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M M FORGINGS LIMITED

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Date : 30 May 2022

The Deputy General Manager Corporate Relationship Department. Bombay Stock Exchange Limited, Rotunda Building, P.J.Towers, First Floor, New Trading Wing, Dalal Street, MUMBAI –400 001	National Stock Exchange of India Ltd 'Exchange Plaza', Bandra – Kurla Complex, 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 27 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
Enclosed: as above

"MM Forgings Limited
Q4 FY2022 Post Results Conference Call"

May 27, 2022

ANALYST: **MR. ABHISHEK JAIN – DOLAT CAPITAL**

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

Moderator: Ladies and gentlemen, good day and welcome to the MM Forgings Limited 4Q FY2022 Post Results Conference Call hosted by Dolat Capital. 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 operator assistance during the conference call, 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. Abhishek Jain of Dolat Capital. Thank you and over to you Sir!

Abhishek Jain: Thanks Peter. Good afternoon everyone. On behalf of Dolat Capital, I welcome all of you in 4Q conference call of MM Forgings. We thank the management for giving us opportunity to host the call. From the management side we have with us Mr. Vidyashankar Krishnan, Vice Chairman and Managing Director and Mr. Venkat Krishnan, CFO MM Forging. Now I hand over the call to Mr. Krishnan for opening remarks followed by the question and answer. Over to you Sir!

Vidyashankar K: Morning Abhishek. Great morning investors for joining us on this call. We have achieved a record turnover of 1123 Crores in FY2022 and our EBITDA margin stands at 19.6% with net profit at 9.95% and amount of 111.77 Crores. Our interest costs have come down marginally last year from 31 Crores to 27 Crores largely on back of swapping some debt into foreign currency. Most of our debt is largely in foreign currency only. We have depreciation provided at about 2.5 Crores higher than the previous year and provision for taxation has considerably gone up from 8 Crores to 21 Crores. So company as a whole we have achieved 1155 Crores of turnover and EBITDA levels of 20.36 which stands close to 229 Crores of operating profit with interest going to 32 Crores and provision for taxation at 24 and overall profit at 111 Crores. Basically this is the summary of the previous year.

On the operations side we have produced close to 61,000 tons and sold about 62 to 63,000 tons in the previous year. This compares to about 47,000 tons on the previous year. As far as machining is concerned today our machining percentage stands at 51% of sales. It has steadily risen over the 43% level of the previous year and we would except that this number reach around 60% to 65% in the months and years to come. For FY2023 we expect to produce and sell close to 80 to 90,000 tons which would mean that we register an increase of anywhere around 30% to 50% so we would expect to end this year at about 1400 Crores of turnover and suitable EBITDA levels. As far as markets are concerned USA we handle more than 85% is commercial vehicle, 10% is PasCar, 95% auto and 5% is non-auto. Out of this a good portion of our sales goes to the Indian market at 46%, 20% roughly each to Europe and America and the balance 14% to South America and rest of the world. So how are these markets behaving, we see continued demand in the US market though things are little bit subdued due to nonavailability of chip integrated circuits, the delivery of Class 8 truck stretches well into the next 10 to 12 month period. You cannot get a truck today other than for 10 months later so due to pent up demand we see the truck industry in the US will generally ride it through an oncoming slow down because of higher interest rate and consequent to that lesser demand. Europe we are seeing some lesser demand as it is itself not by much but generally there is a reduction in demand due to lot of trucking being stocked between Russia and Western Europe. India market we expect the Indian GDP to grow well despite the war and we could say that worse case we would lose 2% points on our growth if there is a global slowdown, but otherwise India story strong. There is a huge demand for trucks as of now and market is quite booming in the CV segment. PasCar is hampered by availability of semiconductors and there is no hindsight over the next 1 to 1.5 years. Overall I would say things are looking positive with the joker in pack could be recession or a slowdown in global market riding in the back of inflation and its consequent impact so this is the situation as far as MMF is concerned and I would like to now open up ourselves for question.

