the half yearly level. And similar performance can be expected for the fourth quarter as well.

Outlook remains positive, very bullish across the Indian market -- actually across the Indian subcontinent with CV and PV sales expected to be rocking. Exports also the gloom that was there a quarter back or at least perceived slowdown, substantially removed or abated with the US CV market looking to be strong in the year to come. Plus some SOB gains, share of business gains with customers in Europe means that our European sales also will be reasonably bullish. So overall put together, we should be expected to doing well on the export side. The threat of inflation due to the Ukraine war kind of abated possibly due to the winter slowdown in the war itself.

But now, I think aggression has started from both sides. But however, what has been discounted effectively into calculation and with higher base level of inflation prevailing all over the world at least in Europe and the US we expect inflation numbers going ahead to be lesser. And as a result of that, the quantitative tightening and the interest rate hikes would definitely slow down. And as a result, that also proves to be positive for the markets of the company in the developed economies.

Overall, we expect the next year to be around 20% to 25% of growth and achieve close to INR 1,800 crores to INR 2,000 crores. With the removal of -- with the slow incoming of Scrappage Policy, particularly the government taking up the Scrappage Policy. We expect the Indian market also to go strong, particularly the CV market and stronger numbers are expected in the months to come.

Our EV foray, Abhinava Rizel is also developing parts pretty fast. And I'm happy to say that we've had a couple of order wins. Our first order wins, which is a big start for a startup and so that is also expected going on expected lines. We are seriously working there to not just work with motor, but also add the entire powertrain, which comprises the controller, motor and gear box to our portfolio by developing competencies for controller and gearboxes, which we will be doing so in the next one year.

So, one year from now Abhinava Rizel will be well into manufacturing and offering entire powertrains to EV customers. Our other ventures, Suvarchas Vidyut is also progressing decently well with alternator sales as well as addition of newer products in the next quarter.

This is the overall situation and our target for Abhinava Rizel next year, next year meaning FY'24 would be a modest double-digit and in FY'25, we would like to hit or at least dream to hit our challenge a three-figure number in FY '25. So with this, I think I've given a brief about the past three months and the future as we see it. And we would like to now take questions from all of you. Thanks.

**Moderator:** The first question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

**Jinesh Gandhi:** Hi, sir. Congrats on good set of numbers and order win in the EV business. Firstly, can you talk about the order win in the EVs, primary the motor order win which you talked about can elaborate on that, who's the customer, the potential side of the order on a renewal basis?

**Vidyashankar Krishnan:** I don't want to disclose the customer name that we have a confidentiality agreement, but it will be in for off-road space.

**Jinesh Gandhi:** Okay. And this second and be the relatively smaller order given that segment itself sales?

**Vidyashankar Krishnan:** Yeah. Smaller volumes start with, but ultimately hitting there.

**Jinesh Gandhi:** Right. And is there product on the -- motors on the two-wheeler side, ready and tested?

**Vidyashankar Krishnan:** No. On the two-wheeler side, though, we are capable of doing the product very easily. We have kind of slowed down our development work on the two-wheeler side. We're focusing a little bit more on the higher kilowatt ranges.

**Jinesh Gandhi:** Okay. Got it. Okay. Second question pertains to the forging business. So this quarter, what will have been our sales in

**Vidyashankar Krishnan:** Sorry, I'm not able to hear you.

**Jinesh Gandhi:** On tonnage basis, would it be close to about 20,000 tons?

**Vidyashankar Krishnan:** For the quarter ended?

**Jinesh Gandhi:** Right.

**Vidyashankar Krishnan:** About 18,000 tons, yes.

**Jinesh Gandhi:** 18,000 tons. Okay. And we have seen a material increase in our RM cost on Q-o-Q basis. What would be this due to primarily because the mix or we are still seeing some cost inflation over here?

**Vidyashankar Krishnan:** Also the fact that price increases were settled only in this quarter. So to some extent that is also added to the raw material costs.

**Jinesh Gandhi:** You mean, price increases with the suppliers?

**Vidyashankar Krishnan:** With the suppliers and with customers and consequently with customers.

**Jinesh Gandhi:** Okay. Got it. And some year on, we should see some stability in input prices, right? I mean, given where the spot prices are?

**Vidyashankar Krishnan:** Hey Jinesh because -- Jinesh reason is that while markets abroad are horrible no doubt, but coal is the joker in the pack as far as Indian steel is concerned. And it is, believe me, a very volatile animal.

**Jinesh Gandhi:** Okay.

**Vidyashankar Krishnan:** That is causing some trouble. That is causing some concern that it's not going to be a cakewalk and that volumes will -- prices will are headed south.

**Jinesh Gandhi:** Right. Great. Understood. Got it. And lastly, what would have been our capex in first nine-months? And how much are we looking to spend in fourth quarter?

