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M M FORGINGS LIMITED

CORPORATE OFFICE: SVK TOWERS, 8TH FLOOR,
A25 INDUSTRIAL ESTATE, GUINDY, CHENNAI - 600032, INDIA.

Date: 28 May 2025

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 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 26 May 2025, on the audited Financial Results for the quarter and year ended 31 March 2025. The results were approved in the Board Meeting held on 24 May 2025.

2. We request to take the same on records.

Thanking you,

Yours faithfully,
For M M FORGINGS LIMITED

Chandrasekar S
Digitally signed by Chandrasekar S
Date: 2025.05.28 17:19:16 +05'30'

Chandrasekar S
Company Secretary
Encl: as above

"MM Forgings Limited Q4 FY' 25 Post Results Conference Call"

May 26, 2025

MANAGEMENT: **MR. VIDYASHANKAR KRISHNAN – CHAIRMAN & 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 Q4 and FY '25 Earnings Conference Call of MM Forgings Limited hosted by Batlivala & Karani Securities India Private Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 *, then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from B&K Securities. Thank you and over to you, sir.

Annamalai Jayaraj: Thank you. Welcome to MM Forgings Limited 4Q FY '25 and FY '26 Post Results Conference Call. From MM Forgings Limited Management, we have with us today Mr. Vidyashankar Krishnan – Chairman and Managing Director and Mr. Venkatakrishnan – Chief Financial Officer.

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

Vidyashankar Krishnan: Good afternoon, all. Happy to greet up with you and thanks to B&K Securities for hosting this call for us. So I will give you a brief financials. You have seen some on our website and also as part of the Results.

We have achieved a turnover of Rs. 1,547 crores for FY '25 and an EBITDA of 19.4% without including other income and this is comparable with Rs. 1,585 crores of the previous fiscal, consolidated basis and an EBITDA of 18.73%.

On a standalone basis, the turnover is Rs. 1,506 crores versus Rs. 1,553 of the previous year registering a 3% drop, EBITDA at Rs. 323 crores, 19.91% for FY '25 versus Rs. 315 crores, 18.9% for the previous year. So as we have been guiding, our EBITDA levels have been steadily improving and now stand at the cusp of the 20% mark.

Region wise, we see the following. India constitutes 62% of our turnover and Europe and US together 12% and 16% separately, 28% overall and the rest of the world about 10%. Automotive CV constitutes 81% of our sales profile, 10% on pass car and off highway about 9%.

With this very brief, and I would say even a rapid introduction, I would throw open the floor just a few more numbers to follow. Our production stood at 70,000 tons of the previous year, and sales stood at 82,000 tons. Domestic sale was 62% and export sales at 38% as given in the break up earlier also.

With this rapid fire introduction, I would be happy to take calls on our performance and future. Operator, we will open for Q&A.

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

Mumuksh Mandlesha: Thank you, sir for the opportunity. And firstly, sir, I just wanted to understand, sir in export side, there was a good positive growth in the first half and then second half, we saw a decline. Just want to understand what led to the decline as earlier we were anticipating our double-digit growth for the exports for the full year. And so what led to the miss there and how should we look the growth ahead, sir?

Vidyashankar Krishnan: Thank you. So the second-half has been a little bit tepid in terms of exports overall, but we managed to retain the export numbers going on the year as a whole. We have seen a slight slowdown in the US and European markets and that has resulted in a reduced number.

Mumuksh Mandlesha: And this, sir, how do you see next year, sir, I think this Europe and US market would remain slower next year also. So how do you see the growth for us?

Vidyashankar Krishnan: At this point of time, hazarding a guess on export markets is very fraught with risk because of the Trump administration, bringing in very many changes to global trade and therefore one does not know how all this will break, how all this will develop into. We are generally expecting that export sales could be sluggish to the tune of around 10%-15%. That is our expectation.

Mumuksh Mandlesha: Got it. And anything you talk about new orders or new businesses there which can support growth irrespective underlying industry being muted, sir?

Vidyashankar Krishnan: Yes, we are discussing with several customers and we are hoping for some customer acquisitions in the next few weeks and months, that should improve. It should add in at least Rs. 100 crores of export sales in FY '27 and FY '28.

Mumuksh Mandlesha: Got it. And on the US part, just want to understand; is there any impact on the margins as well, sir?