Just a couple of points on the debt side. We ended last year at about 373 Crores of term loan debt. This year we are ending at 430 Crores. On the capex side we plan to invest upward of 300 Crores this year and good amount of that will come from internal accruals plus some additional borrowing. So that is it my from my side. Now I am open to take the questions on the floor.

Moderator: Thank you very much. We will now begin with a question and answer sessions. Our first question is from the line of Vignesh Iyer with Sequent Investment. Please go ahead.

Vignesh Iyer: Congratulation on good set of numbers. I just wanted to know what is the current capacity of the company and the current utilization levels as on March 2022?

Vidyashankar K: Current capacity stands at 1 lakh ton. We have had some delays in commissioning 6300 tons press. Press is now ready as its associated equipment, we are waiting for some tooling and the press will be commissioned in the month of June so it is anytime due. Therefore our capacity is 1 lakh ton and you can quickly say that were at about 60% capacity utilization. Next year continuing on same type could be picked up for others as well. Next year we expect to end up or this year we will reach 120000 tons and we expect a utilization of 80 to 90,000 tons on 120000 so if it is 80,000 tons capacity utilization goes up to 66%. If it is 90,000 tons we reach a capacity utilization of 75%.

Vignesh Iyer: Thank you.

Moderator: Thank you. Our next question is from the line of Kashyap Javeri with Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Good afternoon Sir and congratulation on good set of numbers. Couple of questions from my side. When you talk about volumes of about 89,000 to 90,000 tons next year would you be able to highlight what are the new OEMs to that we have added this year, that is the first question. You also mentioned about the number of turnover which if I am not mistaken is about 1400 Crores that implies the realization of about Rs.155,000 a ton where if I look at this particular quarter itself the LSR seems to have been significantly higher so where is the disconnect over there and final question is on your EBITDA at about 17,000 tons volume this quarter we did roughly about Rs.52 a kg kind of EBITDA number which is comparable to last couple of quarters also so any view on that numbers in light of rise in raw material cost, so these are the three questions that I have.

Vidyashankar K: Can you repeat your first question a little bit elaborate.

Kashyap Javeri: So when you say 90,000 tons volume next year verus 62 to 63,000 what are the new OEMs or orders that we have got in the last let us say 12 months basis which us giving us the confidence this kind of volume growth.

Vidyashankar K: Basically we see not much of a customer addition other than one major player in the PV market but largely that will not give too much of tonnage but definitely it will contribute a little bit and it is a door open for MM Forgings otherwise mostly it is expansion of business with existing OEs.

Kashyap Javeri: This order book is already in place.

Vidyashankar K: This order book has been in place over the last three years, two years of COVID and lower economy of course products being developed as well which is why we have been getting these numbers for quite some time and basically waiting in the wings for development of product, launch of product and of course the economy to zoom a little bit.

Kashyap Javeri: Who would be let us say our top five customers, would they include OEMs or would they be tier 1 vendors to the OEM and how much do they contribute to the total turnover.

Vidyashankar K: The top five customers of MM Forgings would contribute roughly around 50%.

Kashyap Javeri: And these are OEM or sort of tier 1 vendors to the OEM.

Vidyashankar K: Combination of tier 1 and OEs. Largely OEs and a few tier 1 here and there.

Kashyap Javeri: Second question was on the volume and value numbers that you gave which gives average LSR Rs.155 a kg but if I look at the fourth quarter numbers we did about 17,000 tons and which implies a realization which is significantly higher at about 190 odd rupees so where is the disconnect over here. We have a top line for quarter four of about 322 Crores and implied tonnage for the fourth quarter comes roughly at about 18,000 tons so if I divide 322 Crores by 18,000 I am getting about Rs.179 kg realization but if I divide 1400 Crores of turnover expected to FY2023 by about 89,000 tons that comes to just about 155 so this 322 Crores is there any space besides forging which is included over here.