**Vidyashankar Krishnan:** Yeah. We will spend about overall up to the nine months is being INR 200 crores approximately.

**Jinesh Gandhi:** Okay. And fourth quarter would be similar or there will be some increase?

**Vidyashankar Krishnan:** Q4 would be about INR 60 crores to INR 70 crores.

**Jinesh Gandhi:** Got it. Great sir. I will come back in queue. Thanks.

**Vidyashankar Krishnan:** Thanks.

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

**Abhishek Jain:** Thanks, and congrats first on strong set of numbers in at that time. Sir, despite a sharp falling the RM prices, we are not witnessing a decline in average realization much. So what is the reason, will it flow from the next quarter onwards?

**Vidyashankar Krishnan:** Yes. It will flow from the next quarter onwards.

**Abhishek Jain:** So how much average realization decline we can assume in the domestic and the export market, sir?

**Vidyashankar Krishnan:** About 4% -- 3% to 4%.

**Abhishek Jain:** So that will be same for the domestic and export?

**Vidyashankar Krishnan:** Only 3%, sorry, they're about 2% max.

**Abhishek Jain:** Max 2%. And in 55,000 volume, how much is the export versus domestic, sir?

**Vidyashankar Krishnan:** Domestic stands at 65% and export at 35%.

**Abhishek Jain:** Okay. And sir, despite the recession scenario in the US and Europe business is strong for the Indian players. Are we greeting market, sir because of the China plus one strategy, sir?

**Vidyashankar Krishnan:** Yes, there is a lot of movement as a result of China plus one. But at the same time, we have to be -- pricing is a different animal altogether. So, we had to look again at pricing.

**Abhishek Jain:** Okay. So in last two months, we have seen a sharp decline in the Class 8 plus orders. Will it impact forging companies' revenues in the next four to five months, sir?

**Vidyashankar Krishnan:** We see an uptick from now on. The last two months is largely due to inventory tightening. So, we expect Class 8 to be stable acros.

**Abhishek Jain:** So how is the current demand outlay for the North America and Europe? And what is your expectation for the next -- for FY '24?

**Vidyashankar Krishnan:** Sorry, can you repeat, please?

**Abhishek Jain:** So, what is the current outlook on these two geographies, North America and Europe? And what is your volume outlook for the next -- for FY'24 for these 2 geographies?

**Vidyashankar Krishnan:** For MMF, I would say FY'24 volumes should be higher than FY '23.

**Abhishek Jain:** In both geographies US and Europe?

**Vidyashankar Krishnan:** Yes, in both geographies.

**Abhishek Jain:** Okay, sir. Thanks. That's all from my side.

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

**Vignesh Iyer:** Congratulation sir on good set of a number. Just again on the guidance side, I just want to know, will you be maintaining the same level of EBITDA per ton going ahead in quarter four?

**Vidyashankar Krishnan:** Yes, we would expect the same levels of EBITDA as we go forward.

**Vignesh Iyer:** Okay. I mean, what you have been guiding for like probably last two quarters, right? Like 37,000, 35,000 what's being normally we do per ton?

**Vidyashankar Krishnan:** Correct.

**Vignesh Iyer:** Right. My second question would be just to understand quarterly, could you give me the geographical breakup of revenue as in Europe domestic, North America US some like?

**Vidyashankar Krishnan:** Hello.

**Vignesh Iyer:** Hello. Am I audible?

**Vidyashankar Krishnan:** Yeah. Geographical breakup would be 65% India, 15% each between Europe and US.

**Vignesh Iyer:** Okay.

**Vidyashankar Krishnan:** And South America the balance.

**Vignesh Iyer:** Okay.

**Vidyashankar Krishnan:** 60% India, 15% Europe and US, balance South America.

**Vignesh Iyer:** That comes to 10%.

**Vidyashankar Krishnan:** Yeah.

**Vignesh Iyer:** Yeah. Thanks for that information, sir. That's all from my side. All the best.

**Vidyashankar Krishnan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Peter Agnel from Ksema Wealth Management.

**Peter Agnel:** Hello. Good evening, sir. Sir in the similar line, can you also provide the breakup for this quarter by CV, PV and non-auto?

**Vidyashankar Krishnan:** Yeah, sure. 78% is CV, 13% is PV and about 8% is non-auto.

**Peter Agnel:** Thank you. And sir, the thing is that as we can see the share of India as the last three quarters have been increasing and US and Europe have reduced. So how do we impact that it, is there some slowdown in Europe? And also, Europe-specific revenue split by CV, PV and industrial, if you can give. Because we noticed that CV is growing, but PV is declining in Europe. So, we just want to understand the dynamics are operating in Europe and America in the segment wise?

**Vidyashankar Krishnan:** Yeah. We also see that CV in Europe is improving and PV in Europe is declining, and that is to be expected, is it? With the higher inflation, people have lesser money to spend on passenger cars. So they would not spend as much. That was an unexpected consequence.

