MM Forgings

Operator: Ladies and gentlemen, good day and welcome to MM Forgings Ltd. Q2 FY27 post-results earnings call, hosted by 361 Capital Market Private Limited. As a reminder, all participant lines will be in 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 361 Capital Market Private Limited. Thank you, and over to you.

Annamalai Jayaraj – 361 Capital: Thank you. Welcome to all participants on the MM Forgings Ltd. Q2 FY27 post-results conference call. From MM Forgings Ltd. management, we have with us Mr. Vidyashankar Krishnan, Chairman and Managing Director, and Mr. R. Raghunathan, CFO. I will now hand over the call to the management for their opening remarks, which will be followed by the question-and-answer session. Over to Mr. Vidyashankar.

Vidyashankar Krishnan – Chairman & Managing Director: Thank you, Jayaraj. Good afternoon, everybody. My name is Vidyashankar Krishnan, Managing Director of the company. I have with me Mr. R. Raghunathan, the CFO. I would like to take you first through the Q2 results and then open the floor for Q&A. Very briefly, I will start with the details of our Q2 and H1 performance.

Overall, in H1, we achieved a turnover of 978 crores and approximately 44,000 tons of sales. Of this, approximately 19,000 tons, or 19,700 tons, was in the first quarter, and 24,200 tons was in the second quarter. Overall, the sales in the second quarter itself were 551 crores.

We have also merged DVS Industries into MM Forgings Ltd., and the results presented are consolidated results. We have also included 64.29 crores of land sale in our overall PAT for the half year, and the profit arising from that is about 54 crores. EBITDA [pause] for Q2 stands at 110 crores, or about 20%. This includes about 0.5%-0.7% of the prior quarter's earnings due to price increases and other factors. To that extent, the EBITDA level for the second quarter will have to be mildly corrected. Overall, EBITDA stands at 19.7%.

Finance costs have come down despite higher utilization on the working capital side due to growth. We have brought interest costs down from 21 crores to 19 crores. Average sales realization stands at about {? 2.23 lakhs per ton ?}.

Operator: Sorry to interrupt, sir, we are losing your audio.

Vidyashankar Krishnan – Chairman & Managing Director: I am speaking a bit slowly, that's it. On the sales realization, we are at 2.23 lakhs per ton. Domestic sales stand at 66% and export sales at 34%.

Within geographies, India has gone down to 66%-67% from 72% compared with FY26. Europe has gone up from 12% to 13%, and America, the US, has gone up from 12.5% to 16.5%. South America remains the same.

Our overall automotive exposure is 85%, of which CV alone is 70% and PV is 14%. Off-highway has steadily moved up to the 14% mark. It dipped slightly this year from 15% to 14%, largely because auto grew much faster. Over the last few years, our off-highway and tractor business has grown from 5%,

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6%, and 7.5% to the 14%–15% levels where it is today.

For this fiscal year, we are expecting about 50,000 tons of sales for H2, taking the overall figure to [trails off]

Management: ...the region of 90,000–95,000 tons for the year. We expect sales to cross 2,000 crores for FY27. In FY28, we expect to cross the 100,000 mark in terms of sales numbers, in terms of tonnage, and also achieve a turnover in the region of 2,400–2,500 crores.

These are the brief points regarding our performance in H1 FY27. Now I would like to throw the floor open for any questions. We would be happy to take them. Please identify yourself before asking your question. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may please press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Lakshmi Narayan from Tunga Investments. Please go ahead.

Lakshmi Narayan – Tunga Investments: Thank you. I have one question. Given that the absolute tonnage and revenue numbers are heavily influenced by broader OEM production schedules and macro cyclicality, which are essentially factors outside your direct control, has the management considered framing annual guidance in terms of outperformance over underlying industry growth? For example, basis points above OEM growth.

That would really help investors isolate and appreciate market share gains as well as wallet share expansion, regardless of where we are in the cycle, because we are a derivative of OEM demand, and OEM demand also changes based on how OEMs perceive their production, their off-take, and so on. Have you considered, or have you also looked at, giving guidance in terms of outperformance over industry growth versus absolute tonnage or revenue numbers? That is my first question.

