Management Discussion

Annamalai Jayaraj - Analyst / Moderator, 361 Capital Markets Private Limited
Ah, thank you. Welcome all the participants for MMF Limited 2K21 Full Season Conference Call. From MMF Limited management, we have with us today Mr. Vidya Shankar Krishnan, Chairman and Managing Director, and Mr. R. Raghunathan, CFO. I'll now hand over the call to the management for the opening remarks, to be followed by question and answer session. Over to you, sir.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Thank you, Jairaj. Good afternoon, everybody. My name is Vidya Shankar Krishnan, Managing Director of the company. And I have with me, uh, Mr. R. Abhinav, the CFO. So I'd 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 have achieved a turnover of Rs 978 crores and about 44,000 tonnes of sales. As against, in this, 19,000-odd tonnes, 19,700 tonnes was in the first quarter and 24,200 tonnes was in the second quarter.

Overall, the sales for the second quarter itself is Rs 551 crores. We have also merged DVS Industries into M.M.Forgings and the results presented are consolidated results. We have also included in our overall PAT for the half year a Rs 64.29 crores of land sale, and profit arising on that is about Rs 54 crores. EBITDA for Q2 stands at Rs 110 crores, about 20%. And this you can include about 0.5-0.7% of prior quarter's earnings due to price increases, etc. So to that extent, the EBITDA levels for the second quarter will have to be mildly corrected.

Overall EBITDA number stands at 19.7%. Finance cost has come down despite higher utilization on the working capital side due to growth numbers. From Rs 21 crores of interest, we have cut it down to Rs 19 crores. Average sales realization stands at about 2.5- Sorry to interrupt

Operator
You, sir. We are losing on your audio.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
I'm 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 geometries- sorry, within geographies, Europe, India has comparing with F26. India has gone down to 66%, 67% from 72%. Europe has gone up from 12% to 13%, and America, the U.S., from 12.5% to 16.5%. South America remains the same. Our automotive overall exposure is 85%, of which CV alone is 70% and PV is 14%. Off-highway has steadily moved up to 10%.

14% mark, slightly dipped this year from 15% to 14%, largely because non-auto grew- sorry, auto grew much faster. Over the last few years, our off-highway and tractor has grown from 5-6%, 7.5% to the 14-15% levels where it is today. So this year, getting down to a quick outlook for the coming For this fiscal, we are expecting about 50,000 tonnes of sales for H2, taking the overall to the region of 90,000 to 95,000 tonnes for the year. A sales level, uh, we expect to cross Rs 2,000 crores for FY27, and FY28 we expect to cross the Rs 100,000 crore mark in terms of sales numbers.

In terms of tonnage and also a turnover in the region of Rs 2,400 to Rs 2,500 crores. These are the brief points regarding our performance in FY- in H1 of FY27. If you have- now I would like to throw the floor open for any further- any questions. Yes, sir. We'd be happy to take them. Please identify yourselves before you make the question. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. 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 - Analyst, Tunga Investments
Yeah, thank you. I have one question. See, given that the absolute tonnage and revenue numbers are heavily influenced by broader OEM production schedules and also macro cyclicality, which are essentially factors outside our direct control. Has the management considered framing annual guidance in terms of outperformance over underlying industry growth, for example, basis points over the OEM growth? You know, 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 the OEM demand, and OEM demand is also you know it changes based on how they perceive their production, their offtake, etc. So have you considered or have you also looked at giving the guidance in terms of outperformance over industry, the industry growth versus an absolute tonnage or revenue? This is my first question.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Thanks, Lakshmi, for your incisive question. That's a good point. We'll work out that angle and compare ourselves with industry growth and see where we are in terms of wallet share gain and overall riding the wave itself. It's a very valid point. We'll work it out on those points.

Lakshmi Narayan - Analyst, Tunga Investments
Thank you.