**Peter Agnel:** That's it. So in that sense, your exposure in Europe percentagewise between CV, PV and non-auto, just to understand, sir, revenue-wise, how it will impact the company?

**Vidyashankar Krishnan:** Almost the same. Europe PV is about 2% lesser, 2% to 3% less and CV is 2%-3% higher. So to put numbers in perspective, 81% CV and 11% PV in Europe.

**Peter Agnel:** Okay. That's it. And is there a similar thing in for the US thing as well, sir?

**Vidyashankar Krishnan:** Sorry.

**Peter Agnel:** The Europe or US also, is that the same trend CV-wise?

**Vidyashankar Krishnan:** Not that I can see it.

**Peter Agnel:** Okay. And I think sir, the steel cost you have -- so you have a pass-through just want to confirm, is it like 100% pass-through? Or are there some under-recoveries also in the steel cost?

**Vidyashankar Krishnan:** There's no under recovery majorly. Generally, it's a pass-through.

**Peter Agnel:** Okay. And according to you, when do you see the steel prices coming down to like the 48,000 to 50,000 levels that we saw in FY'19, sir? Like how many quarters down the line do you predict that given that you mentioned about the coal prices being the joker?

**Vidyashankar Krishnan:** I don't see that happening at all.

**Peter Agnel:** Okay.

**Vidyashankar Krishnan:** The reason is, just one second, hold on.

**Peter Agnel:** Yeah, sir.

**Vidyashankar Krishnan:** So, the reason is that at this level of the global economy itself, coal prices are aiming high. So I don't see coal prices falling by too much. And therefore, I don't see steel prices falling much at all.

**Peter Agnel:** Okay. Sir, final question is that in terms of Europe plus one, which I just want to understand since you have your boots on the ground, are we getting orders some -- because forging companies are not able to be sustainable in the high energy price environment in Europe? So, are their clients coming to companies like MM Forgings in India? Or are there outside European partners who used to -- who are taking and going to Europe, they are fresh coming to countries like India and they're benefiting from it. Can show some light on that front? That's my final question. Thank you. Basically, I want to end how much they are benefitting?

**Vidyashankar Krishnan:** The impact of the energy crisis in Europe is playing out in terms of better procurement from us.

**Peter Agnel:** Okay. They are European clients are now coming to us.

**Vidyashankar Krishnan:** Yeah.

**Peter Agnel:** Okay. Thank you so much, sir. All the best.

**Moderator:** Thank you. The next question is from the line of Jatin Chavla from RTL Investments. Please go ahead.

**Jatin Chavla:** Hi, good evening. Thanks for the opportunity. So my first question is, you spoke about the fact that you've done 55,000 tons in nine months and your full year guidance is 72,000, which implies 17,000 in 4Q. Now usually, 4Q is the strongest quarter in the financial year, especially for the CV industry in India. So why is it that you're guiding for 17,000 when you -- on an average in the nine months, you have done on a quarterly basis than 18,000 tons already.

**Vidyashankar Krishnan:** We should do a little bit better. In your guidance like some approximate numbers.

**Jatin Chavla:** Right. So, I was just trying to understand if the usual trend that 4Q is the strongest quarter in the year should play out this year as well?

**Vidyashankar Krishnan:** Yeah. It should.

**Jatin Chavla:** Okay. The second question was on this Europe kind of you said that you are starting to see some procurement. So just to understand this a little bit more, what sort of traction are you seeing? Are you seeing like your Europe share increasing significantly? And over the next two-three years, do you think this can be something really material for you where your Europe share goes up significantly compared to where it stands today at 15%?

**Vidyashankar Krishnan:** Good question. With a few order wins in Europe, I think it could go up a little bit. But overall, I would say it would remain where it is. The reason is that a lot of growth for MMS comes from the Indian market. And therefore, that would dwarf the growth that we could get in -- that we see coming from the European and US markets. So, I would say that export percentages to those market or sales in those markets will be roughly where they are.

**Jatin Chavla:** Right. And kind of just probing a little bit more on your answer here from the Indian market is likely to be strong. I think in the past, you have spoken about new products coming in and kind of that driving overall growth for MMF being much higher than CV industry growth. Just wanted to understand, there are we on the timelines for those new products kind of coming in and impacting the revenue line.

**Vidyashankar Krishnan:** Could you repeat your question, please?

**Jatin Chavla:** So in the past, you have spoken about new products coming in and because of which MMF would do much better than the underlying Indian CV industry growth. So, I just wanted to understand where we are on that timeline for the new products coming in and positively impacting MMF growth over and above the CV industry growth?