Vidyashankar Krishnan: Right now, not, customers and us, customers are not looking at the duties as a pass through, so it all depends on how India settles vis-a-vis China. The cheaper than the duties on Indian goods are less than the Chinese ones, definitely we our margin would stand protected, but that is the general consensus that everybody has also that India would close out at a much lower level than China.

Mumuksh Mandlesha: Right. And sir, has the supply to US has normalized or still there is a slower pickup currently?

Vidyashankar Krishnan: Since the 1st of April, Freedom Day or Liberation Day, we have had a total knock-on inflow of export orders and that is many schedules have been cancelled. So the flow is very negative as compared to what existed before 15th of April to be expected, the knock-on effects of the duties, as we call it. Over the next few months, we expect things to stabilize, and some semblance of normalcy will come back.

Mumuksh Mandlesha: Right, sir. Sir, coming to domestic side, we have this new 16,500 ton price line, I just want to understand how the orders they are shaping up and what kind of ramp up we are seeing for this line. And on the Abhinava Rizel, how we are seeing the traction for the motor orders and what kind of revenue do you see, right?

Vidyashankar Krishnan: Abhinava Rizel, let me answer the 16,500 first. The press is expected to be commissioned by around September to December of this year, in Q3 of this fiscal, Q4 of this calendar and would start production from let us say, January onwards. We are looking at shifting a couple of parts to the 16,500 tons first, so no new orders for the 16,500 as of now. And once you stabilize the press, I am sure that by that time we land in a few good orders. As far as Abhinava Rizel is concerned, right now, again, we continue to be in discussions with several customers and all of them are very much interested and at the same time we are yet to secure any order from any big OE. So Abhinava Rizel continues to be in a state of development.

Mumuksh Mandlesha: Got it, sir. Sir, coming to just on CAPEX side for FY '26, how do you see the CAPEX outlay. Last year, you mentioned about Rs. 350 odd crores CAPEX where a lot is around machining area. Just want to understand what would be the current machining mix and how do you see ahead and the CAPEX, what will be the breakup of the CAPEX?

Vidyashankar Krishnan: Going forward, for the last year, we spent Rs. 340 crores last year. And this year, we expect to spend a total of Rs. 300 crores in terms of CAPEX and about Rs. 160 crores will fall due for repayment. As far as funding is concerned, Rs. 300 crores will come from internal accrual and Rs. 160 crores will come from fresh term loans. So we are kind of looking at peak debt as of the balance sheet of 31st March.

Mumuksh Mandlesha: Got it, sir. And what would be this Rs. 300 crores?

Moderator: Sorry to interrupt you, sir, but we request you to rejoin the queue for follow up questions.

Mumuksh Mandlesha: Yes, I am just clearing my question. I will come back, sir.

Vidyashankar Krishnan: Yes. Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Garvit Goyal from Nvest Analytics Advisory. Please go ahead.

Garvit Goyal: Good afternoon, sir. My first question is on the industry side. So typically, our 80% of the revenues coming from commercial vehicle, so I want to understand from you the current sentiment of demand in this industry, particularly at the export levels or you can say international markets and also, spend a few minutes on how do you think like this ongoing tariff situation is going to have an impact on our revenue, particularly from the export side. So that is my first question?

Vidyashankar Krishnan: Can you repeat it, please?

Garvit Goyal: I am asking you to comment on the current sentiment of demand from the commercial vehicle side, particularly the export level or international market? And secondly, comment on the kind of impact do you see arising from the tariff situation currently going on?

Vidyashankar Krishnan: Demand in the CV market in India has picked up considerably due to new cabin regulations that are slated to come in by sometime in Q2. It was slated for 10th of June, but I think it may be slightly postponed. Word is not yet out. So at least our customers have not told us anything. Therefore, what the government has mandated, I am sure you know about it, is that new vehicles and trucks should be fitted with an AC in the cabin. This pushes up cost by around Rs. 30,000-Rs. 50,000 per vehicle. So there is a kind of pre-buy that is going on and that is boosting demand considerably. So the Indian truck market is pretty strong, I would say in Q1. The second question I think is about the impact of tariffs on our exports. As I said earlier, very difficult to guess because right now, export markets, particularly the US, is in a tailspin because people are, they have no clue how it is going to pan out. Shipments from China dropped by about 60%-70% into the US. So the truckers, which struck the incoming goods from ports to end users, have also reduced the extent of that demand gone. Port to let us say, business or end consumer traffic constitutes, I think around 60% of American Class 8 truck movement. That has gone down by around 60%-70%. So overall terms, if you see American truck movement is down by about 30%-40%, so new orders for trucks have fallen to an all-time low in mid-April and onwards. We see some normalcy coming back over here once the tariffs are restored, tariff condition is very clearly known.