Management: Thanks, Lakshmi, for your interesting question. That is a good point. We will work out that angle, compare ourselves with industry growth, and see where we are in terms of wallet-share gains and overall riding the wave itself. It is a very valid point. We will work it out on those points.

Lakshmi Narayan – Tunga Investments: Thank you.

Operator: Thank you. The next question is from the line of Ashish from Leo Capital. Please go ahead.

Ashish – Leo Capital: Congratulations on a good set of numbers, sir. I have two questions. My first question is: how much revenue can the current forging and machining base support before new capex is needed, and where is utilization today?

Management: We stand at about, as I said, 90,000–95,000 tons this year. Our capacity as we speak is 130,000 tons. From 120,000 tons, we have added a 4,000-ton press at our Vizag plant, so

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capacity has gone up from 120,000 to 130,000 tons. This figure of almost 95,000 tons should be viewed against that number.

Of course, the capacity came in only in Q2, but we still discuss it on an annualized basis. If you were to annualize the capacity, I would say 127,500 tons, if you were to split hairs. On that basis, we will be on target to achieve 95,000 tons.

This capacity is good enough to take us to about 120,000 tons with the investment in machining that we have made and are making.

Ashish – Leo Capital: How do we see the machining capex? We have added around 1,000 crores; there is around 1,000 crores of block, as mentioned in the last conference call, in our asset base today on the machining side. How much can that generate? Do we see it as a separate capex, or how do we look at that?

Management: We do view the capex separately between forge shops and machine shops, of course. We have invested over 1,200 crores in the last five to six years, of which a significant portion, more than 750 crores, would have gone into the machining side.

Ashish – Leo Capital: On the machining side, what is our utilization?

Management: Right now, our utilization will be in the region of 75%–80%. We have also added, and are also adding, machining lines. This is an ongoing organization, right? We are adding machining lines as we speak. Some are expansions of existing product lines, some are new product lines, and some are for new customers.

All of that together should comfortably take us to 2,400–2,500 crores, provided, of course, that the market fits into the specific job mix that we have planned based on customer demand.

Ashish – Leo Capital: My second question is around the heavy press. Once the press starts production in Q4 FY27, how long do OEM qualifications typically take for heavy parts? What does the ramp-up look like there? How much of the early volume is existing parts moving onto the press versus new programs? When do you expect meaningful utilization?

Management: The heavy press, as I have been saying in most of the calls, remains largely unsold. That is the growth driver beyond the 2,400-crore mark. Up to that level, some parts that cannot be produced on the 8,000-ton press would go on the 16,500-ton press.

This press would be commissioned in Q4 of this year, and SOP would be by Q1 of next fiscal. OEM qualifications can take anywhere from six months to 2 years, depending upon the OEM, the depth of engagement with them, and the launch of that particular part by that OEM. It is a very broad range, I know, but that is the range that we are working with right now.

Some existing products can move directly over there because qualification is almost complete, you can say. We would be able to use about 50–100 crores of that on an annualized basis to start with, and ultimately move it to around the 250–400 crore range. For that, we may have to invest in additional machining setups and also look at parts.

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But up to this 2,500-crore projection, the orders are available with the company. Beyond that, we will have to get new orders, and growth will come from those new orders, which will also involve the 16,500-ton press. I hope I have made myself broadly clear.

Ashish – Leo Capital: Yes, sir, yes, sir. Thank you, and good luck.

Management: Thank you.

Operator: Thank you. A reminder to all participants to press star and one to ask a question. Ladies and gentlemen, if you wish to ask a question, you may press star and one. The next question is from the line of Anubhav Mukherjee from Precision Capital. Please go ahead.

Anubhav Mukherjee – Precision Capital: Congratulations on a great set of numbers. My first question is whether you could explain what is driving the strong growth in Europe and the US. That would be very helpful.

Management: The Class 8 market in the US is running quite strongly. That is driving the numbers there. Somehow, that coincided with a drop in customs duties and tariffs in the US from April onwards. The coincidence between the increase in demand and the drop in tariffs is very surprising.

All the same, none of our customers have balked at buying because of the tariff, so I would presume that both factors are independent. Europe has been moving along at a sedentary pace, and that continues. Of course, we are deepening our engagement with many European OEMs, and that continues to give us growth in that market.