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

Ashish - Analyst, Leo Capital
Congratulations on a good set of numbers, sir. I have 2 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?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
We stand at about, as I said, this year 90,000 to 95,000 tonnes. Our capacity as we speak is 1,30,000 tonnes. From 1,20,000, we've added a 4,000-tonne press at our Vijayalimalai plant. So our capacity has gone up from 1,20,000 to 1,30,000 tonnes. So this, uh, almost 95,000 tons should be viewed against that number. Of course, capacity has come only in Q2, but still we talk about it in an annualized manner. If you were to analyze the capacity, I would say 1,27,500 tons if you were to split some hairs.

On that, we've achieved- we'll be on target to look at 95,000 tons. This capacity of ours is good enough to take us to about 1,20,000 tons.

Ashish - Analyst, Leo Capital
And so we have had substantial investment on the machining- sorry, sorry, you were saying?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
With the investments in machining that we have made and which we are making.

Ashish - Analyst, Leo Capital
Uh, so, but how do we see the machining?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Sorry,

Ashish - Analyst, Leo Capital
We have added around 1,000 crores of- there is around 1,000 crores of block like mentioned in the last con call. In our asset base today on the machining side, how much can that generate? Like, do we see it as a separate CAPEX, or like, how do you- how do we see that?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
We do see the CAPEX separately between forge shops and machine shops, of course, and We have invested over Rs 1,200 crores in the last 5, last 6 years, of which a significant portion, Rs 750+ would have gone into the forging side, into the machining side.

Ashish - Analyst, Leo Capital
So on the machining side, what is the utilization

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Right now? Our utilization will be in the region of around 60%. 80%, 75 to 80%. Okay. Yeah.

Ashish - Analyst, Leo Capital
Okay. And what is the total revenue which you can generate?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
We have also added- we are also adding machining lines. It's an ongoing organization, right? So live we are adding machining lines as we speak. Some are expansion of existing product lines, some are new product lines, some are for new customers. So all that together should be comfortable to take us to 2,400 to 2,500 crores. Provided, of course, market fits in into that specific job mix that we have planned for

Ashish - Analyst, Leo Capital
Based

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
On customer demand.

Ashish - Analyst, Leo Capital
So 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, and what does the ramp-up look like there? How much of the early volumes is existing parts moving on to the press versus new programs? And when do you expect meaningful utilization?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Yeah, the heavy press, as I've been saying in most of the calls, remains largely unsold. So that is the growth driver beyond the Rs 2,400 crore mark. And up to that level, some parts which are not producible 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 the SOP would be by Q1 of next fiscal. OEM qualifications can take anywhere from 6 months to 2 years depending upon the OEM, the depth of engagement with them, and the launch of that particular part from that OEM.

So this is a very broad number, I know, but that's the range that we are working with right now. Some products which are existing can move directly over there. Qualification is almost pre-done, you can say. We would be able to use about 50 to 100 crores out of that in the- at a run rate on an annualized basis to start with, and ultimately move it to around 250 to 400 crore range. For which we may have to invest in additional machining setup and also look at parts. But up to this Rs 2,500 crore projection, the orders are available with the company.

Beyond, we would- we are looking- we are- we have to get new orders, and growth will come out of those new orders, which also includes 15,500 numbers. I hope I have made myself clear. Broadly clear.

Ashish - Analyst, Leo Capital
Yes, sir. Yes, sir. Thank you and good luck.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Thank

Operator
You. Thank you. A reminder to all the participants to press star and 1 to ask a question. Ladies and gentlemen, if you wish to ask a question, you may press star and 1. The next question is from the line of Anubhav Mukherjee from Precision Capital. Please go ahead.

Anubhav Mukherjee - Analyst, Precision Capital
Uh, sir, congrats on a great set of numbers. So my first question is, if you could explain like what is driving the strong growth in Europe and US, that would be very helpful.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
The Class 8- thank you, Anubhav. The Class 8 market in the US is running pretty strong. So that is driving numbers over there. Somehow that coincided with a drop in the customs duty, the tariffs in the US from April onwards. The coincidence is very amazing, the increase in demand plus the drop in tariff. But all the same, we are- none of our customers have balked from buying because of the tariff. So I would assume that both 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 that continues to give growth for the organization. As we move forward beyond FY28, since we are looking at the market side, some of the points which I have not covered in my opening remarks. We are also engaging with several OEMs who are MNCs, and we expect our export revenue to double or triple from current levels. So possibly reach a 750 crore mark or even- sorry, 1,000 crore mark over the next few years. We would expect a significant portion of growth to come from export markets beyond- from FY28 and beyond.