Garvit Goyal: Understood, sir.

Vidyashankar Krishnan: Right now, America is consuming from stock. So once stock depletes, only then we will know the exact condition. Something has to give there. I am sure US and China will come to some kind of agreement and where that agreement will be vis-a-vis India, again we have to see.

Garvit Goyal: Got it. And particularly on the revenue target for FY '26, are we currently in a situation to give any numbers considering the kind of headwinds that we are currently facing?

Vidyashankar Krishnan: No, I would not assert any guests for the next year. I am sorry that I am not able to do that, but that is a practical situation. I am not saying that the bottom will fall off, but we are not able to guess anything. On exports, we can broadly say we are looking at something in the region of 10%-20% down for the year as a whole.

Garvit Goyal: Got it. And sir, thirdly, on the CAPEX side, so we are in the phase of CAPEX and so I want to understand from you what exactly are we doing here because at one point of time we are facing the headwinds, and secondly, on the CAPEX side, can you mention like are we looking to diversify from the existing industries bringing some new products or we are deepening down in the existing industries itself. So what is our strategy here?

Vidyashankar Krishnan: See, CAPEX is a long-term play. We continue to look at things long term based on customer requirements. So what is happening is, the new products that we develop do come into production, but current products, their volumes may go down because of economic situations in various geographies to various levels. So we can't stop the cycle just like that. That will mean customers walking away on a permanent basis, which is not good for the organization.

Garvit Goyal: That I understand, but I am just trying to understand like the CAPEX that we are doing, the products that we will be manufacturing via this CAPEX that will go into the existing industries like commercial vehicles and passenger vehicles, or we are looking to cater to different industries as well like railways or anything like that?

Vidyashankar Krishnan: Sorry, I didn't get that thrust of your question. Now it is clear. We are largely looking at the automotive field only, either pass car or trucks.

Garvit Goyal: Got it. Thank you very much, sir and all the best.

Vidyashankar Krishnan: Thank you. Some goes into agricultural equipment as well, tractors and off highway vehicles.

Moderator: Thank you, sir. The next question is from the line of Preet from Incred AMC. Please go ahead.

Preet: Thank you for the opportunity. Sir, I would like to ask on the CAPEX of Rs. 300 crores, which you mentioned that it will be coming from internal accruals. On average, in the last 4-5 years, you are saying that we do around Rs. 150-Rs. 200 crores from cash flow from operating activities. And also you mentioned that March '25 is peak debt for the company. So do you expect better growth in the cash flow from operating or do you see the use of working capital, how this can be achieved, Rs. 300 crores of cash flow?

Vidyashankar Krishnan: Sorry, I was on mute. One combination is from internal accruals, one source, which is the larger one and to some extent, we would be mopping up from a little bit of working capital improvements and savings there too. So about Rs. 20-Rs. 30 crores, I would expect to, at least Rs. 40 crores would come from that, kind of manage the whole thing without increasing debt levels.

Preet: On this working capital side, we can see that in FY '25, despite decrease in the sales, your receivable days as well as receivable absolute amount, there has been massive increase. So what would be the major reason here?

Vidyashankar Krishnan: Sorry, can you repeat the question? I can't hear you.

Preet: On receivable side, earlier as of FY '24 and FY '25, there has been huge increase in the receivable debtors, it went up from Rs. 275 crores to Rs. 375 crores. So what will be the major reason for the increase in receivable days, means your working capital days has gone up, so what would be the reason? Or is it any one-off or is there any change in the agreement terms?

Vidyashankar Krishnan: There is no specific change on the field in terms of receivables, so this must be due to last-minute sales going up and therefore the receivables has short through because of higher sales in the 4th Quarter. But that was not the case. Overall, we have sold around 380 levels only in each quarter. There is no specific increase in credit levels or defaults from customers because we are going through the receivable in a very detailed manner.

Preet: Got it. Thank you. I will join back in the queue.

Moderator: Thank you. The next question is from the line of Aditi Loharuka from CD Equisearch. Please go ahead.

Aditi Loharuka: Sir, I would like to know that how much capacity has been added in FY '25?