Management: ...of the organization. As we move forward beyond FY28, since we are looking at the market size, there are some points that I have not covered in my opening remarks. We are also engaging with several OEs and OEMs, as well as our MNCs, and we expect our export revenue to double or triple from current levels. We may possibly reach a 750-crore mark or even, sorry, a 1,000-crore mark over the next few years. We expect a significant portion of growth to come from export markets from FY28 and beyond.

Anubhav Mukherjee – Precision Capital: Got that. This North American Class 8 truck market—the growth that you are witnessing—is it because of the imminent emission-norm changes on the horizon, and how sustainable do you think this strong growth is?

Management: Sorry, can you repeat your question again, please?

Anubhav Mukherjee – Precision Capital: I was saying that this strong growth in the North American truck market—is it being driven by emission-norm changes that are supposed to happen next year, I think? How sustainable do you think this growth will be over the next year or so?

Management: Yes, that is a valid point. The emission norms do have an impact in terms of a pre-buy. But what has also happened is that, over the last few years, the North American truck buyer has been moribund and very stuck in a rut. Ultimately, replacement is a huge driver of growth.

There are two drivers of growth for the truck market, particularly in North America. One is emission-norm changes, which lead to a pre-buy, and the second is replacement demand.

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Replacement demand has, I would expect, been quite stagnant for the last couple of years. At a basic level, there would be replacement demand.

Over and above that, we have the emission-norm changes and therefore some amount of pre-buy. The pre-buy will disappear by Q1 of next fiscal, and thereafter the base-load norms and base-load demand will be there.

Overall, I would like to conclude that the North American truck market is quite cyclical in nature. There is no doubt about it. It is an inescapable fact.

Anubhav Mukherjee – Precision Capital: Got that. Do you think that, obviously, the pre-buy will go, but over the next 2-3 years, do you see the market in a sort of up-cycle because of replacement demand?

Management: [pause] I would not say up-cycle, but at least the fall will not be hard. That is my expectation.

Anubhav Mukherjee – Precision Capital: Got that. Even in Europe, is there a replacement cycle that we are witnessing? What we gather is that, even in Europe, the CV cycle has become elongated, as has the replacement cycle. Is that happening in Europe as well?

Management: CV in Europe is largely replacement-driven. Largely replacement-driven. Over the last decade or two decades, we have not seen any pre-buy surge in Europe at any point in time.

Of course, our penetration in the European and US markets at the CV level could improve quite a bit. At the global level itself, it would improve quite a bit with our foray into heavier parts.

The parts that come out of our HS, or Heavy Forgings as we call them, are hardly exported at this point in time. Most of them—99% of them—are for the domestic market. There is good potential for us to focus on exports, which is why I am quite bullish on export revenue.

Anubhav Mukherjee – Precision Capital: Got that. My final question is that, sequentially, I think there has been almost a 9%-10% improvement in realization, or sales per ton. Is it because of the pass-through of higher steel prices, or is it because of a better product mix? Some color on that would be useful.

Management: The increase is on two counts. First, there is higher value addition. Our machining mix has gone up significantly, to 65% from approximately 56%. We also have price increases on account of steel and conversion increases, which contribute to some of the factors.

Both together have contributed to the increase in realization per ton. Overall, it has gone up from {? 2.08 lakhs ?} per ton to 2.15 lakhs per ton.

Anubhav Mukherjee – Precision Capital: Got that. What would be our total machining capacity now?

Management: Machining capacity is varied. In the last call, I made a commitment to look at machining capacity in terms of an overall number. I am not able to pin it down yet.

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If we look at the overall numbers and say that 65% of sales is from machining, and we are at 75%–80% capacity utilization there, we still have headroom of around 25%–30% in terms of machining capacity. But we are also creating capacity as we speak, so that is really a moving number.

I should have looked at this number in the last few months, but we have been very busy with customers and focusing quite a bit on deliveries. I commit that next time I will have that number pinned down: machining capacity and utilization.

Anubhav Mukherjee – Precision Capital: Got that, sir. Thanks for all the detailed answers. I will get back in the queue.

Operator: Thank you. The next question is from the line of Dhruv Splani from Omara Capital. Please go ahead.