Anubhav Mukherjee - Analyst, Precision Capital
We get that. And so this North American Class 8 truck market, the growth that you are witnessing, is it because of the imminent emission norm changes which are on the horizon? How sustainable do you think that is, like this strong growth?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Sorry, can you repeat your question again, please?

Anubhav Mukherjee - Analyst, Precision Capital
Sir, I was saying that this strong growth in North American truck market, is it being driven by like emission norm changes which are supposed to like happen next year, I think? So, and how sustainable do you think this growth will be over like next year or so.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Yes, valid point. The emission norms do play an impact in terms of a pre-buy, but also what has happened is that last few years the North American truck buy has been moribund, very stuck in a rut, and ultimately their replacement is a huge driver of growth. There are 2 drivers of growth for the truck markets, particularly in North America. One is norm changes, norms changes that leads to pre-buy, and the second is replacement demand. The replacement demand, I would expect, it has been pretty stuck for the last couple of years, so a basic level of replacement demand would be there.

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- the base load demand will be there.

Anubhav Mukherjee - Analyst, Precision Capital
Get that. So even in- Overall, we have heard that-

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Just one sec. Overall, I would like to conclude that the North American truck market is pretty cyclic in its nature. No doubt about it. It's an inescapable fact.

Anubhav Mukherjee - Analyst, Precision Capital
Get that. But, uh, do you think that, like, uh, obviously the PBi will go, but, uh, over the next at least 2-3 years, do you see it in a sort of upcycle because of the replacement demand?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
I wouldn't say upcycle, but at least, uh, the, the fall will not be hard.

Anubhav Mukherjee - Analyst, Precision Capital
Yes, sir. This

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Is my expectation.

Anubhav Mukherjee - Analyst, Precision Capital
Yes, sir. And sir, even in Europe, is there a like replacement cycle that we are witnessing? Because what we gather is that even in Europe, the like CV cycle got elongated, like the replacement cycle. So is that happening in Europe as well?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
CV in Europe is largely replacement driven, largely replacement. Over the last decade or 2 decades, we haven't seen any pre-buy surging in Europe at any point of time. Of course, our penetration in the European and US markets at CV level could improve quite a bit. At global level itself would improve quite a bit with our foray into heavier parts. See, the parts that come out of our HF, heavy forgings as we call, hardly any is exported at this point of time. Most of it is- 99% of it is domestic market.

So there's a good potential for us to focus on the exports, which is why I'm pretty bullish on export revenue.

Anubhav Mukherjee - Analyst, Precision Capital
Get that, sir. And so my final question is that sequentially, I think there has been almost a 9-10%, uh, realization improvement, uh, the sales per ton. So is it because of like pass-on of higher steel prices, or is it because of better product mix? Some color on that will be useful.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Hello. The increase is on 2 counts. One, higher value addition. Our machining mix has gone up significantly to 65% from 56-odd percent. And our- we also have price increase on account of steel and conversion increases that contribute some factors. So both together have contributed a realization per ton increase. Overall, from 208- 208, uh, 2.08 lakhs per ton, it has gone up to 2.15 lakhs per ton.

Anubhav Mukherjee - Analyst, Precision Capital
And sir, what would be our total machining capacity now?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
How much of the capacity is in machining? Machining capacity is variegated. You know, last call I made a commitment to look at the machining capacity in terms of an overall number. Um, I'm not able to pin it down yet, but if we look at overall numbers and say 65% of sales is from domestic- is from machining, and we are at 80%, 75%, 70 to 80% on capacity there. So we still have a headroom of around 25 to 30% in terms of machining capacity. But we are also creating capacity as we speak. So that's really a moving number.

I should have looked at this number in the last few months, but we've been very busy with customer side and focusing on deliveries quite a bit. I commit next time I'll have that number pinned down. Machining capacity and utilization.

