Management Discussion

Dinesh Kumar - Analyst, 360 One Capital Market Limited
Thank you. Welcome to all the participants on behalf of 361 Capital Markets for Ramakrishna Forgings Q2 FY27 post-results conference call. From the management, we have with us today Mr. Naresh Shelam, Managing Director, Mr. Chaitanya Jalan, Whole-Time Director, Mr. Lalit Khetan, Whole-Time Director and CFO, Mr. Milesh Gandhi, Whole-Time Director, and Mr. Rajesh Mundra, Vice President Finance and Company Secretary. I will now hand over the call to the management for the opening remarks to

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
be follow And thank you for joining us today to discuss the Q2 and H1 FY27 earnings of Ram Krishna Forgings Limited. I trust all of you have had the opportunity to go through the earnings presentation and financial results shared earlier today. Let me begin with a brief overview of the opening environment before discussing our performance for the quarter. The global economic environment continues to remain challenging with geopolitical tensions in Middle East, threats of new tariffs and supply chain dynamics affecting economic activity and business sentiment across markets.

Currency movements, rise in input costs, as well as the sharp rise in shipping costs also remain key areas to monitor. Despite these challenges, we are seeing encouraging business opportunities across markets and end-use applications supported by customer requirements for reliable and diversified supply chains. In contrast to the uncertain global environment, the domestic economy continues to demonstrate strong growth momentum. GST collections were healthy, reaching approximately 6.15 lakh crore during Q2.

Industrial activity has also strengthened, IIP growth of 7.4% in July and 8% in August. The automotive sector has witnessed particularly strong demand, with commercial vehicle and passenger vehicle sales growing by 28.7% and point 7% respectively during Q2 FY27. We have witnessed continued momentum in our performance both in top line and profitability, supported by domestic demand, improving international business, and our focus on operational efficiency. Our efforts to expand our product portfolio, enter new segments, and increase capacity utilization are contributing to more balanced and sustainable growth even in the current backdrop of volatile and unpredictable global macroeconomic landscape.

An important development over the past few years has been the significant extensions of our manufacturing capabilities. Having completed a substantial part of our planned investments, our focus is now shifted towards improving utilization, increasing productivity, and generating better returns from these assets. Our investments have strengthened our ability to address a wider range of customer requirements and support our expansion into new products and applications. Let me now share the key financial highlight for the quarter.

For Q2 FY27, consolidated revenue from operations stood at 1,405 crore, representing growth of 54.9% year-on-year compared with 908 crore in Q2 FY26. On sequential basis, revenues were higher by 15.5% compared with 1,217 crore in Q1 FY27. Our consolidated EBITDA excluding other income stood at 256 crore compared with 123 crore in corresponding quarter last year and 218 crore in Q1 FY27. The EBITDA margin improved to 18.23% for the quarter compared compared with 13.5% in Q2 FY26 and 17.96% in the previous quarter.

The improvement in operating profitability reflects operating leverage through improved capacity utilization, improvement in product mix, and operating efficiencies. Profit before tax for the quarter

stood at 95 crore compared with the loss of 10 crore in Q2 last year and profit of 65 crore in Q1 FY27. Profit after tax stood at 71 crore. This was higher by 47% on Q-on-Q basis. Debt during H1 FY27 is reduced by 126 crore, and we maintain our guidance of reduction in total debt by 500 crore for FY27.

Looking ahead, we remain positive about the business outlook. Our order pipeline remains healthy, and our increasingly diversified product portfolio provides opportunities. And towards both domestic and international markets. We believe that higher utilization of our existing capacity and improved product mix and continued operating discipline will support growth and profitability in the coming quarters. With that, I would now like to hand over the proceeding to Mr. Nilesh Gandhi, our whole-time director, who will take you through the order wins and key business development during the quarter.

Thank you. Over to you, Nilesh.

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
Thank you, Lalit ji. Good evening, everyone. I would like to take you through the new order wins during Q2 FY27 and share some updates on our key business segments. During the quarter, the company secured new order wins worth 673 crores across CV, EV, LV, and farm equipment segments. These orders have a program life of approximately 4 years and further strengthen our revenue visibility over the coming years. Of the total orders received, approximately 48% came from the domestic market and balance 52% from the export market.

We have secured orders worth 304 crores from the commercial vehicle and 272 crores from the light vehicle and 7 crores from the electrical vehicle side. Worth mentioning, against the new order wins, 447 crores comes from the casting side of our business, against which 272 crores is for the North American export market for light vehicle applications. This also opens our door to the exports market from our casting business. The passenger vehicle segment continues to be an important growth area for us.

We are expanding our forging and casting capabilities and new product developments. We are working towards increasing our presence in this market and adding new customers. We have also secured orders worth 90 crores from the farm equipment. This order win reflects our growing presence in the off-highway applications and our ability to serve wider range of customers. I would also like to share some updates on our railway business. We continue to see good opportunities in this segment, particularly for our fully assembled bogies, frames, bolster, and cast components.

With the addition of new products and increased manufacturing capabilities, we are well positioned to participate in in the growing demand from the Indian Railways. On the international side, we continue to work closely with our customers across North America and Europe. We find the market bullish across, and our expanded capabilities and presence in Mexico is also helping us explore new opportunities and strengthen our customer relationship. We are also seeing increasing interest in our casting, aluminium forgings, and higher value-added products.

