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MM FORGINGS LIMITED

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Date: 05 June 2024

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
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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 post results conference call held on 03 June 2024, on the audited Financial Results for the quarter and year ended 31 March 2024. The results were approved in the Board Meeting held on 29 May 2024.
2. We request to take the same on records.

Thanking you,

Yours faithfully,
For M M FORGINGS LIMITED

Chandrasekar. S
Company Secretary
Encl: as above



CERTIFIED TO IATF 16949:2016 and ISO 9001:2015 STANDARDS



“MM Forgings Limited
Q4 FY’24 Earnings Conference Call”
June 03, 2024



MANAGEMENT: **MR. VIDYASHANKAR KRISHNAN – 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 MM Forgings Limited Q4 FY '24 Earnings 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 this 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 Mr. Jayaraj.

Annamalai Jayaraj: Thank you Neerav. Welcome to MM Forgings Limited 4Q FY '24 Post Results Conference Call. From the management side, we have with us today Mr. Vidyashankar Krishnan, Chairman and Managing Director, Mr. Venkatakrishnan, Chief Financial Officer. I now hand over the call to Mr. Vidyashankar Krishnan for the opening remarks to be followed by question-and-answer session. Over to you sir.

Vidyashankar Krishnan: Thank you, Mr. Jayaraj. Good afternoon, everybody. Today, after the 31st March of 2024, MM Forgings as a group has reported a turnover of INR1,585 crores, falling a tad short of the INR1,600 that we had given as a guidance. Largely on account of a tepid Q4 of the last financial year, we expected it to be much shorter.

In fact, it was quite cool, almost like a non-Q4 situation. This was also on the back of strong growth in exports last year, upwards of 10%, 12% to 15%. And we have seen a 4% growth in the domestic market. The export ratio stands approximately the same at about 35%-36%. And as we see, we are looking at investment of around INR500 crores in the next 12 to 14 months, leading to some capacity establishment as well as higher growth in the years to come.

Our EBITDA margins have improved to 19.4% from earlier numbers. We had expected and we hold by the assertion that our margins will cross the 20% mark by end of this calendar year. From Q3 of this fiscal onwards, it should cross the 20% mark. These are the broad numbers. We see the Indian market outlook for this year.

We see the Indian market tepid in the first half and growing strong in H2 once the election results are pretty clear, which I think now stands very strong unless there is an upset as in 2004 between the exit polls and the results, which is I think quite remote given the broad expectations.

So, we expect the Indian market to hot up in H2. Exports is chugging along with the American market slowing off a little bit. But for MM Forgings, it's still pretty strong between America and Europe. South America is also improving for us. So, overall, this year we would subject overall market conditions. We would expect to grow in the region of around 10%-12%.

These are the initial remarks from my end, and I would be happy to take any questions from you.

Moderator: Thank you very much. We will now begin the question-and-answer session.



Vidyashankar Krishnan: One other point I would like to inform participants is that we have prepared a PowerPoint presentation this time and we will circulate it sometime during this meeting to all of you by email and by WhatsApp.

Moderator: Thank you. The first question is from the land of Mumuksh from Anand Rathi. Please go ahead.

Mumuksh: Thank you so much for the opportunity, sir, and congratulations on the 50th anniversary and good to see your presentation, sir. Can you share what are the sales targets for FY '25, sir? And what are the volumes in terms of sales and production for FY '24, which is gone?

Vidyashankar Krishnan: Good question. We said that we would look at something in the region of upwards of 84,000 tons to 85,000 tons. We have achieved 84,800 tons, let's say 85,000 tons of production in FY '24. And this year, we are looking at something in the region of 92 plus, 92,000 tons to 95,000 tons. Sales-wise, we did 77,000 tons. This is broadly in line with what we had also expected.

Mumuksh: Got it, sir. Sir, we guided about the exports to go 10% to 15%. There is a possibility for industry to see a decline. So, still we see a good growth over the industry. So, what should drive the growth, sir? Is there any new orders which are supporting the growth?

Vidyashankar Krishnan: Yes, some new orders are there. And also, on the back of greater wallet share in some of the parts and a new order inflow across the three significant export geographies that we serve.

Mumuksh: Got it. On the domestic side, sir, how do you see, I mean, the outperformance over industry? What should drive the new products, new orders, market share gains? How do you see the growth in domestic side, sir?

Vidyashankar Krishnan: Broadly, in the region of 10%. Out of this, I would say 5% to 7% would be on the back of the market growth itself, which is what we are expecting. Everybody is expecting the CV market to grow by this year based on inputs from customers. So, we would add another 3% possibly over that to improve our share across product categories. Largely, these increases would happen in H2.