Anubhav Mukherjee - Analyst, Precision Capital
Get that, sir. Thanks for all the detailed answers. I'll get back in the queue.

Operator
Thank you. The next question is on the line of Dhruv Sitalani from Romara Capital. Please go ahead.

Unidentified Participant - Analyst
Hi, thanks for the opportunity. So I have just 2 questions. So sir, my first question is, could you please walk us through how you see the margin profile of the business evolving over the next 3 to 5 years, and what do you think will drive this?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Very deep question, Adru. Over the next few years, I would expect MM Forgings margins to be positive. The bias is positive. First, we moved out of a rut that we were in the last couple of years. So from Q1, we've started moving, surging forward a little bit. Margin expectation is positive, bias is very much positive on the back of better utilization. Now even then, in Q1 and Q2, we've been driven hither and thither by huge increase in input costs. Steel, no doubt. Also, our other manufacturing costs have gone up, and most of- much of management bandwidth was spent in negotiating and arriving at and securing supplies.

Once the dust has settled, as it has now, we are now turning our minds back to cost reduction and focusing on more efficient buying. As well as efficient utilization. So all these I would expect M.M. Forgings internally at least. We have a huge scope on cost reduction ranging anywhere from 30 crores to about 100 crores. It's a big number and you can imagine 100 crores on a 2,000 crore base is a 4%, is a 5% margin expansion possibility. So while I would not like to hazard a guess or get committed on these numbers, there is a good scope for cost reduction.

Let's put it that way. Next call, please don't pin me to that Rs 100 crore number. I'm just giving you our- see, we have to all dare to dream, and from that we move on how we can cut costs or improve margins or improve sales. So we are dreaming about- not dreaming in the sense simply dreaming, we are consistently thinking about and qualifying how we can- improve our margins. There is scope for margin expansion.

Unidentified Participant - Analyst
That was really helpful, sir. Thanks for the color. My next question- We also look at-

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
We are also, yeah, we are on the business side. I should also say that, um, the- a lot of growth beyond '28 will come from export markets. With our bigger press, we'll be having access to, uh, bigger truck to truck OEs all over the world. We can supply them any part, so that doesn't restrict them from coming to us for only a set of parts. And the response that we are receiving from customers as we discuss with them about opening up our new press, the responses have been very positive. So FY28 and beyond, we should see a lot of growth from exports.

Now, how much of this will- new CapEx will be required, all that will have to be worked out. Maybe we can sacrifice a little bit of domestic capacity and diverted to export. Those are numbers that would have to be evolved over time. But all I can say at this point of time is that we have, subject to macroeconomic conditions, we have order visibility for about Rs 2,400-2,500 crores in FY28. Of course, this does depend on an assumed cyclicity of the CV markets globally.

Unidentified Participant - Analyst
Thanks for the color, sir. My second question was, with Happy Bharat Forge and Ram Krishna also adding or running heavy presses, how do you see pricing in heavy beams and crankshafts evolving? And where does MFFL, um, have the right to win? Is it by customer? Is it by geography or any part type?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
We have been there, uh, 7 years back we were zero on the heavy forging side. Today we are- we've joined the fray. We were number 3 and now there is a 4th player also added. Of course, they were happiest being significant in the crankshaft space. They are also into the other 2 parts, axle arm and

beam. I see no issues. I see a lot of work coming India's way. There is enough and more for the top 4 to do in terms of handling growth. A lot of work will come our way, and our own truck industry, which has also been running slow over the last few years, is coming into its own.

There is also a replacement demand that comes in in India, and as wage costs here go up, truckers will find the necessity to keep their fleets young and healthy. Rather than old and dilapidated. Of course, there'll always be people who will use sluggish trucks, but generally the long-distance market will be with- and the age of engines, the cleanliness of these new vehicles in terms of emissions, plus their mileage, operating costs. When I talk to even our people who provide buses for our plants, all of them are saying that it's It's cheaper to- if you have the wherewithal, it's much cheaper to buy a new vehicle and to operate a new vehicle than an old one.