Oil and gas products demands are also strong. With several new capabilities and capacities now available, our priority is to ramp up our production against confirmed orders and improve our overall capacity utilization. Going forward, we remain confident about our order pipeline across both domestic and export markets. Our growing product range and continued addition to our new customers should support business growth in the coming quarters. Further, our continuous efforts in new ventures within the boundaries of forgings and castings business in non-ferrous components

and products manufactured products from aluminium, titanium, Inconel, and niobium grades for aerospace, robotics, and semiconductors are also progressing well.

That's all from my side. Thank you.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Thank you, Nilesh. Dinesh, now we can open the floor for Q&A.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. [Operator Instructions] The first question is from the line of Vinayak Shah from Dalal and Broacha, please go ahead.

Vinayak Shah - Analyst, Dalal and Broacha
Thank you for taking my question and congratulations on a very good set of results. Uh, so my first question was, uh, related to our new and upcoming businesses. So like we already mentioned in our opening remarks, uh, 447 crores of orders from the casting business. So I just wanted to know what is our update on the, uh, other segments also like cold forging, aluminum forging? And the casting business. So when will these orders be executed? What is the capacity utilization and how it is going to ramp up?

So that is my first question.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
Nilesh?

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
Yeah, so I think as I already stated that 447 orders come from our casting segment, and I think in that you would have noted that 270 2 crores is coming from North America. That was for light vehicle application, and that also opens our door for export market. Apart from that, with regard to our aluminium forgings and also from our cold forgings, we continue to export these products to the North American market, and our capacity utilization in, in both these lines are more than 50%, and I think we are trying to add more customer base there so that our utilization increases.

Vinayak Shah - Analyst, Dalal and Broacha
Right. Uh, sir, also if I am correct, uh, for aluminum forging, our current capacity is, uh, 6,000 tons, right?

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
Correct, sir.

Vinayak Shah - Analyst, Dalal and Broacha
Okay. Uh, and so my, uh, second question was, uh, respect to our broad outlook for FY28 and forward. Like, how do you see the domestic and export markets? Because the industry estimates for commercial vehicles are bit on a slow, uh, and conservative side. I would like to state,

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think in FY28 we are looking at a strong market. So both in domestic and both in international market, in FY28 is going to be a strong market, and we don't see any conservative approach in the

next year.

Vinayak Shah - Analyst, Dalal and Broacha
Perfect. And one more last question, if I could see. So we have seen a very strong recovery in our US business this quarter. I wanted to understand how much from was from new customer wins versus how much was, uh, like higher penetration or wallet share gain across our existing customers. And is this growth sustainable?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think, uh, we would not like to speak specifically in customer-wise detailing, but we can say that this growth is sustainable over I think with Malaysia's statement, I think it is extremely clear our focus remains to grow our international business. And both in North America and Europe are our main focus area in terms of our growth. And I we firmly believe with the order wins which we have right now, our international business continues to gain traction and we will continue to grow with the capacity additions we have already made.

Vinayak Shah - Analyst, Dalal and Broacha
Uh, okay, sir. Uh, so just one follow-up for FY28. You told it is a really strong market. Would you like to quantify the growth for domestic as well as export markets?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, no, I think we will not be able to quantify in terms of but we will only comment on the quarter performance. And going forward, I think we look at a very strong market in the next half of the year, and we will again give provide a guidance after the full year results. I think it is good enough right now for us to comment only for the next 6 months. We see strong visibility. And a very strong market in next 6 months, right?

Vinayak Shah - Analyst, Dalal and Broacha
Yeah, thank you, sir. I'll be back in detail. Thank you very much.

Operator
Thank you. The next question is from the line of Aditya from Oldbridge Mutual Fund. Please go ahead.

Aditya Kumar - Analyst, Old Bridge Mutual Fund
Hi, uh, thank you for the opportunity and congrats on a good set. So my first question is on this, uh, casting order only. You have got 400 crores of new casting order. So, uh, we are already running at 88% utilization. So when will this new order start? And do the current capacity do we have capacity to fulfill this new order that we have got? Or what is the we are envisaging some capacity increase in casting side?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think, uh, Nilesh will answer the first half of the question. In terms of capacity addition, I will only be able to say Right now we have enough capacity, uh, in terms of and we plan to do any CapEx, whatever it is, in the next financial year.

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
So to answer you with regard to the casting order which we have received, out of 447 crores, 272 crores is for a North American light vehicle application. This application, by the time we develop the

parts and samples, uh, it will take around 6 to 9 months for the validation to be over and then the regular supplies to start because LV cycle is a bit bit longer, and the balance comes from the domestic side. And on the domestic side, I think this is a business which within the development period of 12 to 14 weeks they start, and when the samples are approved, the bulk starts on.

Aditya Kumar - Analyst, Old Bridge Mutual Fund
Okay, okay. My second question is regarding CapEx. So till H1, we have done a CapEx of almost 390 crores, and over and above that, we have done an investment of 40 crores in the JV. In quarter 1, we guided for 350 crores CAPEX for FY27. So what would be your revised number for full year CAPEX for FY27 now? And any so I think any reason for escalation of this CAPEX number?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
So basically, with the forging past forging capacity augmentation which we have already done, these are only, only value-add capacity augmentation which we are continuously doing. With the market currently so buoyant and opportunity coming full scale from all nooks and corners, so we will need to continue to invest in terms of our machining capability and value-add capability. And I think we should be ending this year close to around 550 crores of machining capability addition throughout our entire group.