Mumuksh: Got it. So, any products you want to mention, sir, which new products we are focusing on, sir?

Vidyashankar Krishnan: Not right now. We are looking basically at the parts in the heavy press, in terms of heavy presses, in terms of beams, knuckles and crankshafts. Beams, I mean, front axle beams. Okay. Front axle beams, knuckles and crankshafts.

Mumuksh: Sir, any sense, any share, how would be a mark? I mean, last so many years, we have been outperforming the domestic front against the industry production. So, how has the market share moved, sir? And can you indicate what kind of market share we would have seen in the front axle components and the crankshaft components, sir?

Vidyashankar Krishnan: We don't give out that information component-wise. It's too privy and many of our customers may not like it also. So, broadly, the reason why we have grown is because of a market requirement in that segment for a heavy forging player and we were able to fulfill customer expectations.



- Mumuksh:** Okay. Just to get some sense, would we broadly equally place between the front axle components and the crankshaft components, sir, in terms of mix-wise?
- Vidyashankar Krishnan:** I can't explain that directly, but broadly, these three components are leading the foray.
- Mumuksh:** Okay, sir. Sir, can you provide an update on the appeal of results, sir? How are the trials for the PMS and motors going, sir? Any new auto wins? And how is the capex progressing there, sir?
- Vidyashankar Krishnan:** Okay. Yes, that's a very valid point. We are slated to invest more than INR75 crores this year in Abhinava Rizel. As it is, our line for motors will be up in the next couple of weeks, ready and in fact, it is almost up now. So, next one or two weeks, finishing touches will be ready by 10th of June and beyond for making motors up to 60 kilowatt. So, we are very closely discussing with several customers. We have found tremendous acceptance with several of them, advanced stages of testing. Commercial are almost finalized. So, we expect to have some good news in the weeks to come.
- Mumuksh:** Sir, this INR75 crores, what kind of revenue potential this capex can give us, sir?
- Vidyashankar Krishnan:** To start with, we are looking at something in the region of about INR100 crores because the bulk of the INR75 crores goes into infra, basically into testing, into lab facilities and so on. So, those are all launch pads for a much higher growth organization.
- Mumuksh:** Perfect.
- Vidyashankar Krishnan:** A much higher-priced organization.
- Mumuksh:** Yes. And this order, sir, would be on the car segment, PV segment, right, sir?
- Vidyashankar Krishnan:** Would be on the PV segment as well.
- Mumuksh:** Okay. Yes, sir. On the margin side, sir, we have seen improvement over the last three quarters and lot has been driven by the gross margin expansion. Any reason for the improvement? Is it price hikes, lower input costs, better mix driving the gross margin, sir?
- Vidyashankar Krishnan:** Combination of three. First is our focus on costs. Second is slightly better raw material prices leading to contraction in terms of middle line as well as top line. Therefore, you know, that also slightly improves EBITDA a little bit. And the third is the product mix. So, a combination of all these three have resulted in EBITDA expansion.
- Mumuksh:** So, product mix mainly on the export side, the mix has improved, right, sir?
- Vidyashankar Krishnan:** Product mix has changed across the board, export and domestic. One other point I'd like to take off from what you said, which is our 50th year. So, this year we are into our 50th year as a forge shop. We established our forge shop in April 2024 at Singampunari, a small village in Tamil Nadu. And from there we have grown today to have a presence from Kashmir to or at least from Himalayas to Kanyakumari. And that has been a long journey.



Much of the expansion outside the state of Tamil Nadu has happened in the last seven to eight years after we focused on the markets in India and particularly the takeover of DVS in 2018. So, we have also established our 11th plant in Chennai to make motors for EVs and alternators for auto electricals, alternators and other items for auto electricals. So, we today straddle heavy forgings, electrical parts as well as on the cusp of supplying motors for the fledgling EV market in India.

Mumuksh: So, on the confluence of 20% EBITDA margin, sir, incoming from here, what would be the drivers, sir?

Vidyashankar Krishnan: There is still room, steam ahead or cost compression. There is still steam ahead on cost compression and on value-added products. So, steel is not in our control. So, we just have to ride the tide. But on these two, we have some more steam left and we should stabilize in the early 20s.

Mumuksh: What kind of cost compression where we are working, sir?

Vidyashankar Krishnan: Basically, operation cost in terms of cutting tools, manpower, electricity, consumption of power and fuel. Manufacturing is an integrity job. So, most of this, there is a scope for improvement.