So that mindset will slowly change, and the scrappage policy coming in, nudged here and there by the government, self-imposed scrappage from government bodies, all that will move in a positive direction, and the truck industry in India will be- should be on a strong ticket.

Unidentified Participant - Analyst
Thank you, sir. Thank you, sir. That was all from my side. All the best for the next one.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
One more. Thank you, thank you so much. One other point is that MM Forgings' non-auto sales stands at about 15-odd percent. There again, there's a huge scope for improvement in the non-auto space. So that itself is is a significant- will be a significant driver globally for MMF. Roughly, we are headed for about 600 crores of exports on an annualized basis. I would say there is a- by end of the decade, or less, we should be looking at 1,200 to 1,500 crores of exports. There's a huge potential in the export market, and while we've been caught up with the domestic market, There is a- we have to get our act in the export market, which we will, and we are doing.

So exports will offer- exports of heavy forgings, exports of overall forgings will constitute a driver in the months to come? Yeah, I'm done. Next question, please.

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

Unidentified Participant - Analyst
Hello. Hi, am I audible? Hello?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Yeah, you are.

Unidentified Participant - Analyst
Hi. Yeah, just one data point that I wanted to know. How much CAPEX have you spent on the regular plus maintenance CAPEX? In the first half, H1, and what is the amount that we plan to spend in second half?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
We spent 70- 65 crores in the first half, and we are planning another 75 crores in the- 75 to 80 crores in the second half. So taking the total to about 150.

Unidentified Participant - Analyst
Okay, okay. And, uh, so, uh, just considering, uh, 100- around 150 crores that gets spent into CAPEX and the higher working capital requirement that we may have with higher volumes that, uh, we are targeting for the second half. Uh, what would be like the peak debt we are looking at, uh, or closing level of debt that we can, you know, uh, see for the company by end of this year?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Overall debt levels should be at the same level as current, which is about Rs 1,200-odd crores overall. And if you remove cash on hand somewhere in the region of Rs 1,000-1,070 crores, our overall debt level, Rs 1,020-1,070. It should remain in those same because also what will happen is internal accruals will be there, right? Higher internal accruals because of higher volume, whereas we are pegging our CapEx and whatever we spend mostly will come out of term loans, but we will repay the same extent. So on the, on the long-term use, it will be neutral.

Unidentified Participant - Analyst
Okay. And what is

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Our-

Unidentified Participant - Analyst
And what is our average cost of debt as of now?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Sorry, can you repeat?

Unidentified Participant - Analyst
What is our average cost of debt? I mean, in 9%, 8.5%,

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
9%? 6 point something, 6.3. One second, I'll get the 6.3%.

Unidentified Participant - Analyst
The 6.3% our cost of- 5.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Yeah, 5.42% is our average cost of kit.

Unidentified Participant - Analyst
Okay, okay, okay, okay. That's come down

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Here from 8.5%, right?

Unidentified Participant - Analyst
Okay, thank you.

Operator
Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and 1. A reminder to all the participants to press star and 1 to ask a question. The next question is from the

line of Lakshmi Narayan from Tunga Investments. Please go ahead.

Lakshmi Narayan - Analyst, Tunga Investments
Yeah, thanks again. I have a couple of questions. As you scale, I mean, I believe that execution hinges on 4 pillars. One is expanding the leadership bandwidth. Second, fortifying the core. Third, deepening your competitive moats. And fourth, enhancing earnings predictability. I'd like to understand what has been the tangible progress across these 4 vectors over the last few years. Because you made a point that you have changed certain parts of the business and that's where the flywheel growth is taking place.

So want to understand on, on these 4 things, I just repeat: leadership bandwidth, strengthening the core, deepening the competitive moats, and enhancing earnings predictability or revenue predictability. What steps has the management taken in the last few years on this?

Operator
Management, we cannot hear you.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Oh, sorry, sorry, I was on mute. My bad. Um, Lakshmi, It's a question that requires a long answer, but let me try to run it, run it through in a gist. So leadership, we have added quite a few people at the top level within the organization. We promoted them in charge of business heads, as business heads responsible for various aspects such as forging, concentrated machine shops which are, you know, large, or a bunch of machine shops. So these leaders are emerging, they are finding their place and moving things.