And in terms of our JV investments, it is within the amount which we had already committed at the day one.

Aditya Kumar - Analyst, Old Bridge Mutual Fund
Okay, so, uh, within the JV, uh, are all the investment done which was committed, or we or more is left, uh, uh, other than this?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Yeah, so the JV still about 50-55 investment is pending. This will be done in next one year time. So partly we'll go in this year, maybe 15-20 crore more in the next half, rest will be the next financial year. And, uh, what Nareji shared, you can assume another 160 crore of CapEx for the second half, basically on the machining side.

Aditya Kumar - Analyst, Old Bridge Mutual Fund
Okay, okay, got it. So, um, now, so now as we have said that we will get this debt down, net debt down to 1,500 crore, I think this is net of cash and billing, uh, bill discounting. So at a gross level, what should we thinking about the debt? Because currently we are sitting on 2,200 crores of debt. At the gross level, what should be the thought process in terms of by the end of FY27?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Yeah, so when you look at, uh, March numbers, March number was 2,173, and then the net of bill discounting about 2,000 crore. That's why we guided for the 500 crore of, uh, reduction to 1,500 crore. So we remain come, uh, the guidance remains same. And at the gross level, if you look at somewhere around 1,670 to 1,700 will be the number.

Aditya Kumar - Analyst, Old Bridge Mutual Fund
1,600 to 1,700 crores.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
But that is

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
including the actually, we don't take because bill discounting is not to recourse and it is to Tata Motors. Tata Motors and other customers, it is on their lines. So I think basically for us That is receivable which gets knocked off.

Aditya Kumar - Analyst, Old Bridge Mutual Fund
Okay, okay, got it. Thank you.

Operator
Thank you. The next question from the line of Abhishek Jain from Ameriprise. Please go ahead.

Abhishek Jain - Analyst, Ameriprise Financial Services
Thanks for the opportunity. Sir, can you speak

Operator
little louder please hello

Abhishek Jain - Analyst, Ameriprise Financial Services
hello are you able to hear me

Operator
No sir we can't hear you

Abhishek Jain - Analyst, Ameriprise Financial Services
hello

Operator
yes

Abhishek Jain - Analyst, Ameriprise Financial Services
yeah so this quarter we have seen that power cost has gone down but other expenses steel high so when can we see the decline in other expenses to sales and How can and when can we expect that EBITDA would cross the previous level of 20 to 21%?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
See, on the side of expense, power cost is little down because there are some surcharges which has been reduced during the quarter. That's but, but on the other expenses, there is a significant increase in shipping cost and which is likely to remain for some time, and that's why it is elevated. And we will it will moderate only when the shipping cost

Abhishek Jain - Analyst, Ameriprise Financial Services
Okay, and as we have seen a very sharp growth in the export revenue and the realization per ton, so just wanted to understand that if that export numbers will increase, can we see a margin expansion of 2 to 3% from here on from third quarter? And

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
see, certainly exportation will give us a margin expansion, but I will not be able to comment how much it will be. In terms of percentage point, because it depends upon the product mix.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
And I think margin right now, our aspiration is to cross the previous peak of the margin. I think we are slowly getting there, but we are I don't think it is going to happen in next quarter or the quarter after that. But every quarter I think you will see an expansion in margin, and you have seen in past couple of quarters the expense margin expansion, 30 basis points to 450 basis point margin expansion is there every quarter, and I think we will continue to work on that, and I think very soon we are going to get to the peak margins.

Abhishek Jain - Analyst, Ameriprise Financial Services
Got it, sir. And sir, this quarter, uh, in, uh, our subsidiary performance has improved a lot. If you calculate the consol minus subsidiary numbers, uh, we get that, uh, there's a significant jump in the margin. So this is margin this margin is because of the casting business, or is there any other components out there?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
Casting and oil and gas business.

Abhishek Jain - Analyst, Ameriprise Financial Services
Casting and oil and gas business, and there we are able to do a margin of around 27% versus the standalone margin of around 18, 17 to 18%. So what is the reason of that higher margin over there?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
No, so margin is not a 27% in the subsidiary business, it's about the same level what we do in RKFL, 16 to 17%, maybe little lower than RKFL. Because there are sales from RKFL to the subsidiary and some sales from the RKFL, that's why that gets eliminated. The margin looks higher, but at individual level, subsidies are also making 16-17% margin.

Abhishek Jain - Analyst, Ameriprise Financial Services
Got it, sir. And my last question on the export side, we have very we have seen a very strong growth in North America, but, uh, still Europe number is weak. So when we can expect the improvement in the European business?

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
I can it's not that Europe you can see weak. I think you would have seen that North America last year, because of the tariff issues, the market was very lull. If you, if you compare to our total export numbers, if you see in the quarter 2 of FY26, it was like 277 crores versus this year as 424 crores. So there has been a substantial jump. And if you also see as an across the sales, what we have done is our numbers in Europe has also increased. And similarly, our in our 424 crores, the US has also gone up.