Dhruv Splani – Omara Capital: Thank you for the opportunity. I have just two questions. My first question is: could you please walk us through how you see the margin profile of the business evolving over the next 3–5 years, and what do you think will drive this?

Management: Very deep question, Dhruv. Over the next few years, I would expect MM Forgings Ltd.'s margins to be positive. The bias is positive.

First, we moved out of the rut that we were in over the last couple of years. From Q1, we have started moving and surging forward a little bit. The margin expectation is positive. The bias is very much positive on the back of better utilization.

Even then, in Q1 and Q2, we have been driven hither and thither by a huge increase in input costs. Steel, no doubt, and our other manufacturing costs have also gone up. Much of the management bandwidth was spent negotiating, arriving at, and securing supplies.

Once the dust had settled, as it has now, we turned our minds back to cost reduction and focused on more efficient buying as well as efficient utilization. In all these areas, I would expect MM Forgings Ltd., internally at least, to have significant scope for cost reduction, ranging anywhere from 30 crores to about 100 crores.

That is a big number. You can imagine that 100 crores on a 2,000-crore base is a 4% to 5% margin expansion possibility. While I would not like to hazard a guess or make a commitment on these numbers, there is good scope for cost reduction. Let us put it that way.

Next call, please do not pin me to that 100-crore number. I am just giving you our perspective. We are all there to dream, and from that we move on to how we can cut costs, improve margins, or improve sales. We are thinking consistently and qualifying how we can improve our margins. There is scope for margin expansion.

Dhruv Splani – Omara Capital: That was really helpful, sir. Thanks for the color. My next question [trails off]

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Management: ...the site, I should also say that a lot of growth beyond 28 will come from export markets. With our bigger press, we will have access to bigger truck OEMs all over the world. We can supply them any part, so that does not restrict them from coming to us for only a set of parts.

The response that we are receiving from customers, as we discuss with them about opening up our new press, has been very positive. So, FY28 and beyond, we should see a lot of growth from exports.

How much of this will require new capex will have to be worked out. Maybe we can sacrifice a little bit of domestic capacity and divert it to exports. Those are numbers that would have to evolve over time.

All I can say at this point in time is that, subject to macroeconomic conditions, we have order visibility for about 2,400–2,500 crores in FY28. Of course, this does depend on the cycle and the assumed cyclicality of the CV market globally.

Dhruv Splani – Omara Capital: Thanks for the color, sir. My second question was: with Happy Forgings and Ramkrishna also adding or operating heavy presses, how do you see pricing in heavy beams and crankshafts evolving, and where does MM Forgings Ltd. have the right to win? Is it by customer, geography, or part type?

Management: Some years ago, we were at zero on the heavy-forging side. Today, we have joined the fray. We are number three, and now there is a fourth player as well.

Happy Forgings has been significant in the crankshaft space. They are also into the other two parts, axle arms and the... I see no issues. I see a lot of work coming India's way. There is enough and more for the top four players to handle in terms of growth.

A lot of work will come our way, and our own truck industry, which has also been running slowly over the last few years, is coming into its own. There is also replacement demand in India.

As base costs here go up, truckers will find it necessary to keep their fleets young and healthy rather than old and dilapidated. Of course, there will always be people who use sluggish trucks, but generally, the long-distance market will be with newer vehicles.

The age of the engines, the cleanliness of these new vehicles in terms of emissions, and their mileage and operating costs are all factors. When I speak to the people who provide buses for our plant, all of them say that, if you have the wherewithal, it is much cheaper to buy and operate a new vehicle than an old one.

That mindset will slowly change, and the scrappage policy, which is being introduced here and there by the government, along with self-imposed scrappage by government bodies, will all move in a positive direction. The truck industry in India should be on a strong footing.

Dhruv Splani – Omara Capital: Thank you, sir. That was all from my side. All the best for the next phase.

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Management: One more point: at MM Forgings Ltd., the non-auto space stands at approximately 15%. There, again, there is huge scope for improvement in the non-auto space. That itself will be a significant driver globally for MM Forgings Ltd.

Overall, we are headed for about 600 crores of exports on an annualized basis. I would say that by the end of the decade, or earlier, we should be looking at 1,200-1,500 crores of exports.