**Vidyashankar Krishnan:** That is happening at a serious pace.

**Jatin Chavla:** So have we seen bulk of the impact already? Or are we going to see most of the impact?

**Vidyashankar Krishnan:** We see some of the impact and we still have some more to go.

**Jatin Chavla:** And bulk of that would come in FY '24? Or are we looking at beyond that.

**Vidyashankar Krishnan:** It would extend up to FY'25.

**Jatin Chavla:** Okay. And this is largely higher tonnage for heavier products that you're making?

**Vidyashankar Krishnan:** Largely, yes.

**Jatin Chavla:** Okay. And then consequently should that kind of help a little bit on margins as well because typically, the heavier products have slightly higher margins?

**Vidyashankar Krishnan:** Higher margins are a very tough question to answer and fold because of the volatility on the cost side. All things being equal, yes, there will be scale economies of scale leading to better margins. But we also have to look at which increases and some modest inflation.

**Jatin Chavla:** Right. And in terms of your kind of capacity plans in terms of any new presses that you need to install. How are you thinking about that over the next 12 to 18 months?

**Vidyashankar Krishnan:** We are evaluating, keeping a close watch.

**Jatin Chavla:** But nothing that has been frozen yet.

**Vidyashankar Krishnan:** Nothing that has been frozen yet. Right now, our capex is committed. We have embarked on a INR 500 crores capex from this year onwards, and that is beyond -- that is kind of what should I think keeping us busy. As we go through midway, let's say, by end of this calendar year or towards end of Q2 of this year, we will crystallize our plan for the years ahead. But definitely, we will have to do things, I'm very sure about it because as we near the 110,000, 120,000 mark, we would definitely have to address capital issues.

**Vidyashankar Krishnan:** Capital is not an issue capex is an issue.

**Jatin Chavla:** Yeah. Right. And bulk of this INR 500 crores is going on increasing your machining capacity, not so much on the press capacity?

**Vidyashankar Krishnan:** Yeah, it's much of it is not going on the press capacity. We're just adding one 6,300 ton press.

**Jatin Chavla:** And that 6,300 ton press would take your total press capacity to how much?

**Vidyashankar Krishnan:** Black at 30,000 tons.

**Jatin Chavla:** Okay.

**Vidyashankar Krishnan:** And that will happen by Q2 of the forthcoming calendar -- forthcoming fiscal year. So somewhere between June to September.

**Jatin Chavla:** Right. And in terms of our machining mix, where are we today? And how do you see the pricing by end of FY'24.

**Vidyashankar Krishnan:** One second, please. We are at 45% forged, 55% machine.

**Jatin Chavla:** And by end of FY '24, given the machine capacity would be?

**Vidyashankar Krishnan:** Yeah. Up to Q3 in Q3 itself, we are at about 40% 40%-60%. All parts, okay. Give or take 1% or 2%. So we were saying that the machine percentage would go to about 65%.

**Jatin Chavla:** Right.

**Vidyashankar Krishnan:** And that movement and the trend is very clearly seen. As we move on, as I've been saying in the last quarter, MM Forging has made a transition from being a forging supplier to being a component supplier.

**Jatin Chavla:** All right.

**Vidyashankar Krishnan:** So earlier, our machining percentage is hardly 20%, 25%. Now it has gone up to 60% of sales. This is a significant shift.

**Jatin Chavla:** Yeah.

**Vidyashankar Krishnan:** We are no longer a full shop with the machine shop. We are a supplier of automotive of forged components.

**Jatin Chavla:** Yes, that's great hear, sir. And congratulations on how you are executing the plan. Just one last question from my side. This 15% to 20% kind of growth -- sorry, 20% to 25% of growth that you spoke about, that's on tonnage or that's on revenues for next year?

**Vidyashankar Krishnan:** Should be reflected both ways.

**Jatin Chavla:** Okay. Because I would assume that with machining and heavier products coming in, your realization should be slightly better if everything else remains the same.

**Vidyashankar Krishnan:** Which should remain? Which should go up? Sorry.

**Jatin Chavla:** Yeah. I was saying, basically, your realization should go up because you’re machining share and your product mix is also becoming kind of incrementally more positive. So, your realizations, if everything else remains same, ideally, realization should go up a little bit.

**Vidyashankar Krishnan:** The buyer from that is positive. Yes. As we machine more parts in any case, sales realizations will jump.

**Jatin Chavla:** Okay. Great. Thanks a lot, sir for patiently answering questions and best of luck.

**Vidyashankar Krishnan:** It's honor. You've been very pointed in your questions, and it's good to receive those.

**Jatin Chavla:** Thanks, sir.

**Moderator:** The next question is from the line of Navin from NS Capital. Please go ahead. Navin your line has been unmuted, please proceed with your question. Navin probably has muted your line from your end. Please proceed with your question.