Rather, we have increased more customer base in Europe. And Europe today, as an overall aspect, if you can note that, uh, you will find that around 28, nearly 28% was there. It has come up to 41% today in our total geographical breakup. North America is around 58% and Europe is 41%, versus 2 years back it was just 28%.

Abhishek Jain - Analyst, Ameriprise Financial Services
Got it, sir. Thank you, sir. That's all from my side.

Operator
Thank you. The next question is from the line of Utkarsh Soumya from Eco Quantum Solutions. Please go ahead.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
Thank you for the opportunity. I wanted to understand, uh, on your interest. I mean, you already told us about your debt repayment plans. Can you help us understand your finance cost? What should be your annual finance cost, uh, or rather quarterly finance cost after you repaid this 500 crores of debt? And the next question is, in FY28, do you expect to also pay another 500 crores, or how should we look at it?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
See, finance cost will go down if we reduce the entire 500 crore of debt by almost 40 crore per annum. Okay, so it's about 8% interest cost we are paying right now. So that will be there. And for next financial year, we aim to reduce 300 to 400 crore of debt for the next financial year.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
And sir, you had earlier told us that you would be doing 100 BPS expansion in your EBITDA margin each year. So is it fair to assume you'll end FY28 at 18% and then 19% and then 20% FY29? Is that a fair understanding?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, I think basically I would not like to comment on future years. This year we are looking at since last previous year guidance, whatever we have given in the earnings call or for the full year results in the month of May. We would like to stick to that, and we would like to not comment on what is going to happen in FY28. But we are looking at healthy margins, and with the current order books and the strong market, we look to continue the with the momentum of both growth in terms of our utilization, top line, and the bottom line.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
Okay, so as you said, you aspire to go to your previous peak. So yes, can you just give us some like 1 year? No, I, I don't

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
want, I don't want to give a timeline, stick my neck to it. I would like to basically, we are working very hard to get to there and we aspire to get to that, but I would not like to put a particular timeline. It can happen much before it also, and I don't know, I would not like to comment on the basic timelines.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
Okay, so when you actually did achieve these 22% margins in FY22 and FY23, what was our what was the environment like back then that you could you were able to earn such handsome margins?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think companies earn much more better margins than us. So environment, basically it is the casting business is never a very high margin business, and cutting we are growing on our casting vertical, so At a console level, we are commenting on the margins right now.

Sahil Sanghvi - Analyst, Monarch Network Capital
All right, thank you so much and good luck.

Operator
Thank you. The next question is from the line of Pradip Chaudhary from Bohat Investment Advisors. Please go ahead.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
Yeah, hi sir, congratulations on a great set of numbers. Uh, I have 2-3 questions. One was, uh, I just wanted to understand if there was any element of inventory gains [Foreign Speech] resulting [Foreign Speech] and like [Foreign Speech] setting on low cost inventory?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, I don't think we have had any inventory gains. I think [Foreign Speech] price increases, steel prices increased much more than what we have got in terms of our from our customers So there is no question of inventory gains. Rather, I think Lalit can comment exactly. There are some inventory losses only in terms of our exports.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Yeah, correct. So we have not gained anything. Rather, we have some negative carry on account of price increase of raw material. That is about 6 to 7 crore.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
Understood, understood. Great to hear that. Second, on the European side, so of course, uh, US business has seen a very good growth, uh, but on the Europe side, uh, even like the current quarter, why, why there was a slight decline in terms of absolute revenue. So could you give us some more sense of what's happening there? And then like, are we there's some business which is yet to start for us on the European side?

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
I can comment here. See, it's not that, that if there is a drop, you can always understand that there are capacities and there are schedule lines. We try to sometimes adjust with regard to the demand coming from the areas. North America suddenly went for a V-curve recovery after they were lulled for the last year. And but obviously we had to give some more patronage to North America so that they get the material because of the immediate increase in the demand. And this European side, whatever you may have seen, a very marginal difference, this can always be covered up in the next quarter.

But lastly, we focus on the overall export breakup, and I think overall export breakup has been good. As compared to the comparison with the first quarter also, or even when you check it with the last year's Q2.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
Okay, okay, understood. And last question, so on the shipping cost, would you be able to quantify, uh, what was that shipping cost, uh, in the current quarter, and like how has it increased compared to the Q2 of last year?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
See, shipping cost has increased significantly over the Q2 of last year. What you say, it will add more, I will not give you the exact number, but quite significant. And but we have been able to pass on part of it to my customers. And but there are, uh, ultimately, uh, I will say overall is a cost we have to also bear. And impact on this quarter on the shipping cost is around 8 to 9 crore to the company,

net impact.

Utkarsh Soumya - Analyst, Eco Quantum Solutions
That's the part we haven't been able to pass, 8 to 9 crore. Yeah, all right, sir. Uh, thank you and, uh, all the best.

Operator
Thank you. The next question is from the line of Mayank Agarwal from Scientific Investing. Please go ahead.

Mayank Agarwal - Analyst, Scientific Investing
Yeah, hi, thank you for the opportunity. I hope I'm audible.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
Yes, you're audible.