Vidyashankar Krishnan: FY '25, we have not added any forging capacity. We remain where we are, the 16,500 tons is slated to come into production this year and about 5000 tons of other capacity is getting added in this year, again in Q3-Q4. So there is no addition of capacity in the previous year.

Aditi Loharuka: And so where was the CAPEX of Rs. 374 crores made towards?

Vidyashankar Krishnan: About Rs. 150 crores has gone into the big press itself and its lines.

Aditi Loharuka: Sorry, I don’t understand you.

Vidyashankar Krishnan: About 150 crores has so far gone approximately into the large press, its foundations, associated equipment line. It is all in capital WIP, right? And about Rs. 100 crores has gone into direct machining investments and about Rs. 50 crores into other forging equipment.

Aditi Loharuka: I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Pratik Jain from Solidarity Investment Managers. Please go ahead.

Pratik Jain: Hi, thanks, sir. Thanks for the opportunity. Sir, my first question is, in terms of your product mix, can you help me understand where, what is the percentage of machining mix in your overall sales?

Vidyashankar Krishnan: One second, I can give it to you. About 54% is machined.

Pratik Jain: And sir, just from the qualitative perspective, wanted to understand.

Vidyashankar Krishnan: Sorry, I read the figures in the wrong column, 58% is machined, 42% is as forging.

Pratik Jain: And just from the qualitative perspective, wanted to understand that in the last 5-10 years, how many logos we have added for the company to take to step up the level of growth. So you might have some number of logos in 2014 and right now, you might have some number of logos. So just wanted to understand that number?

Vidyashankar Krishnan: What do you mean, logo?

Pratik Jain: Logo, yes.

Vidyashankar Krishnan: New customer acquisitions.

Pratik Jain: Yes.

Vidyashankar Krishnan: Very nice question. We have not looked at it from that point of view. I can revert back to you at a little call or if you can leave an e-mail ID with the Jayaraj, we will be happy to.

Pratik Jain: Got it. And one more thing, sir. So what I have seen is that Europe is facing issues, right for the forging because of the power cost and labor. And that is acting as a tailwind for many of our Indian peers also in terms of forging and machining, are we gaining any traction from the European side?

Vidyashankar Krishnan: Europe is moribund. So far, Europe has not fallen like America and Europe has been holding its ground also. So we don't expect Europe to fall off the charts. As of now, we would say that the bulk thing, challenge would come from USA if at all. Again, the tariff workout as per as what broad market expectations are. India should be priced over on the tariff side as compared to China. That would be auguring well for the organization.

Pratik Jain: Got it. And just the last question from my end, in terms of revenue mix, in terms of revenue contribution, can you just highlight to your top 5 products and their percentage in your overall revenue mix?

Vidyashankar Krishnan: The top 5 products would be front axle beams, knuckles or axle arms, crankshafts and a few other truck parts.

Pratik Jain: And their respective revenue, sir?

Vidyashankar Krishnan: What we call as our HF production today constitutes 36% of our sales. It was 44% in FY '24, it has dropped down marginally to 36%.

Pratik Jain: This is the front axle, right, if I heard you right?

Vidyashankar Krishnan: Yes, front axle beams and knuckles and crankshafts.

Pratik Jain: So cumulative all this?

Vidyashankar Krishnan: These three parts alone constitute roughly 40% of our sales.

Pratik Jain: Got it, sir. Thank you. Thank you so much.

Moderator: Thank you. We will take our next question from the line of Sonal Gupta from HSBC Asset Management. Please go ahead.

Sonal Gupta: Good afternoon, sir. Thanks for taking my question. Sorry, how much is heavy forgings of your sale that you mentioned? Sorry, I missed that?

Vidyashankar Krishnan: 36%.

Sonal Gupta: And this was dropped from last year?

Vidyashankar Krishnan: 44%.

Sonal Gupta: 44% and this decline has sir, mainly come because in India we have not seen major issues in the CV market, so this decline is coming because of exports or?

Vidyashankar Krishnan: This decline is largely in the domestic market only.

Sonal Gupta: Sir, the only question I had was, what is the net debt level now and how do we see given the CAPEX plans and you said that '26 could see them peak CAPEX, peak debt, so where do you expect to end 26?

Vidyashankar Krishnan: Yes, one sec. Net debt stands at Rs. 970 crores in FY '25 and I would say we would expect that to remain almost at those levels, maybe come down by around Rs. 30-Rs. 40 crores in the next year.