**Navin:** Is it audible now?

**Moderator:** Yes, now it is audible.

**Navin:** Good evening, sir. I just wanted to get your vision on the EV portion of our business. In the last call, you were mentioning that testing and prototyping were going on. Have we gone past that stage, at least for the initial set of components and moved into production stage, sir? Some commentary on that would be helpful. Thank you.

**Vidyashankar Krishnan:** Is it our journey or the market's state?

**Navin:** Our journey sir. MMFL's journey.

**Vidyashankar Krishnan:** Yeah. We have launched motors with Abhinava Rizel. With the investment in Abhinava Rizel, we are into prototyping of motor. And we will be getting into controllers as well as gearboxes within the next one year, maybe much earlier as well. So of course, it will all be graded across time, but you can broadly say manufacturing, everything all the dust to settle nine months to a year. So by end of the year, we should be end of this 2023, we should be well into manufacturing gearboxes and controllers as well. There may be in proto stage, there may be in bulk, some of it may be in proto. So whatever it is, we would have at least move forward considerably into making controllers and gearboxes.

So with that, we would be a full-fledged powertrain supplier. In addition, for the quarter, we will have these two assets and all that would definitely transpire into greater business opportunities for MMFL. I mean as a group particularly Abhinava Rizel will be the beneficiary.

**Navin:** And do we currently have an order book for the motor, sir? Or is it going to be there in the next quarter only?

**Vidyashankar Krishnan:** We have an order book for motor.

**Navin:** Great.

**Vidyashankar Krishnan:** We see a pipeline of orders coming as well. Slowly, we are finding our field spot -- the initial field spot in the market and we are also seeing what is the trend that is happening. And all those are -- I'm not at liberty to discuss those right now. But we can say that we are very, very focused on getting new businesses and also ramping up our capacity by end of the year in the next 10 to 12 months, we would have our manufacturing capacities also up capable to produce around 50,000 to 60,000 motors. More on it, when we meet next, our plans to take -- would have taken a sharper shape, but we are in that direction.

**Navin:** Appreciate that sir.

**Vidyashankar Krishnan:** It's kind of moving at like a startup. We are -- we'll be renting some premises to start with. And then we would go onto building our own manufacturing premises, our own factory in the outskirts of Chennai.

**Navin:** Great. Sir, back to our bread and better portion of the business, can you share the approximate capacity utilization for our forging and machining division, sir? Just to get a sense of the capacity?

**Vidyashankar Krishnan:** Right now, what is happening is that this capacity is a moving number.

**Navin:** Yes, sir.

**Vidyashankar Krishnan:** And say we end the year at about 75,000 tons quick number. On 110,000 tons, this represents around 65%, 70% -- 65% of capacity.

**Navin:** That's for forging?

**Vidyashankar Krishnan:** That's on the forging side. Machining is also almost pro-rata, but we are also adding a lot of machining sales. Much of the investment of INR 500 crores, INR 200 crores goes towards INR 200 crores, INR 300 crores goes towards the machining side alone. INR 100 crores towards forging and INR 100 crores on the EV side or the electrical side. So, a lot of business -- a lot of investment is coming on the machining side and that is also going to push up our sales to beyond the INR 2,000 crores mark.

**Navin:** Great. One last question, sir. There has been quite a buzz about the railway investments by various companies. Are we looking into the sector at answer, particularly manufacturing of railway wheels or any components there?

**Vidyashankar Krishnan:** No. Nothing on our book, nothing on our horizon right now.

**Navin:** Thank you, sir. Thanks for patiently answering all the questions. Appreciate it there.

**Moderator:** Thank you. The next question is from the line of Peter Agnel from Ksema Wealth Management. Please go ahead.

**Peter Agnel:** Hi, sir. So just a little bit of a technical question, just to understand. So when you are forging EV parts, I'm assuming it has to be lighter than the normal for the IC engines. So, what are the additional challenges which comes with that? And is it bid higher margin and because it the volumes seem to be subdued overall for the market. So, what is your review on that, sir?

**Vidyashankar Krishnan:** Parts will be lighter by nature, but you can't make the forging itself lighter. I mean, density of steel is the same. So, it can only be distributed by design. EV parts are lighter because they handle lesser forces and people are designing them ground up these days with better engineering knowledge rather than relying upon historical designs and legacy designs. So as a result, you will see lighter products in the offing and that's not a real thing on the EV side as such.

Most of the EV products are -- they could be easily subsided with an internal combustion engine drive for that particular kilowatt range or power range or torque range. So that parts are getting light-weighted only because of the move towards EVs something is-- I'm not able to see the logic in that. But the reason they are lighter or could be moving towards lighter part is that the design itself is ground up is a basic design, not legacy nor traditional. So therefore, because of the redesign, parts are lighter.