We have also strengthened our finance team. We are looking to expand our internal audit as we move on so that newer and existing processes will be- the adherence will improve and sustain. So 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, utilization of assets, which we have done significantly in the last 6 months. We've looked at every line, mapped out what is it that we are missing, where is it that we are not growing.

Why, why aren't we not fulfilling our capacities there? What is our bottleneck? And we are driving those numbers, those factors that result in better numbers. Enhancing predictability is a long-term task relative to the first 3 at MM Forging because we are quite CV dependent. We will have to wean ourselves away from CV over a period of time, not wean away But at least strengthen our non-CV percentage, I put it that way, which we have started, which is why I'm saying that a significant amount of growth will come in exports.

One other way to look at the CV market is also this. We are predominantly, uh, we are overall 85% dependent on, uh, auto, 70-odd percent, yeah, 70% on CVs globally, give or take a percentage or 2 between India and rest of the world. But if we diversify our CV presence across geographies and grow the CV presence in, for especially heavy parts outside of India, that would also mean a certain amount of enhancing the predictability of the business. So we are not stuck to the cycle of one economy. We'll be stuck to 3 or 4 geographies which will be pretty Diversify.

Of course, each of these cycles hum together or dim together at the same time. That is there for any organization. So one thing is to look at non-CV, non-auto, which we are, we have started. The other is to diversify CV across geographies. So increase our heavy forgings across, particularly outside of India. Both of these actions have been commenced. It will take some time to pan out, but not, you

know, infinite time. Over the next 2 to 3 years, we should see results in improving our predictability.

Basically, predictability means flattening out and saying that, you know, if one geography performs less, I should be able to compensate for it with other geographies or other industries, other sectors, right? So we have embarked on these 2 journeys. In this- on this journey, it will yield results in the next 2 years.

Lakshmi Narayan - Analyst, Tunga Investments
Got it. And we have multiple manufacturing locations, and we also acquired DBS, you know, couple of years back. Have the manufacturing systems are homogenized across all your locations that they track the same thing? The way in which they, they vocabularize things are all same, or Still, you know, yet to homogenize all the manufacturing systems across the plants.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
On manufacturing systems, we have a long way to go.

Lakshmi Narayan - Analyst, Tunga Investments
Got it. Long way to

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Go. That'll be blunt, brutal answer.

Lakshmi Narayan - Analyst, Tunga Investments
Good, thank you. And 2 questions more. Uh, I just want to understand, couple of quarters back you talked about There is a movement towards tractor-trailer that is leading to pressure in growth because we were tuned to multi-axle trucks, and how that has, uh, that is passed, or, you know, how that trend is shaping up. And the second question is related to Abhinava Rizal, and what has been the traction and growth outside the core MM Forgings? If you can just elaborate on these 2, it would be helpful.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Yeah. The move towards multi-axle vehicles has kind of, what should I say, hit the scene, and we are seeing multi-axle vehicles back in the game, kind of a block, and we are seeing an increase in multi-axle vehicles coming in. The front axle numbers to vehicles at most OEs has gone up. That's number one. Abhinav Arizal, I'm happy to say- actually, I should have said that in the opening remarks itself, we missed it out- has opened its account. We started selling 300-400 motors a month from July onwards.

Again, we should have added it in our opening remarks. So there, thank you, Rachni, for pointing it out. Very important facet of our organization. This we expect to grow to about 3,000 to 4,000 motors over the next few years on a monthly basis. Basically, the good news is it has opened its account.

Lakshmi Narayan - Analyst, Tunga Investments
Okay, and, and what kind of investments you think, uh, would need, uh, you know, more towards this particular business? Uh, um, we were doing some, for lack of better words, some trial and error because certain things were not finding its way to the market. Now, now that there is strength and now there is a proof that it is actually- there's an offtake, do you intend to add capacity or add capital to this? And if so, what is the plan you have, uh, the company has for the next couple of

years?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
To realize between 2,000 to 4,000 motors per month is our first visible tangible goal. With existing technology, that would require about 15 to 20 crores at best here and there over the next few months. We have started the journey. We are investing. We are chip chopping in terms of wherever there are capacity bottlenecks and process improvements. Maybe about 10 crores may be itself enough. I am saying 20 crores at best. The next jump for AR would come- we are looking actively at an international- at some international partnership, discussing with quite a few players.