Sonal Gupta: So you are not expecting this to go up from here?

Vidyashankar Krishnan: Yes, under normal circumstance, we don't want this to go up.

Sonal Gupta: And despite the CAPEX, like you already pointed out that the export environment is challenging, so the environment remains challenging, is there some room for us to slow down this CAPEX as well?

Vidyashankar Krishnan: Yes, 100% we will not go hammer and tong from the CAPEX side, we will slow down.

Sonal Gupta: Got it, sir. Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Deepak Malhotra from CapGrow Capital Advisors. Please go ahead.

Deepak Malhotra: Thank you. So my question first is on the machined components to your revenue contribution, which you mentioned is 58%. So my question was how it has behaved in the past and how does it compare to the other competitors where the numbers which I have is fairly higher?

Vidyashankar Krishnan: Can you please repeat?

Deepak Malhotra: You mentioned that your machine component to your total revenue contribution is about 58%?

Vidyashankar Krishnan: Correct.

Deepak Malhotra: How has that number behaved in the past, and how do you want to take it in the future and the other part of the question is how does it compare to your other competitors because for that from what I have at my end, that number is higher for some of that?

Vidyashankar Krishnan: Yes, I will give you some numbers. For FY '16, machined sales was around 20% or so of sales. From there on, it has steadily increased to the 40% level. And from 23 onwards, it has stabilized at about. 58% give or take 1%-2% jump or drop every quarter. So we came from 20% a few years back and over the last 7-8 years, we have transformed the organization and more than 3 times the percentage of machine products has gone up. I would see this number at around 65% in this fiscal or in the next one. New order acquisitions are all largely machined. Hardly 10% is as forged, the rest of it is all machine only. So the thrust on machined components, focuses more on this as machine turnover will go up in percentage terms. I would say between 65% and 70% will be our medium-term goal.

Deepak Malhotra: Yes, because why I ask that is when we look at, you mentioned that we are now reaching the cusp of 20% EBITDA margins and if we look at some of the again other competitors, then again for some of them that number is higher. And so how would you marry the two, in terms of your product mix and increasing the same over the medium to long term, sir?

Vidyashankar Krishnan: Sorry, can you please repeat?

Deepak Malhotra: I was saying that to date that we have increased the machine component to any contribution, but you also mentioned that you are now at the cusp of 20% EBITDA margin overall. And while when we see again, vis-a-vis from the other competitors like EBITDA margin number is a higher number. So how do you see marrying your product mix and increasing the EBITDA margin going forward?

Vidyashankar Krishnan: See, we have said that a few quarters back that we would be taking our EBITDA margins to the 20% mark. And we will do so by end of Q3-Q4 of this fiscal and by the work of the team, the effort of the team and God's grace that has happened here at 19.91%, effectively 20%. So going forward, we continue to work on higher value add and pushing this EBITDA up into more and more value added parts. Today, MM Forgings has very clearly transitioned from being a forging as forged part supplier to a component supplier and most of our new business, 90%-95% plus of the new business coming in is only in machine parts. It is also a reason why we are a bit more CAPEX heavy. So this foray into or this accent and focus on machine products will definitely mean positive on the EBITDA side. I am not able to give you any numbers, but the sense is that it should improve EBITDA levels or worst case, at least counter the inflationary levels and add to stability of EBITDA.

Deepak Malhotra: You also mentioned on the CAPEX part of the business, now, considering the challenging environment which you already talked about, so how do you see because some of the other competitors have also kind of added capacity and so how do you foresee this really turning out to be in terms of the cycle and will it take another now 3 years for the cycle to turn around or something if you can give a color on that?

Vidyashankar Krishnan: Tough call to say, but overall we have not seen competitors adding capacity in the heavy forging side. So one or two have done, no doubt and they are coming into other parts where their focus might be on. So we see ourselves only improving our heavy forging focus in the months to come.

Deepak Malhotra: One more question which you mentioned, you mentioned that China's shipments are brought by 60%-70%, so that was in an overall context or specific to our industry?

Vidyashankar Krishnan: Overall context, not specific to the forging industry, I have no data for that.

Deepak Malhotra: And on the tariff side, what would be good tariff for you in terms of expectations vis-a-vis China?