There is huge potential in the export market. While we have been caught up with the domestic market, we have to get our act together in the export market, which we will, and which we are doing.

Exports of heavy forgings and exports of forgings overall will constitute a driver in the months to come. I am done. Next question, please.

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

Vignesh Iyer – Sequent Investments: Hello. Am I audible?

Management: Yes, you are.

Vignesh Iyer – Sequent Investments: I wanted to know one data point: how much capex have we spent on regular and maintenance capex in the first half {? at once ?}, and what is the amount that we plan to spend in the second half?

Management: [pause] We spent 65 crores in the first half, and we are planning another 75-80 crores in the second half, taking the total to about 150 crores.

Vignesh Iyer – Sequent Investments: Considering that around 150 crores will be spent on capex and that we may have a higher working capital requirement with the higher volumes we are targeting for the second half, what would be the peak debt or closing level of debt that we could see for the company by the end of this year?

Management: Overall debt levels should be at the same level as the current level, which is about 1,200 crores overall. If you remove cash on hand, it would be somewhere in the region of 1,050-1,070 crores of overall debt. It could be 1,020-1,070 crores. It should remain within those levels.

What will also happen is that internal accruals will be higher because of higher volumes. We are pegging our capex, and whatever we spend will mostly come out of term loans, but we will repay to the same extent. So, in the long term, it will be neutral.

Vignesh Iyer – Sequent Investments: It could come down slightly more. What is our average cost of debt as of now?

Management: Sorry, can you repeat?

Vignesh Iyer – Sequent Investments: What is our average cost of debt? Is it 9%, 8.5%, or 9%?

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Management: 6.3%; one second, I will get the number. 5.42% is our average cost of debt.

Management: That has come down significantly from 8.5%.

Vignesh Iyer – Sequent Investments: Right, okay. Fine, thanks.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. A reminder to all participants to press star and one to ask a question. The next question is from the line of Lakshmi Narayanan from Tunga Investments. Please go ahead.

Lakshmi Narayanan – Tunga Investments: Thank you again. I have a couple of questions. As you scale, I believe the evolution hinges on four pillars. One is expanding the leadership bandwidth, the second is fortifying the core, the third is deepening your competitive moats, and the fourth is enhancing earnings predictability.

I would like to understand the tangible progress across these four areas over the last few years, because you made the point that you have changed certain parts of the business and that is where the flywheel growth is taking place.

I want to understand what steps the management has taken over the last few years regarding leadership bandwidth, strengthening the core, deepening competitive moats, and enhancing earnings or revenue predictability.

Operator: Management, we cannot hear you.

Management: [line issue] Sorry, I was on mute. My mistake. Lakshmi, this is a question that requires a long answer, but let me try to cover it in brief.

On leadership, we have added quite a few people at the top level within the organization. We have promoted them as business heads responsible for various aspects, such as forging and concentrated machining...

Management: ...shops, which are either large or a group of machine shops. These leaders are emerging, finding their place, and moving things forward.

We have also strengthened our finance team. We are looking to expand our internal audit as we move forward so that adherence to newer and existing processes improves and remains in place.

Regarding strengthening the core, internal audit plus a considerable focus on TPM will strengthen the core. Competitive advantage will improve by looking at costs overall, driving numbers, and utilizing assets. We have done that significantly over the last 6 months.

We have looked at every line and mapped out what we are missing, where we are not growing, why we are not fulfilling our capacities there, and what our bottlenecks are. We are driving those numbers up. These factors result in better numbers.

Enhancing predictability is a long-term task relative to the first three at MM Forgings Ltd. because we are quite CV-dependent. We will have to reduce our dependence on CV over a period of time. I would not say that we will move away from it, but we will at least strengthen our non-CV presence.

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We have started doing that, which is why I am saying that a significant amount of growth will come from exports. Another way to look at the CV market is this: we are predominantly, or overall, 85% dependent on auto and 70% dependent on CVs globally, give or take a percentage or two between India and the rest of the world.

But if we diversify our CV presence across geographies and grow our CV presence, especially for heavy parts outside India, that would also mean a certain amount of enhanced predictability for the business. We would not be tied to the cycle of one economy; we would be tied to three or four highly diversified geographies.