Sometimes, as you know, new designs can also fail. But I would say lighter designs are in the offing. Because we have access to more sophisticated tools these days on FPM and finite element ICA, finite element and other CAE etc., So, engineers can design products a lot tighter than they would design earlier. Some of these -- there could be a little bit of failure on one or two of these, but they'll backtrack and find out how to plough back and ensure that the designs are equally robust as previous designs.

**Peter Agnel:** Okay. And sir, would that -- in the following months, would there be any opportunity to visit the factory? Is it possible, sir?

**Vidyashankar Krishnan:** Sorry.

**Peter Agnel:** Would there be any opportunities for a factory visit?

**Vidyashankar Krishnan:** We'll organize one or we'll try to organize one as early as possible.

**Peter Agnel:** Okay.

**Vidyashankar Krishnan:** Please contact Jeyaraj and express your interest possibly once we get -- we try to collaborate all of them and try to fix up something -- if not in this quarter, at least in Q1.

**Peter Agnel:** Okay. And just finally, can we just probe again on the Europe plus one. I just want to understand that the Europe plus one strategy orders ---

**Vidyashankar Krishnan:** Plus one. Okay. On a local basis. Fine. I understood. Okay, yes.

**Peter Agnel:** So the Europe plus one beneficiary businesses, which you are witnessing or your competitors, are you seeing it as a thing where -- is it a temporary thing where those companies are just for the next two quarters?

**Vidyashankar Krishnan:** We're telling our customers very clearly don't come to us temporarily.

**Peter Agnel:** Okay.

**Vidyashankar Krishnan:** We're telling our customers we can't assign capacities for you on a monthly basis. You make up your mind and come back to us long term.

**Peter Agnel:** Okay. So, it's a three-year or year-plus like contract that it is idea.

**Vidyashankar Krishnan:** We are looking at long term.

**Peter Agnel:** Okay. Thank you, sir.

**Vidyashankar Krishnan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Varun Arora. Please go ahead.

**Varun Arora:** Hello. Am I audible?

**Vidyashankar Krishnan:** Yes.

**Varun Arora:** Okay. Thank you. Sir, on the freight rate, if you can share your views, is it still above breakeven level or is it come down now?

**Vidyashankar Krishnan:** Sorry, please repeat what is the same?

**Varun Arora:** Sir, freight rate. So is it still about the breakeven levels or has it come down?

**Vidyashankar Krishnan:** I'm able to understand above breakeven level, but I couldn't -- I missed you one sentence before.

**Varun Arora:** Your freight rate.

**Vidyashankar Krishnan:** Freight rate. Sorry.

**Varun Arora:** Yes, sir.

**Vidyashankar Krishnan:** I was wondering what rates. You mean export freight rates?

**Varun Arora:** Yes, sir.

**Vidyashankar Krishnan:** They've softened. Considerably softened.

**Varun Arora:** Okay. And can we expect this to going forward in the next quarter, this will go down more in the terms of percentage? Hello.

**Vidyashankar Krishnan:** I will answer. But given the trend, yes, I would say, yes. I can stick my neck out and say, yes, that trend would be seen.

**Varun Arora:** Okay, sir. Next question is on EBITDA margin. So currently, we are at now 18% to 18.5%. So, can we expect this trend to going forward like reach by 20% in FY'24?

**Vidyashankar Krishnan:** So I would say, as I was already saying this to the last few quarters and probably time and tide does not giving wings to my thoughts. The range is this with a positive buyer. That is the intent. And I think that view still holds. No, I would say that the positive buyer has not come much at least in -- except in Q3 of this -- maybe Q2 and Q3. There is definitely a positive buyer.

So overall, I would say, yes, it looks to be positive. We are knocking on the doors of 20 assets, right? Q2, Q3 margins are at about 19.6% at 0.5% these are more academic numbers from my point of view. More important thing is to sell a product that is competitive, which a customer is happy buying and will continue to buy constantly.

**Varun Arora:** Okay, sir. Sir, my next question on the Board. So the Board of MM Forgings seems to be having less external dependent Directors in the terms of auto sector expertise. So, is there any plan to strengthen the MM Forging Board. Any comments sir on that?

**Vidyashankar Krishnan:** Yeah. That is on the cards. We are looking at a board result.

**Varun Arora:** Okay, sir. And sir, on the revenue front. So for FY'23, are we still standing on the INR 14 billion to INR 15 billion revenue range, which we -- last time, you had talked about for FY'23?

**Vidyashankar Krishnan:** INR 14 billion to INR 15 billion. We are very much on the cards for that, right?

**Varun Arora:** Okay, sir. And if you can share your expectations for FY'24 and FY'25 revenue range, sir. Any target or any expectation?

**Vidyashankar Krishnan:** I thought I did. We are looking at FY'24 something in the region of -- on the other side of INR 2,000 crores and FY'25 on the other side of -- on the -- beyond the INR 2,000 crores mark. This is our expectation. Of course, all this is subject to macroeconomic conditions.