Those coming, then ARPL could go into the big league of making 3-in-1, 5-in-1, 7-in-1 systems for largely the PASCAR market. Those breaks can be huge breaks. The revenue from each of those could be running into hundreds of crores, at least a couple of hundred crores. We are working on that side as well. So one is homegrown tech, the other is bought-out tech, if I can use the word, because the Chinese, as far as task cars are concerned, are miles ahead of the rest of the world. And their electronics manufacturing is well known.

So 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 Khimka.

Unidentified Participant - Analyst
Hi sir, uh, good afternoon. Uh, why has the company been so slow to capitalize assets, and why has there been a delay of, uh, 16,500 tonnes? And, uh, how much is the cost escalation, if any?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
I'm happy to say first there are no cost escalations other than possibly interest. This is also a significant cost itself, first thing first. Second, the delay of about 6 to 8 months is because the foundation required big plates that required- that needed to be welded and brought in. The execution of that from the vendor took more time than anticipated.

Unidentified Participant - Analyst
Oh, these

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Are the 2 reasons. Why, uh, there's a reason why the press commissioning and installation got shifted out a little bit.

Unidentified Participant - Analyst
So why, why didn't we take any short-term duration capital projects, uh, when there was so much pressure on, uh, you know, our return on capital and leverage, which is now close to 1?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Sorry, I didn't understand the question.

Unidentified Participant - Analyst
So I, I said that, uh, We could have taken some short-duration capital projects because there's so much pressure on our return on capital and leverage, which is now close to 1.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
See, most of our products require validation at customer end. Customers have come up with requirements. So all those things, we've been working with customers. Some places we missed out on installation itself. In some places, having installed on time and sampled and approved on time, customer projects got shifted out. One PV customer is a case in point. So we are working with customers across all these fronts, and these delays have been largely out of our hands. One or two projects, company is also- internal reasons alone were there.

Good news is that we are- it's now behind us, but the learning stays that we need to be far more nimbler in execution, and we are focused a lot on it.

Unidentified Participant - Analyst
Okay, and, uh, how much, uh, like, uh, can you afford to delay capitalization of assets at a time when your balance sheet is not in such a good shape, uh, with mounting debt and increasing pressure on ROC?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Now if you see current numbers, I would not say that, you know, our numbers are- balance sheet is not in good shape, and we are capitalizing assets as we speak.

Unidentified Participant - Analyst
Yeah, but I see in the past 3 years, if I take the past 3 years figures, we have close to spent almost close to Rs 800 crores, but we have capitalized only Rs 380 crores. And in the- so there's a lot- there's a big amount that is still sitting in the- Yeah, correct.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
The 15,500-ton press itself is Rs 240 crores, that line itself. So that remains- that's a big chunk.

Unidentified Participant - Analyst
Okay. No, because the- because we have- we are facing pressure on the ROC, right? It's like the average of the past 3 years have been close to 10%. So don't you think that it's a reason to worry?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
I would have been concerned had we stayed put at previous levels, uh, this year also. But now that we've come out of the so-called rut that we were 2 years back and we started delivering and Across all sectors, I would say that that concern is largely nonexistent.

Unidentified Participant - Analyst
Okay, thank you, thank you.

Operator
Thank you. The next question is from the line of Lakshmi Narayan from Dunga Investments. Please go ahead.

Lakshmi Narayan - Analyst, Tunga Investments
Sorry, my line got disconnected earlier. Um, one question I had is that while we track the overall split across machine components and end markets, uh, could you help us understand which product-specific product families, uh, such as front axle beams or knuckles or crankshafts, uh, where- which, which form your core leadership stronghold, and roughly what percentage of revenue

that contributes today from your strong product segments and what levers you are pulling to deepen this competitive edge on those products where either from the product accessibility, acceptability, or cost competitiveness, um, or capability, we are heads and shoulders above the rest of the market.