Mumuksh: And you mentioned value addition, sir.

Vidyashankar Krishnan: We are going in for more machined products, more value-added products. Today, as I look back over the last seven years, since we have probably started our HF and coincidentally shifted our corporate headquarters to the current location, I can say that we have moved very clearly from being a forge shop with a machine shop to being a supplier of precision machine forging. We have also made a huge transition that earlier we would balk at an investment of a couple of crores of rupees in any machine tool equipment.

Today, my project team comes up with requirements for machine tools well in excess of those limits. So, we have built the competencies to look at precision machining. And that is certain to yield fruit in the years to come.

Mumuksh: Sir, can you indicate what would be the machining mix now and in the next few years how the numbers should shape up, sir?

Vidyashankar Krishnan: Typically, our machining is around 60% of sales.

Mumuksh: And how do you see for the next two years, sir?

Vidyashankar Krishnan: To be precise, in FY24, it is 57%.

Mumuksh: And ahead, sir, how do you see?

Vidyashankar Krishnan: The ratio should push up to about 62%-65% in this year and gradually move beyond the 60 mark. That will take some time, but it will happen. Ultimately, we should be getting to at least 75% over the next few years.



- Mumuksh:** In the presentation, you have mentioned about the Suvarchas Vidyut, which is engaged in the manufacturing of electrical and electronic components. Sir, can you talk about this product and how this unit is doing, sir?
- Vidyashankar Krishnan:** Right now, this unit is not doing well. I can straight away say that. We are focused on making alternators there for the time being. But we are also having a few product launches coming up over there. And those should change the face of the unit. As well as we are working with several customers for approval for the alternator segment. And that also should result in improvement in sales.
- Mumuksh:** Can you indicate what the numbers should be currently and expecting sometime later, sir?
- Vidyashankar Krishnan:** First mark is we should touch the double figure mark. First goal is double figure in crores.
- Mumuksh:** Lastly, on the data point, can you share the revenue mix for FY24 in terms of CV, PV and off-highway? And also, on geography-wise, North America, South America, Europe, India and others?
- Vidyashankar Krishnan:** India 65%, Europe and America broadly each at 13%.
- Mumuksh:** And how would be the CV, PV and off-highway mix?
- Vidyashankar Krishnan:** And South America at about 7%. Between Europe and US, Europe you could take it at about 16%. And North America at about 12%.
- Mumuksh:** And on the CV, PV side, sir, how is the mix?
- Vidyashankar Krishnan:** 1% CV, 10% PV.
- Mumuksh:** Sorry, CV how much, sir?
- Vidyashankar Krishnan:** 10%, passenger car.
- Mumuksh:** And CV, sir, how much?
- Vidyashankar Krishnan:** CV is 81%.
- Mumuksh:** 81%. Rest would be off-highway, right?
- Vidyashankar Krishnan:** Yes. Rest would be off-highway.
- Mumuksh:** Thank you so much for the opportunity, sir.
- Vidyashankar Krishnan:** You could basically say 80, 10, 10.
- Mumuksh:** Okay. Thank you so much for listening.
- Moderator:** Thank you. Next question is from the land of Chetan Vora from Abakkus Asset Managers. Please go ahead.



- Chetan Vora:** Hi, sir. Good evening. Sir, I would like to understand that our machining mix has increased to almost 60%. But in terms of margin, we are not able to see in terms of the improvement in the margin, sir. Any specific reason for that?
- Vidyashankar Krishnan:** The reason is that pricing in India which has been largely the market that we serve by the increased machining is lower than the export market. That is the reason why margins haven't gone up and also there is scope for cost compression. So, both are reasons why we haven't been busy growing probably we need to look a lot more inward as well into margin expansion.
- Chetan Vora:** So, you are saying that realization in India is lower than the overseas market that's why we were not able to see the improvement in the margin?
- Vidyashankar Krishnan:** Correct that is one. And also, we need to look at better operation parameters within machine shops.
- Chetan Vora:** Okay. And sir would you like to say something on the power and fuel cost, which is almost 9% of our sales, in FY24 it was almost 9.5% that would be getting stabilize sir?
- Vidyashankar Krishnan:** Traditionally this is at about 9% to 10% of our sales. So, I would say this will stabilize only here and we have a few headwinds on this side. The Tamil Nadu government has unfortunately taken a decision to increase power cost every year by 5% the unit rate cost. It is a stated long-term policy. As a result, power prices are slated to go up, which means that there is some scope for us to add wind and solar sources which will give us better insulation against rising energy prices.
- Having said that we also have a stiff requirement for capital within the core industry, within the core side. So, we had originally set up some amount for investment into greener power which would also improve profitability, but this year we may or may not be doing it, but by next year I am expecting something on the green power side.
- Chetan Vora:** So that would reduce our power cost by how much in the span of next 2 years to 3 years?
- Vidyashankar Krishnan:** I will just give you a perspective. Today we are consuming about 12 crores units out of which quick number 3 crores is our own green power and on this we should be saving anywhere about INR3 a unit. So, you can say that we can safely go up to about 10 crores green power units which means additional 7 crores units into INR3. At current EBITDA level is about 150 basis points on EBITDA that's a quick rule of thumb working. Don't hold me to this, but this is a broad indication. We also require a little bit more of capital.
- Chetan Vora:** And sir what you are saying that the volume should go in the range of 10%, 12%. How one should see the margin for this?
- Vidyashankar Krishnan:** As I said we should cross the 20% mark by Q3 of this fiscal or Q4 of this calendar and that should hold in the early 20s.
- Chetan Vora:** So, this year we are expecting margins to go up end to be close to 20%.
- Vidyashankar Krishnan:** Sorry close to.