Of course, each of these cycles can come together or weaken together at the same time. That is a factor for any organization.

One approach is to look at non-CV and non-auto, which we have started doing. The other is to diversify CV across geographies. We are increasing our heavy forgings, particularly outside India.

Both of these actions have commenced. It will take some time to pan out, but not an infinite amount of time. Over the next 2-3 years, we should see results in improving our predictability.

Basically, predictability means flattening things out and saying that, if one geography performs less, we should be able to compensate for it with other geographies, industries, or sectors. We have embarked on these two journeys. They will yield results over the next 2 years.

Nipun Chhenka – CD Research: We have multiple manufacturing locations, and we also acquired DVS a couple of years ago. Have the manufacturing systems been homogenized across all your locations so that they track the same things and use the same terminology, or are you still yet to homogenize all the manufacturing systems across the plants?

Management: On manufacturing systems, we have a long way to go.

Nipun Chhenka – CD Research: Correct, thanks. I have two more questions. A couple of quarters back, you talked about a movement toward tractor-trailers that was putting pressure on growth because we were tuned to multi-axle trucks. How is that trend progressing, or how is that trend shaping up?

The second question is related to Abhinava Rishabh. What has been the traction and growth outside the core MM Forgings Ltd. business? Could you elaborate on these two sub-segments?

Management: [pause] The move toward multi-axle vehicles... [hesitates] kind of a—what should I say—hit, and we are seeing multi-axle vehicles back in the game. We are seeing an increase in the number of multi-axle vehicles. The front-axle numbers relative to vehicles at most OEMs have gone up. That is number one.

Regarding Abhinava Rishabh, I am happy to say—and I should have said this in the opening remarks itself, as we missed it—that it has opened its account. We started selling 300-400 motors a month from July onwards. Again, we should have included this in our opening remarks.

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Thank you, Lakshmi, for pointing it out. It is a very important facet of our organization. We expect this to grow to about 3,000–4,000 motors per month over the next few years. Basically, in motors, it has opened its account, which means it has taken off.

Nipun Chhenka – CD Research: What kind of investments do you think would be needed in this particular business? You were undertaking some trial and error because certain things were not finding a place in the market. Now that there is strength and proof that there is actually off-take, do you intend to add capacity or capital to this? What is the plan that you or the company have for the next couple of years?

Management: Realizing 2,000–4,000 motors per month is our first visible, tangible goal with existing technology. That would require about 15–20 crores at best, here and there, over the next few months.

We have started the journey. We are investing and adjusting wherever there are capacity bottlenecks and process improvements. Perhaps about 10 crores itself may be enough; I am saying 20 crores at best.

The next jump for AR would come from an international partnership. We are actively looking at some international partnerships and discussing them with quite a few players.

If those partnerships come in, ARPL could enter the big league of making 3-in-1, 5-in-1, and 7-in-1 systems for the large electric passenger-car market. If those opportunities materialize, they could be significant. The revenue from each of those could run into hundreds of crores, at least a couple of hundred crores. We are working on that side as well.

One is home-grown technology, and the other is “bought-out” technology, if I can use that term. The Chinese, as far as passenger cars are concerned, are miles ahead of the rest of the world, and their electronics manufacturing is well known. We are looking at a few sources there. We need to make things happen.

Operator: The line for the participant has dropped. The next question is from the line of Nipun Chhenka from CD Research. Please go ahead.

Nipun Chhenka – CD Research: Good afternoon, sir. Why has the company been so slow to capitalize assets, why has there been a delay in the 16,500-ton press, and how much has the cost escalated, if at all?

Management: I am happy to say, first, that there have been no cost escalations, other than possibly interest, which is also a significant cost itself. That is the first point.

Second, the delay of approximately 6–8 months is because the foundation required large plates that needed to be welded and brought in. Execution by the vendor took more time than expected. These are the two reasons why the press commissioning and installation were pushed out slightly.

Nipun Chhenka – CD Research: Why did we not undertake any short-duration capital project when there was significant pressure on our return on capital and leverage, which is now close to one?

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Management: Sorry, I did not understand the question.

Nipun Chhenka – CD Research: I said that we could have undertaken some short-duration capital project because there is so much pressure on our return on capital and leverage, which is now close to one.