Vidyashankar Krishnan: The broad expectation, see there is no ideal condition, the broad expectation in the market is that India would probably end up with a freight trade agreement or close to that with the US. We would be very surprised if that didn't happen. And China, tariff would be in the region of 20%-30%. So if that happened, that would be quite beneficial to the overall Indian industry and specifically MM Forgings as well.

Deepak Malhotra: Thank you so much and wish you all the very best.

Vidyashankar Krishnan: Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Thank you for the opportunity. Sir, I had two questions. One is regarding the machining where you said it would reach around 65%-70% in a year or two, now, whatever the CAPEX you have done in FY '25 and what you intend to do for the machining, would that be sufficient to push it to that level, 65%-70% level?

Vidyashankar Krishnan: You should at least go into the early 60s.

Rajesh Jain: Early 60s, so if you want to reach 70% or 75%, you need some more investment to be done?

Vidyashankar Krishnan: Ccorrect.

Rajesh Jain: Fair enough. Second, pardon me for my ignorance.

Vidyashankar Krishnan: Or I would say in the mid-60s based on the parts that we have or the new businesses that have been acquired.

Rajesh Jain: Sir, there is any ballpark figure like if you want to increase the machining by 5%, what would be the CAPEX amount required?

Vidyashankar Krishnan: We have not worked out any.

Rajesh Jain: Fair enough.

Vidyashankar Krishnan: Sorry to use, but as in the Mutual Fund industry, past data is no guarantee of future performance because we don't know what new products are coming. Sorry to turn it off, that is not. Our experience will be based on a particular set of parts, but what comes in could be highly value add, in which case CAPEX will go up or it could be a less value add, in which case CAPEX will go down. But you are right, we could evolve the metric for that and at least use it internally.

Rajesh Jain: But the intention of the management is to take it to whatever the maximum permissible limit, so that we would be making higher margins for whatever the products that we make. That would be the intention of the management?

Vidyashankar Krishnan: Yes, you are absolutely right. Our goal, I would like to redefine it slightly better rather than target a 75% or a 70%, our goal is to work with customers closely and if customer wants a machine product, we give them a machine product. Customer wants a forged product we give them a forged product. That is our strategy over the past few years. You can't go and trust a machined part onto a customer who wants only forgings. It won't work. But from our point of view, yes, what you said is absolutely right. We prefer machine parts.

Rajesh Jain: But if one of your competitors, let us say, if they are going up to 88% or 90% level of machining, so is there a possibility for our company also to go to that level, maybe the timing may be a little bit different, but that is possible?

Vidyashankar Krishnan: I think that is the direction in which it would naturally follow because increasingly today more and more parts are getting machined. So as I said, 90% of our order wins and incoming new business is only machined, possibly even more, so you add that for a few years, then as forged incremental business would go by 5% or 10% every year of the whole increase. Let us say, the increase is, some quick number, let us say 10% per annum, very, into rate of growth. So 1% will of the 10% will be forged, 9% will be machined. Virtually, the forging base will remain static whereas the machined product base will go up.

Rajesh Jain: Fair enough. So the second is, pardon my ignorance, the company that we had acquired for the EV components, so there we have not started making any revenues till then?

Vidyashankar Krishnan: No revenue so far.

Rajesh Jain: Based on whatever the current indications or whatever you call it, then can we expect something from that company?

Vidyashankar Krishnan: And be candid, earlier I said FY '25 and now we are already in FY '26 and I have none to show. So I would have said something by Q4 of this year or FY '27.

Rajesh Jain: Sir, is it because our products are not up to their satisfaction or is it that the customer products have not moved in the market? What could be the reason for this delay?

Vidyashankar Krishnan: Both. Customers are expecting a pedigree, I will be candid, everybody loves to talk about startups, but nobody wants to buy from them. That is the ground reality. They don't want to run the risk. Some of it is the reality is also justified. They don't want to end up with a product recall or anything that could happen by going ahead with the startup. So they want to go largely, if you look at the EV space today, there is no experience in the Indian market. There is no Indian EV powertrain manufacturer as such. So all the power trains come from MNCs or imported. So this is what customers are wanting to do at this point of time. And second, EV aspirations also have not taken off.

Rajesh Jain: Sir, my last question is regarding the sector wise sales where we are heavy towards CV and automobiles in general. So just wanted to know why there is no thinking on the part of the management to diversify this so that these types of headwinds, the effect of these headwinds would be relatively smaller to the company's revenues and the profits?