- Chetan Vora:** Mostly 20% we are saying that.
- Vidyashankar Krishnan:** We will go beyond 20%.
- Chetan Vora:** Thank you.
- Vidyashankar Krishnan:** As I said we will be in the early 20s, very early 20s.
- Chetan Vora:** Okay. Got it.
- Moderator:** Thank you very much. Next question is from Srinath from Spark Asia Impact Managers Private Limited. Please go ahead.
- Srinath:** Sir, just wanted to understand whether you are concentrating on getting orders from non-auto sediment forging sir?
- Vidyashankar Krishnan:** We are now looking at it and seeing how we can improve our presence in the non-auto. Once upon a time I recall 25 years back our non-auto presence was as high as 28 even 35%.
- Srinath:** Got it, sir. Sir, just wanted to understand...
- Vidyashankar Krishnan:** Having become a much larger organization the ticket sizes that excite us also will be higher, but in the non-auto space ticket sizes may not be large. But we may have to swallow the bitter pill and chase smaller numbers, but all the same more profitable numbers.
- Srinath:** Sir, just wanted to understand something about the terminal exercise Sir, you told that INR100 crores is for the current FY25, or you are expecting INR100 crores in FY26 sir?
- Vidyashankar Krishnan:** In terms of revenues?
- Srinath:** Yes, sir.
- Vidyashankar Krishnan:** Or in terms of capex?
- Srinath:** In terms of revenues, sir.
- Vidyashankar Krishnan:** Revenues will take some time, sometime between FY26 and FY27.
- Srinath:** Okay, fine. So, what will capex sir for the current year like FY25?
- Vidyashankar Krishnan:** As I said earlier right now we are looking at about INR75 crores in total.
- Srinath:** Okay, sir. Have you incurred anything in this one sir in FY24 sir because I see a lot of increase in capex in FY24?
- Vidyashankar Krishnan:** If I am not mistaken we have done about INR25 crores there.
- Srinath:** Okay fine sir. Got it.
- Moderator:** Srinath do you have any follow-up question?



- Srinath:** No, sir. No thank you.
- Moderator:** Thank you. Next question is from the line of Rajakumar Vaidyanathan Individual Investor. Please go ahead.
- Rajakumar Vaidyanathan:** Yes. Good evening. Can you hear me?
- Vidyashankar Krishnan:** Good evening.
- Rajakumar Vaidyanathan:** Sir, thanks for the opportunity. Sir I am just looking at your standalone and the consolidated topline numbers whatever the increase in topline is kind of coming from the standalone. In consolidated the increase is not -- in fact it has come down. If I see the revenue it used to be like INR16 crores change between standalone and consolidated in the previous year and vis-à-vis this year the change is only about INR9 crores which means the revenue has come down from all the entities that you are consolidating. So, if you can give some color on that?
- Vidyashankar Krishnan:** 1429, 1473 about INR43 crores in the previous year and this year...
- Rajakumar Vaidyanathan:** No, I am just talking about the quarter, the current quarter?
- Vidyashankar Krishnan:** One second.
- Rajakumar Vaidyanathan:** If you want I can tell you the numbers.
- Vidyashankar Krishnan:** No. Numbers are in front of me don't worry. Tractor sales has been pretty slow in Q4 of F24. That's the reason why we see lesser sales in this year as compared to the previous.
- Rajakumar Vaidyanathan:** Okay. And also, the profit, the pressure on your profit is almost the same. Last year also, the profit the number of consolidated profit, vis-a-vis the current year consolidated profit, if you see, the change is INR16 crores. More or less the same number between standalone and consolidated. So, despite drop in revenue, still your bottom-line pressure remains the same. Is it because of better performance in standalone that you are able to absorb the pressure coming from the consolidating entities?
- Vidyashankar Krishnan:** Exactly. Our subs have to perform better.
- Rajakumar Vaidyanathan:** Okay. So, any timelines you are looking at? Do you think the coming quarters you expect a better performance or you should look at more from a median term?
- Vidyashankar Krishnan:** I would expect much better performance from Q2 onwards.
- Rajakumar Vaidyanathan:** Okay. Great, sir. And, sir, just a couple of questions. So, just on the interest cost, what is the guidance? Because that has also kind of gone up significantly year-on-year. So, what is the guidance for the current year?
- Vidyashankar Krishnan:** Interest cost will go up slightly, I think, one second. From about INR45 crores, interest cost should go to around 65 plus.