Vidyashankar K: See that 1400 Crores is more of an expectation than a calculated number. I will substantiate myself. Let us say 60,000 tons for this year and 1150 Crores so 60,000 goes to 90,000 our turnover should go up 50%, so 1150 should get not to 1400 but 1150 will get added by another 675 Crores so 675 plus 1150 will take it to 1825, so 80,000, 90,000 number is a broad range and I have taken the turnover at a lesser limit on that number. It is purely an estimate it is not a calculated number that I said okay same rate multiplied by in my defense you could also factor in little bit due to raw material rates falling. Steel prices fall the inflationary impact on the top line will be a deflationary impact so all together the 1400 Crores is only a quick number, 1400 on 1100 or 1150 is about 30% growth, whereas on 90,000 it is 50% it is not a disconnect these are projections to that extent it is recede, but your point is valid I see no reduction in overall sales per ton or same NSR it should be around the same figure of course adjusted suitably for raw material fluctuations up or down but at this point of time I would say raw material is headed southwards.

Kashyap Javeri: And last question on our EBITDA per ton which is today about Rs.30,000 odd in a deflationary scenario let us say if the metal prices were to go down are we confident of achieving that Rs.30 a kg kind of EBITDA.

Vidyashankar K: Sorry right now it is about Rs.36 per kg. I should ballpark say that it should hover around those numbers. Frankly what will happen is scarp prices will come down so to that extent it will impact EBITDA. Other things will come down so operating margins could be a little bit more improved totally it is not linear, no change today is linear but multidimensional so I would broadly expect that yes Rs.30 to 32 should continue maybe even 36 level itself for the year.

Kashyap Javeri: Thank you so much Sir. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Sanjay Satpathy with Ampersand. Please go ahead.

Sanjay Satpathy: Sir thanks a lot for the opportunity. I just want to know that your Q4 performance is it not a little below of what you thought will happen about five to six months back.

Vidyashankar K: I would say we could have down about 5 to 10 Crores plus easily, but ballpark it has been reasonable.

Sanjay Satpathy: Because I remember clearly that you were looking at some new program starting in this March quarter itself and which was supposed to give a major improvement in quarterly revenue run rate compared to the previous one where as your March quarter number is slightly below what other commercial vehicle manufacturers have reported which is why I am asking you this question.

Vidyashankar K: Overall I would say these numbers are satisfactory. Doing a little bit better than what we do but I would say overall these numbers are reasonably online. We have not lost anything to mourn about.

Sanjay Satpathy: And as you say that you have done about 60,000 volume in fiscal 2022. And considering that you already were sitting on a huge capacity and your capacity utilization is still not optimal and your net debt is still rising what could be the reason for this 300 odd Crores capex that you are planning for fiscal 2023.

Vidyashankar K: See long profit is in machining. See what happens is that while forging capacity is fungible machining capacity is largely dedicated and when customers come in with newer products or higher volumes for existing parts the investment has to be specific.

Sanjay Satpathy: So bulk of the capex will be in machining.

Vidyashankar K: 200 Crores out of this will be in the machining side. The balance 100 will be adding only 10,000 tons of forging capacity where we are having bottleneck is one particular segment plus debottlenecking of other areas.

Sanjay Satpathy: Understood and your current quarter number is only about 300 Crores but what is the volume Sir.

Vidyashankar K: Current number we have already said about 17,000 tons.

Sanjay Satpathy: And you are looking at that volume number to go to 90,000 but will this growth be bit more backend or we will see this ramp up sometime sooner,

Vidyashankar K: We should it sooner from Q2, Q3 itself. May not hit run rate of 90,000 tons yes it could. Actually the whole thing depends upon a little bit on the market so we should be ramping up from Q2 onwards.

Sanjay Satpathy: From Q2 not Q1.

Vidyashankar K: Q1 may be a tad slower.

Sanjay Satpathy: Is that because of Europe situation or something else**.**

Vidyashankar K: Europe is slightly dull no doubt. Overall the impact of summer on production globally and I would say new parts kicking in Q2.

Sanjay Satpathy: Last question is that are you comfortable with your debt position now or you will start to look at deleveraging in a bigger way sometime soon.

Vidyashankar K: If you look at our net debt position we stand at about 240 Crores of net debt as of now and that on EBITDA is hardly just above one time. One times current EBITDA, so not a matter of concern over there on net debt basis so even if you take some borrowing for this year and some repayment of 90 Crores coming in that debt level go up a little bit also. It could go up from one times to EBITDA to 1.5 times which is by another 100 Crores still not a matter of concern to me.