Which are those products and what percentage of revenues broadly it contributes? And what are we doing to continuously enhance our competitiveness in those products?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
The bulk of our production comes from 5 product groups, what we used to call 3 as ABC- axle arm, beam, and crank. And then we've added 2 more, conrod and spindle. These constitute a good portion of our revenues. So these we are pushing across all sectors, all customers, mapping out our capacities versus demand and debottlenecking the capacities wherever required with very, very minor CapEx or process weeks, sometimes even mining machines. All those gaps have been identified and they are being plugged.

These parts constitute more than 50%, I would say close to 60%, 55% of the revenue of the company. The first 3 constitute 44% of our sales and the latter 2 would easily be in the region of around 10% more. These parts together will be more than 55% of MM Forgings. We are focused on these and also many other product families are there, but these 5 today are the biggest families.

Lakshmi Narayan - Analyst, Tunga Investments
Got it. And what are we doing to ensure that Uh, we, we are- we continue to expand our leadership in these products because I believe they are also, um, much better than the rest of the other, you know, industry players, right? So while they are dominant for you, and these are- these, I believe, may also be something where M.M.Forgings is way above the rest. So what are you doing to ensure- This- We're investing

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
In crankshaft lines to take our crankshaft capacities up. We're investing in beam lines and also knuckles. So across the board, we are doing a significant amount of activity across these major platforms, plus the intended growth or planned growth in export markets across the ABC parts. Export markets particularly. That also will add to competencies, will also result in realization of competencies that have been created in the last 5-7 years.

Unidentified Participant - Analyst
Okay. Okay. Thank you.

Operator
Thank you. The next question is from the line of Ashish from Leo Capital. Please go ahead. Ashish, we cannot hear you.

Ashish - Analyst, Leo Capital
Hi, sorry. In one of the old con calls, we had alluded to an HPP genset order which we might be receiving. Is the heavy presser gating capability for that?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
It is also, uh, one of the factors there.

Ashish - Analyst, Leo Capital
What is the other factors which helped us win this order?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
There are also, uh, parts that go into smaller equipment. So the parts are not just restricted to the heavy- heavier presses. Parts are also across smaller presses as well.

Ashish - Analyst, Leo Capital
But would it be correct to understand that heavy presses opens up a new non-auto segment for us?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Absolutely right.

Ashish - Analyst, Leo Capital
But why is this, sir? Is non-auto have, have higher weight classes of ABCs? I mean products?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
No, non- it opens up a new class of non-auto. Fine, that's, that's correct. And I said yes to that question. Whether it has a higher concentration of ABC parts, I would say no. The volumes there are not comparable to auto volumes, CV or PV, by any stretch. But however, it does open up a new avenue because the parts that can be produced on the heavier press do not find use in the auto parts, auto sector, in trucks or cars.

Ashish - Analyst, Leo Capital
So I'm asking the reason, like what is difference between a non-auto part and an auto part?

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Parts are similar, but the non-auto has applications which are much heavier than auto. That's the point I'm trying to make. I don't think I was clear. Your question is clarified a little bit. So non-auto has one component or one Portion of it is within the weight range and capability of auto parts, similar. The other is beyond the weight range. That market gets addressed with bigger equipment.

Ashish - Analyst, Leo Capital
Got it, got it. Thank you so much, sir, and best of luck.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Thank you.

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.

Vidyashankar Krishnan - Chairman and Managing Director, M.M.Forgings Limited
Thank you all for the interesting questions as always. Every time I'm really surprised by the quality of questions which have gone up over the last few years, and between the previous call and this one too, I see a total difference in the qualitative nature of the questions, which are more incisive. And I would honestly admit that I do get insights, more insights into the business. At least it's exciting for me to see that, you know, being challenged to look at the business from various angles, it does provide a better view of the business as we go back and do our homework.

So thank you all for your incisive questions. We at MMForgings are pretty strong of looking at Rs 2,000 crore mark this year and challenging the Rs 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.