Rajakumar Vaidyanathan: Okay. Got it, sir. And lastly, sir, any outlook you can give for the automotive industry and also in particular the tractor industry? Do you see any green shoots appearing because of the positive outlook on the monsoon?

Vidyashankar Krishnan: Definitely. Monsoon is good. It will auger well for the tractor market. But let me be honest, even OEs are flummoxed. And they are just living from month to month, quarter to quarter. And all their previous peak months, dry months, theories are all going out of the window. So, when that is their fate, I don't know what we as a Tier 1 can guide on the tractor market. In fact, I would be happy if you can give me some input.

Rajakumar Vaidyanathan: Okay, sir. So, we have to wait then. And would you be able to give a better outlook in the first quarter?

Vidyashankar Krishnan: If I have anything, I will share it in the next quarterly call.

Rajakumar Vaidyanathan: Okay, sir. Thanks a lot, sir.

Vidyashankar Krishnan: Thank you.

Moderator: Thank you very much. Next question is from Abinash from NAFA Asset Managers. Please go ahead.

Abinash: Hi, sir. Thank you for the opportunity. I hope I am audible. So, I just have two questions. So, for this quarter, we are given an INR8 dividend payout per share. So, what will be the dividend policy going forward? That is number one. And number two, the finite growth of capex spend that we will be doing going forward. So, how will we be funding this? So, what is the funding mix for it? Thank you.

Vidyashankar Krishnan: Yes. So, the dividend we expect to have a policy. We debated this at the board meeting. And we kind of look at an informal policy of dividend payout in the region of around 15% to 20%. And historically, we are somewhat thereabouts. Slightly higher some, slightly lower in some years. But generally, around the 15% mark, mostly on the higher side. So, we would expect to be in the same zone in the years to come.

Provided the board feels it fit, that profit should be shared. If there is an urgent requirement or an immediate requirement, that could change. But in general, this is the policy that we are kind of looking at among forex.

Abinash: How about the capex mix, sir? So, how will it be funded? Debt or equity?

Vidyashankar Krishnan: About INR200 crores out of the 500 will be funded by equity, that is internal accruals. And the balance, sorry, about INR300 crores will be funded by internal accruals. And INR200 crores will be by additional borrowings.

Abinash: Okay, sir. Thank you.

Moderator: Thank you very much. Next question is from the line of Chetan Vora from Abakkus Asset Managers LLP. Please go ahead.