Mayank Agarwal - Analyst, Scientific Investing
Yeah, yeah. Uh, first of all, congratulations on the great set of numbers. I have a few questions. The first question is regarding the Rising commodity prices and the increase of input cost, like how do you see like this rising input cost has been managed across the supply chain and has been passed on to the OEMs and like is there a time lag, changes reflected in the customer pricing and non?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
So I think there are in contract to contract it differs and region to region it differs. Basically, in North America it is a local domestic American steel market, and I think American steel market has not seen so much of a steel price increase what Indian steel price increase in India the steel price hike has happened. Similarly, in Europe also we don't see similar hike in terms of the local steel pricing hike. So it we have been able to get only increases what has happened in the domestic market, in North America, and in Europe.

So that is the hit which we have already taken in the balance sheet in the quarter.

Mayank Agarwal - Analyst, Scientific Investing
Okay, so basically on the domestic part also, like, we are, uh, we'll be able to pass on the margins and we'll be able to sustain the margins in the coming quarters, right?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
Yes, domestic market we have been able to pass on the steel price hike, and any further hike also, steel price hike, we'll be able to pass on.

Mayank Agarwal - Analyst, Scientific Investing
Okay, and second, second question is generally our H2 is like much better than compared to H1. Like compared to the previous year. So like, do we still maintain, uh, like in the previous year also, like the ratio will maintain or like it will be same as H1?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, I think we are looking at a strong year this year, and I think H1, uh, has really gone well for us, and we believe H2 is going to be even better.

Mayank Agarwal - Analyst, Scientific Investing
Okay, thank you so much.

Operator
Thank you. The next question is from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi - Analyst, Monarch Network Capital
Yeah, thank you for the opportunity. Many congratulations to the complete team for an extremely good set of numbers and performance. My first question is, uh, can you update us on the, uh, status of the, uh, Wheels JV? I mean Uh, which stage are we and what timelines can we expect for commercial production?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think this month, in the month of, uh, November, I think we should be we are already ready with our 300 wheels first batch to be basically and already have we have offered that for inspection to railways. While we speak also, inspection is continuing, and I think in next couple of weeks we expect this inspection to get completed and this first sets of 300 wheels for trials is going to get supplied. And once this is supplied, we are looking at December to go on first phase of production of at least 200 2,000 to 3,000 wheels in month of December.

And following in fourth quarter, we should do we need to go to 80% of capacity to make 4,000 to 5,000 wheels on an immediate basis per month.

Sahil Sanghvi - Analyst, Monarch Network Capital
So should we be still able to look at roughly say 30,000 of wheels for this physical year, the whole physical year [Foreign Speech] should we do lower? whole

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
Physical year we are looking at almost we are looking at around twenty five thousand wheels

Sahil Sanghvi - Analyst, Monarch Network Capital
in this year. Okay, okay, got it, sir, got it. I mean, you've already explained enough on the cost inflation, but some of the commodity prices peaked up in September. So are we expecting further, you know, RM cost increase for upcoming quarters? And on the shipping side, are we still negotiating for further price hikes from the export customers? Should we expect that?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think we are working with our customers on a website of freightos. And I think we are in discussions with them. I think we are not seeing any increase. I think in the current scenario, it has largely settled down right now at the peak. But in case there is any further increase, we will have to go back to the customer and speak to them. But right now, there is no incremental increase we are seeing in terms of the shipping cost. But we cannot say. I think it all depends on how the geopolitical issues keep in and out.

I think it all depends on how the geopolitical issues continue. But in terms of our commodity estimates, we are seeing we believe that in India steel, we there is going to be another steel hike maybe in January. And I think we are well prepared to pass on the increase to our customers.

Sahil Sanghvi - Analyst, Monarch Network Capital
And freight also, we will be asking

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
freight sea freight increases I think partially, like Lalit has already said in his previous statement, we have been able to partially or substantially pass on that increase to our customer. But yes, obviously we have in this quarter about 8 to 9 crores hit to our balance sheet in the shipping cost. And I think, uh, going forward also, if there is a if the freight continues at this level, we will have to bear some of the cost. Our customer is not prepared to bear the entire cost. Some of the cost we will need to continue to forego and share with the customers.

Sahil Sanghvi - Analyst, Monarch Network Capital
Sure, sir. And lastly, uh, on the, on the new orders that we've got from North America for castings, uh, possible to share which, which exact component is this? Is a new product or existing product? And on the customer also, is this an existing customer or a new customer addition?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
This is a new customer addition and new product.

Sahil Sanghvi - Analyst, Monarch Network Capital
Possible to share what product is this?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, I think that's not possible, but we can very safely say it's basically, uh, LV business, uh, you can say it is a passenger vehicle business, and it's a new customer and new product line.

Sahil Sanghvi - Analyst, Monarch Network Capital
Sure, sir. Many congratulations again, and thank you, sir.

Operator
Thank you. The next question is from the line of Akshay. An individual investor, please go ahead.

Akshay - Individual Investor, Individual Investor
Good evening, sir, and congratulations on a strong quarter. So my first question is related to railway wheel JV. So in July, you expected railway wheel supplies to begin by September-October. With RKFL's remaining equity contribution equity contribution limited to 20 to 30 crores. However, the commercial production has still not started, and today the filing proposed a further 56 crores investment. So what is the status of RDSO approval, and when we can expect the first commercial supplies? And what explains the higher funding requirements.