Vidyashankar Krishnan: Very good, incisive question. I must say that in defense, that there is no, not that we are not looking at the non-auto space, we are continuously looking at the non-auto space and I would say it takes some time because non-auto customers are smaller in size. And the quick gain in sales is to be had from auto. I have said this across several times, several years, so looking at non-auto customers and earning them and bringing them into the fold has started in full swing or is going on in full swing, but it will take time as I said, one earlier question was about an export customer, what are you looking at on exports in terms of expanding the sales there? So I had mentioned that we are looking at about Rs. 100 crores of sales and probably the set of customers in the non-auto space. So I remember that about 15 years back, our non-auto sales stood at about 30%-35%. Today, they slid to around 10%. We have not dropped any customer or any product, but what has happened is auto sales has zoomed. That segment has exploded as far as we are concerned.

Rajesh Jain: Sir, just to add as an information you say the industrials, either the number or the weightage may be relatively smaller compared to the automotive segment, one of the competitor is focusing on wind mill as well as the industrial segment in the export markets. And they are putting up high weight forging machines. So those are all, I believe, each part weight is more than 1 ton or so. So do we have expertise in that and can we focus or target those segments also?

Vidyashankar Krishnan: Very good question. Yes, we are looking at those sectors. At this point of time, I would say that we will be capital constrained to set up capacities immediately. But we will be working on that and should opportunities come, we have not let go of any single opportunity for want of capital or otherwise. So should opportunities come, we will definitely latch on to those, but we are going to set up the capacity and wait. At this point of time, one year, we may have to abide our patience and get into the engineering space overtime.

Rajesh Jain: So from what you are saying, I get a feeling that maybe after 2- or 3-years' time, maybe our non-automotive segment would at least come back to 20%-25% level of our total sales?

Vidyashankar Krishnan: That would be indeed a fantastic achievement if we were able to wrangle it through, but you can say definitely that is the target, in not over a 2-year time frame, at least over a 3–5-year time frame.

Rajesh Jain: But that doesn't require any additional, any specific expertise. Maybe only the forging, you may need to have a higher weight machines or something like that, right?

Vidyashankar Krishnan: Yes, it doesn't require any specific expertise other than the expertise of being able to handle heavy parts which we have already demonstrated by going in from small forgings to heavy forgings.

Rajesh Jain: Fair enough.

Vidyashankar Krishnan: So now we have to go from heavy forgings to heavier forgings from 100-kilogram weight, we will have to look at 600-1000, 1500, 2,000-kilogram weights. So it is only engineering involved in handling the weights and of course pulling everything together in terms of capacity, quality, markets, etc. I sincerely believe that we have the expertise as we stand.

Rajesh Jain: Only thing is our major, the automotive segment was giving us the better growth or higher sales. So we did not have time to focus into all these sectors, correct?

Vidyashankar Krishnan: Exactly. Yes, you put it really well.

Rajesh Jain: Fair enough. Thank you very much for patiently answering all my questions, sir and we wish you all the best for FY '26 and thereafter.

Vidyashankar Krishnan: Thank you so much.

Moderator: Thank you. The next question is from the line of Saiganesh from Square 64 Capital Advisors. Please go ahead.

Saiganesh: Thank you for the opportunity, sir. Could you please share the current order book size and expected execution timeline?

Vidyashankar Krishnan: We have a funny saying in Tamil; I am sure there is Hindi also. It goes by the name Nitya Gandam Purnayush, I hope you understand that. Every day there is a Ganda, but that guy lives for 100 years. So our order book at any point of time is about 5 months deep. That is the order that we have on hand, but those are scheduled. You have to understand how the industry operates. So those are scheduled and those are businesses that have been won over hard work over lots of years. So these businesses and volumes will fluctuate with end customer demand. The things to be seen here is have we lost any current customers? Are we losing any current product? Are we in the likelihood of losing current products? That is our thrust. The rest of it market takes care. This is on the defensive side. On the offensive side, what new products are we launching? What is our target? What is our time? What part of the time are we addressing now or we hoping to address now? What are we expecting to address in the next cycle and so on? So to gauge our position with orders in hand, I would say would be a very simplistic way of looking at the business.

Saiganesh: Understood, sir.

Vidyashankar Krishnan: Answer your questions, reassuring on a positive point of view, no orders have been lost as of yet, as of now, and none are expected to be lost in the ensuing weeks and months.