- Chetan Vora:** Hi, sir. So, these capex of INR500 crores will be incurred over what period of time? And this is towards what all areas, sir? I just read out on the screen.
- Vidyashankar Krishnan:** This 500 will be, about 75 goes towards the electrical space. 425 towards the core forging, if I can say so. Which will be roughly, equally, about INR250 crores will go in machining. And INR100 crores-150 crores will go in forging.
- Chetan Vora:** INR250 crores for machining?
- Moderator:** Yes. Can you speak for the hand?
- Chetan Vora:** Yes, so INR250 crores is for machining and balancer or almost INR175 crores is for what?
- Vidyashankar Krishnan:** It's for forging.
- Chetan Vora:** But, sir, we have the capacity right, the production capacity as of now is 130,000 tons. And last year we did 84,000 tons of production. So, this is towards what, forging?
- Vidyashankar Krishnan:** We have some requirement in the mid-range process where we have some constraints, orders are more and production is not able to meet up. So, there we will be adding some capacity.
- Chetan Vora:** And this INR500 crores will be over how many years, sir?
- Vidyashankar Krishnan:** On the forging side, over 15-to-24-month time frame.
- Chetan Vora:** Okay. And the balance?
- Vidyashankar Krishnan:** Machining will be spent within this fiscal itself.
- Chetan Vora:** Okay. And EV?
- Vidyashankar Krishnan:** EV also largely within this fiscal. Whatever is remaining will be single digit or low double digit.
- Chetan Vora:** So, basically 250 plus 75, 325 and INR100 odd crores of forging, INR400 crores will be spent in this year?
- Vidyashankar Krishnan:** Yes, that's the plan.
- Chetan Vora:** Okay, sir. And did I hear rightly that the interest cost which was last year almost INR42 crores per year will be going up to INR65 crores to INR75 crores?
- Vidyashankar Krishnan:** INR65 crores.
- Chetan Vora:** Okay, sir. Yes. Thank you, sir.
- Moderator:** Thank you very much. Next question is Mumuksh from Anand Rathi. Please go ahead.
- Mumuksh:** Thank you so much. So, just a clarification, sir. You told INR500 crores break up for next two years capex wise, so for FY '24, it would be machining plus EV, right? 325 crores break?



- Vidyashankar Krishnan:** Correct.
- Mumuksh:** And 175 will be FY '25 number for the forging?
- Vidyashankar Krishnan:** Correct.
- Mumuksh:** And how much would the capacity increase, sir? 126,000 currently, sir, on the forging side?
- Vidyashankar Krishnan:** About 20,000 tons.
- Mumuksh:** Okay. And lastly, on the tax rate, sir, what should be the tax rate for next year, sir?
- Vidyashankar Krishnan:** Same lines as in the previous year. I think we paid about INR60 crores tax. Sorry, INR50 crores. On an EBITDA of close to 300. EBITDA 313. So, roughly you can...
- Mumuksh:** On the PBT, it's around about 27%, right, sir? So...
- Vidyashankar Krishnan:** No. Don't look at it on PE. Are you looking at PBT?
- Mumuksh:** Yes.
- Vidyashankar Krishnan:** Fine. I was looking on it as EBITDA. Yes, I'll give you a number in the next couple of minutes.
- Mumuksh:** Yes. Thank you so much for this, sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Rajakumar Vaidyanathan. Individual investor, please go ahead.
- Rajakumar Vaidyanathan:** Yes. So, thanks for the follow-up. Just two, questions. You mentioned that there will be pressure on power cost given the increase that is proposed by the Tamil Nadu government. And also, the interest cost will move from INR43 crores to INR65 crores. So, I just want to know, will there be a subsequent pressure on margins, or you will maintain the margins with a higher scale of operations?
- Vidyashankar Krishnan:** I would say the margin outlook is positive, despite this.
- Rajakumar Vaidyanathan:** Okay. Sir, one housekeeping question?
- Vidyashankar Krishnan:** As in every case, it should be with an overarching rider, reasonably subject to market conditions.
- Rajakumar Vaidyanathan:** Yes, I understand. Sir, just one more housekeeping question. So, if I just look at your balance sheet, the number for inventories and trade receivable, when I compare that with March 25 vis-a-vis March 23, I see almost a 25% increase. If I add these two numbers, like INR620 crores vis-a-vis INR500 crores for the previous year, there is a more or less straight line. So, I just wanted to know, should I take it in a positive manner that there is a good demand that is expected in coming quarters? Or is it like the slow-moving inventory, we are having an accumulation of inventory?



Vidyashankar Krishnan: Slow-moving inventory accumulation is not there. Most of this is live inventory only. So, that much I can assure you. We are keeping a very tight watch, and my internal audit team is roving around all the plants and giving nightmares to all unit heads on anything that is non-moving. We are having a very close watch on that.

Rajakumar Vaidyanathan: So, what is the reason for the increase, sir? Both the receivable and inventory have gone up despite the failure of the mining, more or less, constant.

Vidyashankar Krishnan: We expected that the fourth quarter will be more positive. So, we went ahead and produced a little bit more.

Rajakumar Vaidyanathan: So, this will get evened out in the coming quarter or it will go back to the normal line?

Vidyashankar Krishnan: Our aim is this year to take out, if possible, about INR100 crores out of the inventory. That is our internal aim. Let us see how much we are able to achieve. The goal is to get out INR100 crores. Also, what is happening is that as the percentage of machining goes up, the variety of parts goes up in machining. So, we are having to keep some inventory for machining requirements. But all being said, we have a scope. Our internal plan is to reduce inventory significantly. I would be very disappointed if we did not achieve INR50 crores reduction.