Sanjay Satpathy: Thanks a lot Sir.

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

Abhishek Jain: Congrats for strong set of numbers in a tough quarter. Sir although the European market is down due to the ongoing war but energy crisis is also increasing in Europe and Sir there is an increase in manufacturing cost there so how do you see this as an opportunity for the Indian exports.

Vidyashankar K: Definitely Abhishek it is a good opportunity no doubt about it but what we could see is demand in Europe itself is coming down then to some extent there could be a shift and when demand comes down sometimes customers are loath to change sources, but the energy crisis in Europe will afford a tremendous opportunity. For example if this war continues close to next December I think it will be a huge opportunity for any kind of metal products getting into Europe.

Abhishek Jain: And it will also help to expand your margin as well.

Vidyashankar K: Yes definitely.

Abhishek Jain: And Sir to diversify your business what is your plan for expansion in the passenger vehicle segment. Your passenger vehicle currently contributes around 10% of the revenue. Your peers are also recording impressive growth in passenger vehicle both in export and domestic side so do you have any plans to expand there your business in PV.

Vidyashankar K: We have plans to expand in PV and we are growing our business there. Only thing is that the CV market with heavier parts is growing at a much more rapid rate. Not only just plans as I said to one of the questions earlier we have bagged a customer on the PV side in fact not just one I would say two customers on the PV side both of them I would say in the top 3 in India in the last few months and effectively we are supplying to the top three within the country.

Abhishek Jain: So what is your revenue target by FY2024 or 2025?

Vidyashankar K: See what happens is that PV numbers because of the weight of the products that we are in is not going to be adding to much to the tonnage side and too much of the sales side, so let us say PV right now is 10% that means 100 Crores. I would say this will go up to about 125, 130 Crores at best.

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

Moderator: Thank you. Our next question is from the line of Gaurav Kumar with Money Square. Please go ahead.

Gaurav Kumar: Hello thank you Sir. My question is as you said there is large order backlog of class 8 trucks in North America so how do you see the situation improving from second half of FY2023. What is your guidance on recovery?

Vidyashankar K: Gaurav it is a million dollar question. Whether there will be a significant impact on account of inflation on demand itself and even the best economist are stumped by this question however with the tools available at the hands of central banks and today is very information driven world so I would say that banks have a lot of tools these days and hopefully God willing it should not enter into a slow down. I have to guard my statement if that does not happen the class 8 market will go very strong and I would imagine that with a sharp rise in interest rates, already steel prices cooling of, we have seen government of India really slamming the brakes or taking a sledge hammer and going behind steel prices in a very sharp manner so such measures taken by government across the world can definitely cool inflation. Demand is strong but inflation could fuel a reduction in demand. Particularly India holds a lot of promise in the months to come. India holds a lot of promise because demography and we see lot of wage pressure down the line itself which augurs well demand which means Indians are demanding more wages because they want higher standards of living. They want to consume more. They want to spend more and that in turn means that right from tractors to trucks and cars things should go up.

Gaurav Kumar: Okay thanks for your detailed view. Thanks. I will fall back in the queue.

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

Navin Matta: Hi Sir thanks for the opportunity**.** Sorry I joined a little late I just wanted to firstly check what was the domestic and exports mix during the quarter.

Vidyashankar K: 51% domestic, 49% exports.

Navin Matta: Okay and this is just a followup questions with regards to the average selling prices that seems to be varying quite sharply between quarters so I just wanted to know is there any kind of freight recovery element out here or it is a product mix.

Vidyashankar K: Largely product mix Navin.

Navin Matta: Sir you mentioned that we are looking to do close to around 80 to 90,000 tons for next year out of that how much will be let us say new products contribution and how much would be organic growth in the markets.

Vidyashankar K: About 15 to 20,000 tons will be new product, 50:50 I would say.

Navin Matta: Okay so of the incremental contribution you are saying 15 to 20,000 would be new products and that would ramp up from when Sir.

Vidyashankar K: Q2.