**Varun Arora:** Okay, sir. And all this conversation.

**Vidyashankar Krishnan:** That caveat should be there in all these conversations.

**Varun Arora:** Okay. And sir, your outlook on the CV segment and PV segment for the near-term to medium-term. So that would be very helpful.

**Vidyashankar Krishnan:** Sure. India are very positive, both CV and PV, extremely positive. The Indian economy is probably really adding to going very strong and is raring to go stronger. As I've been saying the last few quarters as a country, all of us have to look at how we run our businesses and processes in a different way than in the past to be more proactive and more inclusive to ensure that the quality of life across the board in India goes up once or as that keeps happening every cycle, every month, every quarter, every half year and every year. I would say India is definitely headed to be a $10 trillion economy, sometimes in the 30s. Whether it is 35 or 40, 20, 40, right? It's a big challenge.

Imagine from, let's say $3.7-odd trillion now to grow almost 3x within the next 12 to 15 years or around the 15-year mark is a big challenge. It's a big challenge, and it's a big opportunity. As probably, I will end my career the -- or most of us, I don't know. The landscape in India as well as GDP and per capita GDP should have changed totally. But this will require a ground-up change in the thinking of everyone, including myself. And if you ask me if I'm ready for it, I know it should happen, but whether I'm totally embracing it. I would say, I've not given it a thought, but I should all of us should. Exciting times ahead for the Indian economy.

The road that we have built -- the ports that we have built are just not enough. We need to do much more on top of the infra. Nobody thought that the golden triangle and the roads that we built would bring India closer together as it has now, and GST has made into a single market. All those that integration has to continue, will continue unabated, I'm sure and that augurs really well for our journey to become first $5 trillion and then $7 trillion and $10 trillion economy.

**Varun Arora:** Yes. Okay, sir. All the best, sir.

**Vidyashankar Krishnan:** Thank you.

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

**Abhishek Jain:** Sir, many companies are indicating a slowdown in the housing sectorIndia as well as CV demand is also seeing a decline. Given the high increase rate scenario, is it possible to CV industry to grow 15% to 20% kind of range in FY'24?

**Vidyashankar Krishnan:** See, that will remain -- that will depend upon the primary economy. Truck owners are really nearly a lot. They know the pulp on the ground very well. So, if there is latent patent demand, they will buy regardless of interest rates.

**Abhishek Jain:** So, don't you see that the slowdown in the housing sector is worth needing dampen the demand of ---

**Vidyashankar Krishnan:** I guess, truck market has been more even for the last five years -- four years. 2019 onwards being largely static, maybe a little bit down more due to the pandemic. And so, it is rising up, it's rising up fast and with Scrappage Policy at least caught on and implemented by the government, self-implemented by the government first, definitely it augurs well. And you can't have talk of EVs on one side to reduce pollution and then talk about a 40-year-old, 50-odd vehicle spewing smoke and noise and on our roads. So definitely, from a social point of view, this is reasonably in the offing. And it was to be expected it will be in a calibrated slow manner, so has not to affect too many jobs in the country. But scrappage will come.

So riding on top of scrappage and a stronger -- see, India is a relatively young country, China plus one definitely all industries globally have realized they are all having their China plus one strategy and India figures right on top of their list now. Only thing is, we have to make it easier for them to do their business and also be competitive in the bargain.

**Abhishek Jain:** 6 to 12 months replacement demand in CV was quite strong and scrappage implementation of this Scrappage Policy was one of the reasons. So already this Scrappage Policy has already laid out because most of them has already replaced their vehicles. And plus, the cost is going to increase by 2% to 3% in the coming months because of the BS-VI Phase 2 norm. So don't you say that it can impact the first quarter or FY'24 volume?

**Vidyashankar Krishnan:** Yeah. Hi, Abhishek see a 2%, 3% change in the price of a vehicle will not matter if there is demand. And also, if the average cut age has gone up, again, it will not impact demand. So, the other thing is that cost for truckers has also gone up, particularly manpower. If they have to freight longer distances with lesser manpower, meaning they had to put more tonnage per trip, it makes them -- that their profitability.

So truckers are increasingly going towards higher tonnage vehicles. So, the industry cannot be no longer be gauged just in terms of numbers sold, but also in terms of TIV, total industry volume. So, I'm here to get some numbers on that for the last few quarters I'm also search. That would be any are seeing the demand from CV makers right now. So overall, as the economy grows, it is the general norm that CV markets will have to grow by at least 2x of GDP growth. So all those put together, I would say, notwithstanding a few blips here and there, the trend is very, very positive. I still hold my ground on that.