Also, once depreciation and interest cost begin on the 2,180 crores project, what, uh, what first year loss should we expect at the JV level? And RK sells 51%, sir.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think, uh, just now I answered this question of terms of commercial production just before you, the gentleman was asking the question. We have very clearly clarified that 300 wheels are ready with us, which is under already inspection by the railways. We don't need any RDSO approval for wheels. The inspection is being done by the railways. Once these wheels are approved, in next couple of weeks we are expecting this 300 to get supplied, and from December onwards to start partial

production, and from the last next quarter full production.

And we are expecting 20,000 to 25,000 wheels in this financial year to be supplied to railways. Lalit, in terms of investment, can you please

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
oh, see, here there is no extra infusion of equity. Whatever the 24 crore we have committed is part of the investment, and we are on track of that. Only this 56 crore, what approval is taken, is for the second phase. In the first phase, we supposed to, uh, produce 1,40,000 wheels, and the second phase another 1,40,000 in terms of machining capability. So, uh, the entire project cost remains intact, and this is just the approval for the second phase as the first phase is already completed.

Akshay - Individual Investor, Individual Investor
Okay, thank you, I got it. And my second, uh, question is related to revenue guidance, CapEx, and debt. You guided for 8,000 crores revenue by 29 and FY 29 and FY 27. To

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
interrupt you, we have never guided for 8,000 crores revenue from wheel project in FY 28. That plant is 29. No, no, wheel project cannot, wheel project cannot create a revenue of 8,000 crores. No, no, entire, entire

Akshay - Individual Investor, Individual Investor
Total revenue of 8,000 crore.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
You are talking about RK sir, you are talking about RK sir.

Akshay - Individual Investor, Individual Investor
Yes.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Okay, so FY29 8,000 crore

Akshay - Individual Investor, Individual Investor
revenue. FY29 yes.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
So yes certainly we are with this kind of growth rate we are having, we are very much. There, but we will update you with the times, uh, when, uh, let us wait for some time. But certainly, I think every

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
year we will basically be able to guide you for the next year. We have this year's guidance for the full year, we have already provided in the earnings call, and we stick to that. And I think for the next year, financial year, and the following year, we will be able to comment on after the full year earnings call.

Akshay - Individual Investor, Individual Investor
Oh, okay, fine. Okay, okay, got it. Thank you. Yeah,

Operator
thank you. The next question is from the line of Abhishek Kamdar from Value Plus Advisors. Please go ahead.

Abhishek Kamdar - Analyst, Value Plus Advisors
Yeah, hi, uh, am I audible?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
Yes, you're audible.

Abhishek Kamdar - Analyst, Value Plus Advisors
Yeah, congratulations on a great set. I just had one question around ROC. Um, the last quarter, uh, you know, you had guided for about 12 to 15% ROC in FY27. And about 20% by next financial year. Um, and we've already seen a recovery from, uh, you know, last year to H1 of this year. Do you still, uh, based on the capital we've already employed, do you still see 12 to 15% happening this year?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Yes, uh, by the end of FY23, we will be in the range of 12 to 15%.

Abhishek Kamdar - Analyst, Value Plus Advisors
Okay. And you still maintain 20% for next year?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Yeah, certainly that's the experience that next year we should have 20% ROCE. I will say

Abhishek Kamdar - Analyst, Value Plus Advisors
that's an experience. Alright, okay, thank you and

Operator
all the Best. Thank you. The next question is from Chirag Shah from Dalal and Broacha. Please

Chirag Shah - Analyst, Dalal and Broacha
go ahead. Hi, can you hear me? My question is on exports, sir. So basically the improvement which we are seeing on exports so my question is, are we replacing some existing vendors or are we participating in incremental growth? What is the case? And if we are replacing an existing vendor, uh, so what is leading to that or how cost efficient are we?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, we are not replacing any vendor. We are only basically new businesses which are coming in, basically our new product launches which are happening in due course, and we are part of those new launches. And that is basically the new order wins which we have had, and that's the reason we have guided for 9 8 to 9 months of development and testing time. Before this order gets converted to

Chirag Shah - Analyst, Dalal and Broacha
revenue. Correct, sir. So the new product, it might be for us, but it is new product for the client as well.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
So it is new launches for the client also.

Chirag Shah - Analyst, Dalal and Broacha
New launches, correct. Okay, got it. Okay, and this would be, I would say, new, uh, so we are stepping into a new client for the first time, and it also probably opens up their existing, uh, orders which they might be giving to some other vendors, correct? So that also opens up the opportunities. Moving forward in the next couple of years?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think, uh, to be very precise, I think the buoyancy in the overall market and the sentiments are extremely, uh, good. And I think we are seeing a huge order inflow with RF new RFQs and new inquiries, I think, flooding our system. We are choosing every single opportunity With precise operations. So what we can do and what we cannot. So I think there is a floodgate of opportunities right now available to all the suppliers who are really wanting to work and grow.

Chirag Shah - Analyst, Dalal and Broacha
Okay, okay. All the best. Thank you. Thank you for taking the question.

Operator
Thank you. The next question is from the line of Vinith Shah from Dalal and Broacha. Please go ahead. Yes, Mr. Vinod, go with the question please.