Rajakumar Vaidyanathan: And any cover on the receivable part? Because that has moved from INR200 crores to INR276 crores.

Vidyashankar Krishnan: That is largely on the basis of debtors. A couple of customers, I think payment terms were changed. Nothing to worry on that count.

Rajakumar Vaidyanathan: Okay. Got it, sir. Thank you.

Vidyashankar Krishnan: Thank you.

Moderator: Next question is from Lakshminarayanan KG from Tunga Investments. Please go ahead.

Lakshminarayanan KG: Good evening, Mr. Vidyashankar. A couple of questions from my side. It is quite good to see...

Moderator: Sorry to interrupt you. Can you speak through the handset, please?

Lakshminarayanan KG: It is good to see that you have strengthened the board. And also, there is a detailed presentation on the BSE exchange. Thank you so much for that. Now, in terms of strengthening the management, while you are strengthening the board, what has been from a management bandwidth you have augmented in the last one year? Would you like to speak about anything specific?

Vidyashankar Krishnan: Nothing very specific on the management side. Mr. Krishnakumar Raman has joined us as Director Operations. Earlier, he was President Operations. And he has joined the company just two years back. He has a wide experience in the auto components field. So, he brings in a lot of strength, particularly on the machining side to the business.



And a very quick understanding of whatever is presented to him. So, that apart, both he and I are working together to increase the bandwidth of our senior management in several areas, which we shall announce to you in due course of time. So, we are on the lookout to -- on the prowl, if I can use the word, to strengthen our top team across various facets of the organization and focus on building an organization that will take MM Forgings well beyond the INR3,000 crores to INR5,000 crores turnover range.

Lakshminarayanan KG: Okay, very interesting. And the second question is that if you look at your various parts you make, how much is built to print and how much is where you actually work and build up a system? Is that something you think about?

Vidyashankar Krishnan: All our parts are built to print.

Lakshminarayanan KG: Okay.

Vidyashankar Krishnan: All our parts are built to print, excepting the EV motors, which hasn't come into sale yet. Those are all built to our own design. Customers give us functional parameters. And we may exchange a few external dimensions with them for fitment, etc. But the design is our own outlook.

Lakshminarayanan KG: And when you started the financial year FY'24?

Vidyashankar Krishnan: One second, if I can use the time to provide some input about Abhinava Razel. To those who have tracked and who might also not receive this bit of information, a lot of interest was there on this. See, we are very unique amongst PMSM companies in India. Abhinava Razel has the ability to design motors in the 300 kilowatt to 300 kilowatt range, which very few companies in the world possess.

And almost to our knowledge, nobody in India, as an Indian-grown company, has. So, we have a very good team that's capable of tremendous understanding of PMSM devices. And so, we have many cases. This is standing by us. We discuss with customers, and they come up with problems that they need us to solve or to present solutions and give them alternatives. All this design capability is coming to the fore.

So, I am expecting this to stand by us in good stead in the years to come. And one of the bases on which we invested in Abhinava Razel, and I expect that to be a solid factor as we go forward. Yes, Lakshmi, your question?

Lakshminarayanan KG: Yes, so in Abhinava Razel, what product build-up or the order book do you think, whether it will be international or it will be Indian? And if so, which areas it would actually cater to? Because I see that it can be used for across multiple industries. I just want to understand how you are thinking about Abhinava Razel in the next three years to five years' perspective.

Vidyashankar Krishnan: Okay. See, right now, we are at a very fledgling stage. But the entire, as you said, huge opportunities exist in this space. Currently, we are making PMSM motors, protos, and concept devices. We are way beyond concept. I will be very candid.



Our motors together have easily grossed, our protos have easily grossed or touching the 75,000-kilometer mark in terms of testing across various vehicles, of course. And individually also, vehicles have crossed around 25,000, 30,000 kilometers and increasing every day. So, we are moving pretty fast on that front.

So, there is a huge potential in terms of EV powertrains, not just in India, but across the world. We need to cut our teeth. We need to walk our talk and build more, build and sell EV powertrains to many customers. For which, right now, there is a requirement within the country. Then, we move on to outside of India as well. Scope is very huge.

Now, we start with PMSM devices. We add gearboxes and controllers as we want and as customers want. So, our aim is to be a full-fledged e-axle supplier as of now. And leverage this, maybe in the electronic space to add DC-DC converters and so on, that are required in many passenger and light commercial vehicle applications or battery EV applications. Scope is huge, Lakshmi.