Saiganesh: Sir, one more question from my side. We have planned CAPEX; we have done a CAPEX of Rs. 400 crores in FY '25 and we have planned for 300 additional CAPEX for FY '26, what could be the asset turn, sir for this?

Vidyashankar Krishnan: Sorry, what would be the?

Saiganesh: Asset turn, what is the potential revenue of the CAPEX we have done of Rs. 700 crores?

Vidyashankar Krishnan: All this goes into production at customer or project anticipated capacity that should give rise to a production of around Rs. 600-Rs. 700 crores.

Saiganesh: Asset turn of 1, understood, sir.

Vidyashankar Krishnan: Quick number asset turn, delta asset turn of 1. Because some of the products could come out of existing forging units, machining plants may be separate, but forging units could come out of existing forging.

Saiganesh: What is the CAPEX you have done on the machine side, amount and the capacity?

Vidyashankar Krishnan: On the machine side is very specific to answer. I wouldn't categorize this capacity in terms of specific number. I can only say so much numbers, but I know that it makes very little sense. Last year, we have invested Rs. 170 crores in Forgings and Rs. 155 crores in Machine.

Saiganesh: Can you quantify in capacity? What will be the capacity around 10,000 metric tons or 20,000, what can be?

Vidyashankar Krishnan: The Forging capacity is all in CWIP, capital work in progress, rest is around the 16,500 ton press.

Saiganesh: And sir, machining capacity?

Vidyashankar Krishnan: Machining capacity, I don't have a number again. Can I have your name? I can reply back to you.

Saiganesh: Sir, I will send you a mail, followup mail for that. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will take our last question from the line of Preet from Incred AMC. Please go ahead.

Preet: Thank you for the follow up question. I would like to ask on the customer if you can mention your top 5 customer and the revenue contribution for Financial Year '25?

Vidyashankar Krishnan: Please excuse me. We don't give out customer names at the request of us and on agreement signed.

Preet: My other question would be what are your main focus products going forward for next 2 years? And what will be the growth drivers in the sale?

Vidyashankar Krishnan: Please repeat your question.

Preet: What are your main focus products like you mentioned 3 or 4 products name which contribute around 35%-36% of your overall business. What are the main focus products where you see that there would be decent growth in the coming 2 years?

Vidyashankar Krishnan: Largely related to the CV market and at some extent, the passenger car market, we are in discussions with several customers for products related to EVs as well, very different applications from what we have seen earlier, and all this has to work out. So we are seeing a broad sense of whatever we have been doing so far, more of that than any brand-new products that are coming in.

Preet: Got it. One last question from my side, what will be your current total capacity of Forging, if I am not wrong, it is 1,26,000 right?

Vidyashankar Krishnan: Correct.

Preet: So now you have mentioned that there was 82,000-ton sales in the current year, which says that your realization per ton has decreased by 8% for Financial Year '25, but what would be the main reason behind this drop in the realization?

Vidyashankar Krishnan: Largely related to the, one second, just hold on, the heavy tonnage parts have come down in the last one year, so that is one cause for drop in realization per ton plus raw material prices have softened in the last one year, steel prices that also result in reduced.

Preet: Can you repeat, sir, I lost you.

Vidyashankar Krishnan: Yes, two causes. One is primarily raw material prices are soft. And the other is that there has been a slight drop in heavy forging sales that also results in slightly lower sales per ton.

Preet: So what do you expect in the coming year? There is one-off or situational concern or do you see it as a long-term trend?

Vidyashankar Krishnan: See, raw material is a pass through, so any change that takes place on account of steel will be a pass through. We can't do anything on it. However, we can look at other thing and push sales on more value-added parts. So I would say sales pattern around the previous year's levels should be retainable.

Moderator: Thank you, sir. Ladies and gentlemen, we will take this as our last question. I now hand the conference over to the management for closing comments.

Vidyashankar Krishnan: Thank you all for your valuable time and questions here and especially very intrusive questions. Every time, I find that when I come to the meeting to the next level of preparation, I find that the questions asked are X plus delta and many times the delta is pretty strong and even that has been no different this time also. So thanks for the intrusive questions. Many of those also help us to look at the business in different ways than what we are doing right now. Overall, summing up, MM Forgings loss about 3% of sales last year and we expect to regain that in the ensuing months with the investments that we have made and we are making. Hopefully, market conditions will hold and become slightly positive and that should be more than enough for us to move forward.

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