Vinith Shah - Analyst, Dalal and Broacha
Uh, yeah, thank you for taking up my follow-up question. Yeah, so I just wanted to understand how our railways is panning out because, uh, if I look at the Q2 numbers, it has been more or less flat. So we see in the H2 railways contributing, uh, higher in the revenue mix.

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
To answer you, I think you are finding things flat because railway is a percentage and there are orders based on our capacities which we are supporting them. You can always find that every quarter our total revenue is increasing. So maybe on a percentage-wise you are finding it flat, but actually we are trying to push more, but maybe it is not quantifying a very big number in the overall numbers. But yes, the demand, as I already stated, that the demand of railways is high and we are bagging good orders.

So I think our flow is continuous and there is a continuous growth in the railway segment from our side too.

Vinith Shah - Analyst, Dalal and Broacha
Uh, thank you, sir. But actually, I just, uh, figured out the absolute numbers. It is coming out close to 64-65 crores for Q1 and Q2 as well. So that is why I had the question. But this clarifies it. Thank you.

Operator
Thank you. The next question is from the line of Kush Nihar from Electrum PMS. Please go ahead.

Kush Nahar - Analyst, Electrum PMS
Yeah, uh, opportunity. So, so I just had one question. So could you elaborate more on this, uh, so the target that you have mentioned earlier, in order to achieve that there's an implied growth of say 23-24% CAGR. So could you elaborate more on what the growth drivers will be? So will it be, you know, more of export versus domestic, and in general be more of auto, non-auto, etc.?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No, I think in terms of auto, passenger vehicle is going to be the next lever of growth. We are looking at almost in next 2 years, by CY28 or FY29, basically we are looking at almost 10% growth to come in from passenger vehicles. And with the current order book and also the new order wins and the pipeline being so strong, we are extremely confident of our automotive business, specifically on the passenger vehicle side, to grow exponentially for us. And I think basically for a CAGR growth of 20-24%, I think we would like to comment on year-on-year basis. This year looks extremely strong for us, and I think we may surpass our previous peaks in terms of yearly year-on-year growth. And I think, I think full year, after the full year, uh, next one we will be able to guide for the following years.

Kush Nahar - Analyst, Electrum PMS
Right, sir. And tell me a bit on the defense products that you're working on.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
No specific, uh, I think, uh, right now to inform our investor community, but I think we are diligently working on our aerospace business. I think very soon we will be able to give some And news which really means for our investors.

Kush Nahar - Analyst, Electrum PMS
All right, sir. Thank you.

Operator
Thank you. The next question is from the line of Venkat, an individual investor. Please go ahead. Um, your voice is not audible properly. Hello, hello Mr. Venkat

Venkat - Analyst, Individual Investor
Hi, is it any better?

Operator
Yes sir

Venkat - Analyst, Individual Investor
Sir, hi. Congrats to breakfasts the question I have it more broadbased with the upcoming FTAs with UK, Europe, et cetera Um, could you just throw some color in terms of, um, what sort of opportunities are you foreseeing, uh, as we head on to the next year and a half? Uh, have you started receiving customer inquiries from those regions? Are there any new segments that are opening up, etc.? It'd be good if you could give some strategic color on those.

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
I think, uh, with the current FTAs of UK, we know we are not seeing any major inquiries or anything. I think Europe FTA is still to be approved by the European Union, so I think we will be able to see any traction going forward, I think, only after the US FTA European FTA is approved by the European Union, and it's still there's some time before we see that happening.

Venkat - Analyst, Individual Investor
Thank you. Thank you. The next question is from the line of Dipal Kumar from Narola Finance Services. Please go ahead. Yeah, hi, am I audible? Yes, sir. Yeah, so first of all, congratulations on a

great set of numbers. So my first question would be regarding what is your group level strategy? strategy in line demand actually helping you to you know point the guidance what you have given the effective 7 I am not able to understand your question please. I am asking that what is your group level strategy to achieve the stated guidance you have given group [Foreign Speech] strategy I think Amit can you answer the question please?

I think sir board I think in terms of demand board [Foreign Speech] achieve the 20-25 percent group [Foreign Speech] strategy. [Foreign Speech] date basically confirmed whatever the RSPs are there in the pipeline and order in the last few quarters, all inquiries from the customers and the guidance from the customers, all give up this kind of confidence to achieve that goal. Okay, okay, thank you. And can you provide a guidance of EBITDA margins for 2027? [Foreign Speech] improvement of premium point quarter on quarter [Foreign Speech] Okay thank you, very

Operator
understand. Thank you. Strong line of Pradeep Choudhary from Bohet Investment Advisors please go ahead.

Unidentified Participant - Analyst
Hi sir, just one question. So usually from order went to delivery beginning, what would be the time periods I know for different orders went it would be different, but on an average whatsapp of so time passes average. Even on the CB side and the PV side,

Unidentified Speaker - Executive, Ramkrishna Forgings Limited
in all the places, on average it is 6 months.

Unidentified Participant - Analyst
And how would it differ between domestic and export?

Unidentified Speaker - Executive, Ramkrishna Forgings Limited
Export,

Unidentified Participant - Analyst
it is around 9 to 12 months, and in domestic it is 3 to 4 months. Okay, all right, thank you.

Operator
Thank you. The next question is from the line of Tanmoy Roy, an individual investor. Please go ahead.