**Abhishek Jain:** Sir, my next question on the CV side that you mentioned that around.

**Vidyashankar Krishnan:** The point is not 2%, 3%. This is precisely, I'm not impounding at you, but we'll also one of the things that -- in each of our mind-sets, there is -- we ought to be concerned, no doubt. But at 2%, 1% shift here and there on a journey from $3.3 trillion to $3.7 trillion to $10 trillion it all gets subsumed within that. Not even the error in the journey. So, I would say largely positive. We should look at things far more positively. Look at certain things, okay, straightaway, defense output in India, we are seeing every day somebody or the other is launching products for the defense industry. And most of them are doing a better job than current imports. Now all that wealth space is in the country.

**Abhishek Jain:** Yes, sir.

**Vidyashankar Krishnan:** And that will generate further opportunities, in term of generating opportunities abroad. Then come the next question once we move towards electric, possibly a couple of more lucky discoveries of lithium, etcetera. Then our POL dependence also will go up -- will go down. And all that money will be circulating within the country. So huge big changes are there. Notwithstanding, the overall drive of younger nations towards higher GDP, I'm talking an economist rather than a MD. But I'm -- the reason I think that it impacts MM Forgings in a rather positive manner.

**Abhishek Jain:** Thanks for your details inside sir. My next question on the EV side, you mentioned that you are going to produce around 50,000 to 60,000 motors. Is it for the two-wheelers or other CVs? And what is the content card detail?

**Vidyashankar Krishnan:** We haven't yet hated the market, but the investment will be fungible.

**Abhishek Jain:** Is it for the two-wheelers or four-wheelers, sir?...

**Vidyashankar Krishnan:** I'm not at liberty to discuss that right now.

**Abhishek Jain:** Okay, sir. And what would be the content for the sale, sir?

**Vidyashankar Krishnan:** Again, it will change depending upon the vehicle from two-wheeler to four-wheelers. So, it depends on what we are going to offer also. On the four-wheeler side, it will be all three, two-wheeler will be just two, so controller and motor gearbox is almost non-extent. All told together, all these are reflected in our plans next year, two-digits and the year after that dream for three-digits.

**Abhishek Jain:** Thank you, sir. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

**Jinesh Gandhi:** Hi, sir. Quickly in terms of this INR 100 crores capex as you mentioned that for FY'23 and '24, right?

**Vidyashankar Krishnan:** Sorry, I didn't get you.

**Jinesh Gandhi:** The INR 500 crores investment plan is over FY'23 and '24. Is that correct?

**Vidyashankar Krishnan:** Yes. '22-'23 and '23-'24.

**Jinesh Gandhi:** Okay. And with respect to the INR 100 crores investment in forging that is towards the 6,300 ton press, nothing beyond that?

**Vidyashankar Krishnan:** Yeah, nothing maybe a little bit here on automation or debottlenecking, some maintenance capex, all told together about INR 80 crores. I rounded it off to INR 100 core.

**Jinesh Gandhi:** Okay. And that will make about 30,000 tons capacity at a broader level.

**Vidyashankar Krishnan:** 10,000 like 20 to like 30.

**Jinesh Gandhi:** Okay. Got it. And would it be fair to say that the machining mix should increase beyond 65%, given the investments which we are doing in machining is almost close to INR 300 crores, whereas we are already at about 60% machining mix in third quarter. So, should one look at higher value add beyond 65% toward next couple of years? Is that the right approach?

**Vidyashankar Krishnan:** Yeah, I would say yes, certainly. As we add more and more components on the machining side, the growth would be on machine components only.

**Jinesh Gandhi:** Got it. And lastly, what is our net debt as on December '22?

**Vidyashankar Krishnan:** Sorry, can you repeat your question, please Jinesh?

**Jinesh Gandhi:** Net debt.

**Vidyashankar Krishnan:** As of now, net debt is about term loan debt is about INR 200 crores.

**Jinesh Gandhi:** And working capital and cash?

**Vidyashankar Krishnan:** Working capital would be all told INR 300 crores working capital, INR 200 crores term loan net.

**Jinesh Gandhi:** Okay. And cash will be what about INR 200 crores?

**Vidyashankar Krishnan:** INR 200 crores.

**Jinesh Gandhi:** Got it. Okay, sir. Thanks, and all the best.

**Vidyashankar Krishnan:** INR 700 crores gross debt minus INR 200 crores COH toward INR 500 crores.

**Jinesh Gandhi:** Got it. Thank you.

**Vidyashankar Krishnan:** Thank you.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Annamalai Jayaraj: for closing comments.

**Annamalai Jayaraj:** Thanks. On behalf of BKC Securities, we thank all the participants for joining the call and special thanks MM Forgings' management for giving us the opportunity to host the call. Have a good day.

**Vidyashankar Krishnan:** Thank you, guys.

**Annamalai Jayaraj:** Thanks, sir.

**Moderator:** On behalf of Batlivala and Karani Securities that concludes this conference. Thank you for joining us, and you may now disconnect your lines.