Management: Most of our products require validation at [trails off]

Management: ...and customers have come up with requirements. We have been working with customers on all those matters.

In some places, we missed the installation itself. In some places, after installing on time and completing sampling and approval on time, customer projects were shifted out. One TVS customer is a case in point.

We are working with customers across all these fronts. These delays have largely been outside our control. There were one or two projects where the company's internal reasons alone were responsible.

The good news is that this is now behind us, but the learning remains that we need to be much more nimble in execution, and we are focusing heavily on that.

Nipun Chhenka – CD Research: How much can we afford to delay capitalization of assets at a time when your balance sheet is not in such good shape, with mounting debt and pressure on ROCE?

Management: If you look at the current numbers, I would not say that our numbers or our balance sheet are not in good shape. We are capitalizing assets as we speak.

Nipun Chhenka – CD Research: I see that over the past 3 years, we have spent almost 800 crores, but we have capitalized only 380 crores. There is a large amount still sitting in the CWIP sheet.

Management: Correct. The 3,500-ton press itself is 240 crores. That line alone represents a large chunk.

Nipun Chhenka – CD Research: We are facing pressure on ROCE. The average over the past 3 years has been close to 10%. Do you not think that is a reason to worry?

Management: I would have been concerned had we remained at the previous levels this year as well. But now that we have come out of the so-called rut we were in 2 years ago and have started delivering, with performance across all sectors, I would say that concern is largely nonexistent.

Nipun Chhenka – CD Research: Understood. Thank you, thank you, sir.

Operator: Thank you. The next question is from the line of Lakshmi Narayanan from Tunga Investments. Please go ahead.

Lakshmi Narayanan – Tunga Investments: Sorry, my line got disconnected earlier. I have one question. While we track the overall split across machine components and end markets, could you help us understand which specific product families, such as axle arms, beams, knuckles, or

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crankshafts, form your core leadership stronghold?

Roughly what percentage of revenue do these strong product segments contribute today? What levers are you pulling to deepen this competitive edge in products where, in terms of product acceptability, cost competitiveness, or capability, we are head and shoulders above the rest of the market?

Which are those products, what percentage of revenue do they broadly contribute, and what are we doing to continuously enhance our competitiveness in those products?

Management: The bulk of our production comes from five product groups. What we used to call the three ABC products—Axle Arm, Beam, and Crank—and then we added two more: Conrod and Spindle.

These constitute a good portion of our revenues. We are pushing these products across all sectors and all customers, mapping our capacity against demand, and debottlenecking capacity wherever required with very minor capex or process adjustments. Sometimes this involves even manning machines.

All those gaps have been identified, and they are being addressed. These parts constitute more than 50%, or I would say approximately 55%, of the company's revenue. The first three constitute 44% of our sales, and the latter two would easily contribute approximately another 10%. These parts together account for more than 55% of turnover.

We are focused on these products, although there are also many other product families. These five are currently the largest families.

Lakshmi Narayanan – Tunga Investments: What are we doing to ensure that we continue to expand our leadership in these products? I believe we are also much better than the other industry players. While these products are dominant for you, we probably... that is the point I am trying to make. I do not think I was clear. Your answer clarified it a little.

Management: In non-auto, one component or portion of the business falls within the weight range and capability of auto parts, or something similar. The other portion is beyond that weight range. That market is addressed with larger equipment.

Lakshmi Narayanan – Tunga Investments: Got it, got it. Thank you so much, sir, and best of luck.

Operator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Management: Thank you all for the incisive questions, as always. Every time, I am surprised by how the quality of questions has improved over the last few years. Between the previous call and this one as well, I see a significant difference in the qualitative nature of the questions, which are more incisive.

I would honestly admit that I gain insights, and more insights, into the business. It is exciting for me to be challenged to look at the business from various angles. It provides a better view of the

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business as we go back and do our homework.

Thank you all for your incisive questions. We at MM Forgings Ltd. are confident of reaching the 2,000-crore mark this year and challenging the 2,500-crore mark in the next fiscal.

Operator: On behalf of 361 Capital Markets Private Limited, that concludes this conference. Thank you for joining us, and now you may disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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