Navin Matta: Okay and lastly Sir on margins what is the outlook here. I think we would have some amount of under recovery so just wanted your thoughts there.

Vidyashankar K: Growth should take care of some of the headwinds on the margin side and I would say growth happens we should be margin positive.

Navin Matta: Okay but even currently are you seeing continuous pressure on the gross margins per se or you think we are kind of past that and we should see a little bit of growth from there.

Vidyashankar K: These days I will admit that these days there is huge pressure if not on anything at least on wages.

Navin Matta: Okay mainly on wage cost, but let us say pure commodity cost you are okay.

Vidyashankar K: Steel is definitely going down. There is no doubt about it. Notwithstanding Rs.11,500 per ton increase from 1st of April I would say in Q2 this will be reversed and even go below March prices.

Navin Matta: Okay so that would hold through only for let us say first quarter after that you expect a reversal out there.

Vidyashankar K: Yes on the steel side similarly others. See what also happens is that when your numerator and your denominator are pulled down a little bit assuming no other changes in how we operate, margins will be positive. The negative side to that is that you cannot have inflation driven growth. Like a good 80 Crores out of this year's growth has come out on the back of steel prices that will not happen which is good. It just adds fluff to both top line and middle line so it is not margin accretive in any sense. Plus the added advantage of lesser inflation meaning that demand will not be impacted which is also another plus point but I think in India demand is going to go through the roof in any case regardless of inflation or not, but the good thing is that commodity have started cooling off.

Navin Matta: Great to hear. Thank you so much.

Moderator: Thank you. Our next question is from the line of Ronak Vora with AUM Advisors. Please go ahead.

Ronak Vora: Hi Sir. Sir I want to understand what is the kind of demand environment for the US class 8 truck you know our order book which you said was just before COVID and we are still ramping up on that but are we seeing any new orders coming in from the class 8 end.

Vidyashankar K: We are seeing newer products being developed there and demand there is largely going to be riding on how the sector itself performs. As of now they have a 10 month backlog, if that backlog continues which I think it cannot be, a 10 month back log cannot disappear overnight.

Ronak Vora: I understand that point but are we seeing newer orders for class 8 truck in our portfolio in the last six months or is it like the earlier back log is being executed as of now.

Vidyashankar K: Only earlier orders being executed as of now.

Moderator: Thank you. Our next question is from the line of Gautam Gosar with Perpetuity Ventures. Please go ahead.

Gautam Gosar: Hi Sir thank you for the opportunity. Sir I just wanted a clarification on the net debt number. Can you repeat that number please?

Vidyashankar K: Yes sure. Net debt stands at roughly 240 Crores as of end of this year.

Gautam Gosar: Okay and Sir on 6300 tonnage line so when will that be commissioning and what will be the potential contribution in FY2023 from that line, like in a tonnage perspective.

Vidyashankar K: The press is commissioned. I do not know if you missed it out. It is going to be commissioned in the month of June and it should add about 8000 to 12,000 tons minimum this year.

Gautam Gosar: Okay and Sir a clarification on the EBITDA per ton as well. For Q4 the EBITDA per ton was around 30,000 so do we expect it to go to previous level of 36,000 for FY2023. Like I just wanted an outlook on that.

Vidyashankar K: I would say we will be largely around Q4, Q3 level in the region of Rs.33,000 to Rs.35,000 per ton.

Gautam Gosar: Thank you that was helpful.

Moderator: Thank you. Our next question is from the line of Kashyap Javeri with Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Thank you very much for another opportunity. I have a question on our recent acquisition in Cafoma. I understand that in the previous call you highlighted that it will start contributing from April this year so what has been the contribution now in 1Q has it started contributing in terms of top line. Second question is that I understand that EBITDA margin is there at least in FY2021 were positive in sort of 2020 would that number be correct so about 8 Crores top line in FY2021 EBITDA turned out to be roughly about 1.6 Crores is that assumption correct as in the first question what is the contribution now in 1Q.

Vidyashankar K: Cafoma is turning out to be positive as we had planned. From April onwards customers have started getting parts from us and that is definitely top line positive. We except the acquisition of Cafoma to add around 60 to 80 Crores of turnover for this year.