Unidentified Participant - Analyst
Hello, am I audible?

Operator
Yes, sir. Hello,

Unidentified Participant - Analyst
am I audible? Yes. Okay, first of all, thank you for the opportunity. I'm congratulating you for the good set of numbers. So I just have a few questions. First one is like [Foreign Speech]

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Repeat your question. What you are looking? Railway wheels daily you are asking to the margin?

Unidentified Participant - Analyst
or or or.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
So and optimal capacitization, we can achieve around 18 to 20 percent EBITDA margin.

Unidentified Participant - Analyst
Okay, okay. Yes. Okay, fine. So thank you. Uh, the second one is that like in aerospace, uh, uh, like which, which level of components or anything which we are targeting? Like aerospace has many level of suppliers supplier 1, supplier 2, supplier 3, and supplier 4. Like supplier 1s are like the one who actually build the component for the engines. Uh, which segment actually we are targeting? And if have any idea?

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
For aerospace, let me answer you. It's not that, uh, we are going forward with any Tier 1, Tier 2s. We are in discussion directly with OEMs, and currently the components which we are aiming at is from the engine side. But at the same side, at the same time, frame components are also being explored together.

Unidentified Participant - Analyst
Uh, now why I'm asking is because, uh, it's for engine side What I industry-wide is like, take like 4 or 5 years for even for, you know, get it to the approval.

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
We are looking forward to the forgings. So basically forgings, if it is supplied to the OEMs, they basically machine the product and the metallurgical part validation and other things is much faster if the OEM is machining it directly within house. So we look forward that once, as I already told you, we are working on and this sector is progressing well. So tomorrow if we get into the aerospace, the business what we are aiming at, that can always see a much faster as compared to your expectation of 4 to 5 years.

Unidentified Participant - Analyst
So, so when you say like you're directly working with OEM, so these are not precision components like titanium grade ones which you are looking at? It's like only the forging part of

Milesh Gandhi - Whole-Time Director, Ramkrishna Forgings Limited
it. Components these are only highly precision forging components, and forging itself is the most precision item to be done here because these are engine components.

Unidentified Participant - Analyst
Okay, okay. Yeah, thank you so much. Thank you. That's it from my side.

Operator
Thank you. The next question is from the line of Kush Naha from Electrum PMS. Please go ahead.

Kush Nahar - Analyst, Electrum PMS
Yeah, thank you for the follow-up opportunity. So I just wanted to understand on the gross margin side, we are seeing that for Q1 and Q2 it has been materially higher than what was our general rate earlier. So what would be the reason for the same, and is this the sustainable rate on the gross

margin levels?

Naresh Jalan - Managing Director, Ramkrishna Forgings Limited
So I think like what we have said, that the market there is a lot of correction and the opportunity. We have been able to choose our products very diligently. In terms of our capacity utilization, and with the capacity utilization further improving, I think we will be able to sustain and grow on it.

Kush Nahar - Analyst, Electrum PMS
On the gross margin side. All right. Yes. Okay.

Operator
Thank you. The next question is from the line of Karan Gupta from CAVI Capital. Please go ahead.

Karan Gupta - Analyst, CAVI Capital
Yes, thank you. Appreciate the opportunity. I just wanted to ask on the cash flows. So there's been a decrease, uh, I guess, uh, investment in accounts receivable and inventories, and the addition to cash flow seems to have come from the accounts payable. So could you just comment on that and what the position is as of date and what you expect for the rest of the year?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
So if you look at the cash flow, there is a net increase in inventory and debtors in terms of value, and that is net of by the creditors, there is a net increase of about 140 crore in terms of working capital, net working capital. But if you look at the days, number of days, we are almost there what we are having in March. So it's all account due to the volume growth what we are getting, the increase in the working capital numbers, not the days, it's the value.

Karan Gupta - Analyst, CAVI Capital
Okay, and going forward, you expect these working capital days to remain at these levels?

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
I we will say we will improve it. We will we are working on improving these numbers, and you will see some improvement in working capital levels in upcoming period.

Karan Gupta - Analyst, CAVI Capital
Okay, uh, just, you know, in terms of, uh, even though, uh, debtors and inventory might You know, seem, uh, similar. The payable days seem to have increased since they're offsetting the other 2.

Lalit Khetan - Whole Time Director and Chief Financial Officer, Ramkrishna Forgings Limited
Yeah, yeah, but that's the mix of ultimately, you see, uh, inventory and debtors are interrelated because see, a lot of shipment we have done has not been converted into the debtors and has been built in inventory. Okay, so you have to see both together. And because the shipping delays are causing that kind of situation, so if you look at together, that is much more than the increase in creditors.

Karan Gupta - Analyst, CAVI Capital
All right, thank you and all the best.

Operator
Thank you, ladies and gentlemen. We'll take that as a last question. I would now hand the

conference over to the management for closing comments. Over to you, sir.

Unidentified Participant - Analyst
Thank you. I would like to thank all of you for taking time and joining our conference call. We hope we have answered all your questions to your satisfaction. Would you like further information? Would you like us to get in touch with us or CDR if you have any further information required from us? We look forward to interacting with you in the next quarter. Thank you very much for joining us as well. Thank you very much.

Operator
[Operator Closing Remarks]