Lakshminarayanan KG: Okay. So, coming to...

Vidyashankar Krishnan: Our target, not just internal as you stated, is to turn this into a couple of INR1000 crores of turnover in the next decade. We have to necessarily walk the talk from zero to thousand, two thousand is not a small ask, but the potential is there and we are moving in the right direction. A tad slow in the initial phase, but I am sure things will catch up.

Lakshminarayanan KG: Okay. Thank you so much. Just two more questions. So, when you started the year FY '24 and you had budgeted a few things organizationally in terms of sales or expectations and the year ended in a way, which are the areas which actually positively surprised you and which are the areas that negatively surprised you?

Vidyashankar Krishnan: We should have done a little bit better on the turnover side. That is a negative surprise, if I can use the word. Our prediction was to touch at least INR1,800 crores at the beginning of the year. We had to water it down to 1,800. I am sure we could have done, if not 1,800, at least knocked on the doors of 1,750. And also due to a tepid, slightly lesser than expected CV market. I am being very candid over here when I say these facts, but that is our internal goal. We have been discussing very clearly with our internal team that we need to focus on jacking up our sales.

Lakshminarayanan KG: Which means it is more of an external factor and not an internal factor?

Vidyashankar Krishnan: Yes, I would say 60%-70% is external and about 30% of the gap is internal.

Lakshminarayanan KG: Your turnover is dependent on the tonnage you make and the value addition you make. As you move forward in the next one year, what kind of tonnage you actually have thought through, which is possible given the impending low-digit growth in farm equipment as well as CVs as we speak. Because some of the players like Bosch, ZS, all of them have actually signaled a single-digit growth. So, given that, how are you thinking about changing your product mix? Because what kind of tonnage do you expect you can actually deliver in the next one year?



- Vidyashankar Krishnan:** Next one year would be in the 10% mark. Tonnage-wise and sales-wise. Looking at a double-digit number would be a good get.
- Lakshminarayanan KG:** Definitely. And export, how are you? Because I think I heard you on television that the export number seems to be little good or better than what it was earlier. Now, do you expect a 10% volume uptake in export also for the coming year?
- Vidyashankar Krishnan:** Yes, we do.
- Lakshminarayanan KG:** Got it. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Neel Doshi. Please go ahead.
- Neel Doshi:** Thank you for the opportunity. Two questions from my end. North American Class A trucks are going through certain weakness. Commentaries on exports are also showing some slowing down of fleet operator growth. Leading on to North American Class A markets over there. That's my first question.
- Vidyashankar Krishnan:** Quick answer. Same, same.
- Neel Doshi:** Sorry.
- Vidyashankar Krishnan:** Same, same. Same as what you echoed. Going through a deficit phase right now. And we expect this to strengthen from Q4 of this calendar. But at the same time, our inventories are at an all-time low at customer end. Our inventories mean what our customers hold as stock, safety stock or what we should hold for them. So, we are in a position to pump out more products. That's good news.
- Neel Doshi:** Okay, fair enough. And my second question is, most of our peers have also been talking on European customers moving away from China. So, what kind of trend are we witnessing? And have you seen any kind of an uptick in orders from European customers in the past six months?
- Vidyashankar Krishnan:** When we engage with customers across the world, be it both sides of the Atlantic, there is surely a huge trend from an expression of interest in getting away from China, which was not there at all in the dialogue, more in their mind space. Now it has come verbal. Many customers are a couple of customers, we just quote, and the purchase order comes the next week. So that's pretty fast. So, opportunities abound. Opportunities abound certainly with the China plus one strategy.
- Neel Doshi:** Sure, sure. Thank you. That helps.
- Moderator:** Thank you very much. As there are no further questions, I'll now hand the conference over to the management for closing comments.
- Vidyashankar Krishnan:** Thank you all for being with us through this Q4. And also, to all of you who are our shareholders, who have been with us for the last few days, months and years. It's been a fabulous journey. I'm not saying any goodbye or anything, but certainly 50 years is a long time to be in the forging business. And having been there for much of that 50 years, about 30, 35 years in looking at these forging operations, has been a fabulous journey. The entire team at MM Forgings is really



charged up to meet the challenges of the current market, as well as get into future markets, products with great zeal and enthusiasm.

And we hope to deliver much better on our commitments as we go into the future. This is a real positive outlook for MM Forgings. And as the Indian market heats up in terms of GDP growth, MM Forgings is well poised to take advantage of its presence there.

Moderator:

Thank you very much. On behalf of Batlivala & Karani Securities Pvt. Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.