Kashyap Javeri: 60 to 80 Crores this year. Is that number probably significantly lower than what we are expecting or at the beginning of Q4 when we did the previous call?

Vidyashankar K: It is almost in line with what we have been saying.

Kashyap Javeri: You were highlighting something about 30 Crores a quarter this now turns out to be about 20 Crores a quarter which is why I am asking and would the EBITDA margins at about 20% be correct number there.

Vidyashankar K: I do not recall 30 Crores a quarter but somewhere in the region of 20 to 25 Crores a quarter would be the long term strategy for Cafoma that remains intact there but this year I would say we would end up between 15 and 20 Crores more closer to 20 than 15 Crores per quarter.

Kashyap Javeri: Okay and in terms of EBITDA margins what could be the number there.

Vidyashankar K: Similar to whatever they have reported so far, 20 to 25%.

Kashyap Javeri: So that is in line with what MM Forgings does at current levels.

Vidyashankar K: Correct.

Kashyap Javeri: And would we be merging this company into MM Forgings or we would run this as a separate subsidiary.

Vidyashankar K: Ultimately I think we should merge these subsidiaries into MM Forging because their standalone functioning does not make any sense. Once we have crossed the sand box threshold and ensure that there is no hidden surprise. In Cafoma I do not expect any surprise because it is run by a very disciplined entrepreneur. We just have to wait out on the statutory side to see a couple of GST audits completed and then we could commence the process of merging. DVS we have already begin the process by moving the headquarters to Chennai and once our sales tax and other return of the previous era are completed we would look to merge it into MM Forgings as well.

Kashyap Javeri: And would it be safe to assume that pre this acquisition MM Forging would have been the largest customer of Cafoma. We would be largest supplier of unmachined components to Cafoma.

Vidyashankar K: Pre acquisition Cafoma was not buying anything from us.

Kashyap Javeri: They do machine crank shaft right. And we would supplying to this particular company in terms of whatever material they could process that would help us in our ramp up much faster in that side.

Vidyashankar K: That is why such development took some time to fructify.

Kashyap Javeri: And last question from my side and one of the earlier participant also asked this. If I recall our Q3 conference call we were thinking of doing capacity expansion in FY2024 onwards but now we will have almost about 300 Crores of capex lined up in FY2023 itself versus our opening cash flow which could be probably in the range of about 130 to 150 Crores. This 300 Crores will be fully spent out in that particular year is it just part of the capex which will happen in FY2023 and that will go on in the next financial year also.

Vidyashankar K: As of now from the numbers that we have and the project that we have on hand looks like that this spend will happen in FY2023 itself.

Kashyap Javeri: So in FY2023 there will be at least about exactly more than 100 Crores of additional debt that we will have to take.

Vidyashankar K: Might be mostly yes. Not might be I would say mostly.

Kashyap Javeri: You mentioned about 10 month waiting period for class 8 orders. The current order book which is already there that is equivalent to how many years capacity available for class 8 production in USA. The order book which is already there.

Vidyashankar K: Yes that is what I said it is 10 months.

Kashyap Javeri: Let us say today order book is 100. The production capacity of the industry is probably 70 or 80 something like that is that the right way to look at it?

Vidyashankar K: I would say this way normally there should be hardly any waiting time for truck or the normal waiting time should not exceed two months.

Kashyap Javeri: And today it is almost about 10 months.

Vidyashankar K: So now it is about 10 months. If you look at it from a waiting time perspective it is long, really long. People have not encountered this kind and that to uncertain waiting. It is not that you get a booking today and you get a truck in next March. The agreement is that you could get a truck next March because the legal system there is very strong so they do not want to get sued on loss of demand or loss of business etc., so the agreement says you could get a truck next March. In fact even cars I understand have moved away to if you buy a car you have to sign a waiver saying that I am ready to take delivery whenever I get the vehicle. If any cancellation I get my advance paid back without interest. Notwithstanding inflation headwinds I think these two trends mean that there will be pent up demand and that should ride through recessionary period. What is also happening is for some reason or the other cycles globally have become much shorter so I would say this recession should not slow down if it does translate to one should not be too long.

Kashyap Javeri: That is really nice of you to clarify. Thank you so much Sir.

Moderator: Thank you. Our next question is from the line of Shashank Kanodia with ICICI Securities. Please go ahead.

Shashank Kanodia: Firstly if you could please share your geographical mix between India, Europe and US.

Vidyashankar K: 46% India, 20% Europe and US, balance South American and rest of the world.

Shashank Kanodia: Secondly you alluded to some restriction because of the inflation thing plus they could use pent up demand so for FY2024 what could be your expectations on what we can do.

Vidyashankar K: As I said I am no economist and economist themselves are struggling on these questions. I would say that pent up demand from where I sit okay with my eyes you put it down to visual thinking or whatever, the way I see is that pent up demand will override slow down. FY2023 itself will be a year of growth only.

Shashank Kanodia: So in that case we should be exceeding our expectations in terms of tonnage or is it a safe notion to do.

Vidyashankar K: If I do it I would love to invite you to my office for a cup of tea or for dinner itself, but we will be challenging close to that 80, 90,000 tons that I talked about. We should be challenging 90 comfortably then.

Shashank Kanodia: Right understood**.** Sir lastly you were aware about the CV space being globally being cyclically in nature right and we have been pretty expressive on capex spends how prudent we could count this fresh capex spend we are incurring and what kind of payback period that we are targeting.

Vidyashankar K: Generally our pay back is around 5 to 6 years that is our internal benchmark.

Shashank Kanodia: Is it prudent to spend incremental capex on cyclical industry which might eventually peak out in FY2024 sometime.

Vidyashankar K: Otherwise we should not be in this business. In the CV business you have to be ready to ride the cycle otherwise what is the option. You cannot be half baked. It is like batsman stepping of the crease and suddenly changing his mind to defend the ball, 99 out of 100 he is going to get stumped. You play in this wicket you got to play to win. See the advantage for MM Forging is that we straddle four geographies but overall slowdown is there. Well any industry is subject to an overall slowdown, so I would say investing for the CV market is not all that bad otherwise the next conclusion should be okay find a better business to be in.

Shashank Kanodia: Lastly our domestic CV is largely omni CV space right.

Vidyashankar K: We are into LCVs as well.

Shashank Kanodia: But should be a small single digit percentage right.

Vidyashankar K: Yes sheer size of those parts it should be a single digit. We will capture that for you in the next meet.

Shashank Kanodia: Thank you so much and wish you all the best.

Moderator: Thank you. Our next question is from the line of Pranay Jhaveri with JMJ Holding. Please go ahead.

Pranay Jhaveri: Good afternoon Sir. Thank you for this opportunity. If you can just highlight when you were saying class 8 truck there is a pent up demand and basically the waiting period is 10 months so just trying to understand because of this chip shortage we were making 100 and because of this shortage now they are making 80 and that is where there is a backlog so eventually the number will be lower than the previous number so from their stand point there is a pent up demand and they have waiting period of 10 months from our logic point of view how do we correlate that number.

Vidyashankar K: Very good question. Very interesting one. See the point to be looked at is that in this light there has been an increase in price of commodities leading to inflation and such a high rise that economist are all considering whether this would burst the demand and cause a recessionary trend so this if you view that in terms of a backlog of deliveries I would say that demand should not fall of the cliff, demand should be at least steady so there is one thing that is lifting the curve and one thing that is pulling down the curve worse case the curve will be flat.

Pranay Jhaveri: Thank you so much.

Moderator: Thank you. Ladies and gentlemen as there are no further questions I would now like to hand the conference over to the management for closing remarks.

Vidyashankar K: Thank you one and all, it is a pleasure answering these questions. Many of them were very incisive and provoking our thought as well and as much as we tried to cover all aspects cannot we match with the initiative of 20 analyst each one trying to see a new facet of the organization so all these meetings are a good learning experience for us and this one has been no different so we look forward to a strong year ahead and we require all your good wishes for this year so that we look at reaching our 80 to 90,000 tons target.

Moderator: Thank you. On behalf of Dolat Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.