

August 22, 2025

To,

Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Tower, Dalal Street,
Fort, Mumbai-400001
Scrip Code: 513509

National Stock Exchange Of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai-400051
Symbol: **KALYANIFRG**

Dear Sir/Madam,

Sub : Transcript of the Analyst/Investor Conference Call held on August 14, 2025.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Analyst/Investor Conference Call held on August 14, 2025.

The same is available on the website of the company www.kalyaniforge.com.

Kindly note the same.

Thanking you,

Yours Faithfully,
For **Kalyani Forge Limited**

Mrs. Rohini G. Kalyani
Executive Chairperson

Encl.: As above

KALYANI FORGE

KALYANI FORGE LIMITED



KALYANI

ANALYST / INVESTOR CONFERENCE CALL FIRST QUARTER ENDED RESULTS - TRANSCRIPT

The Company hosted an Analyst / Investor Conference Call (Virtual - Mode) to discuss the financial performance for the first quarter ended on June 30, 2025 on -

Date : Thursday, August 14, 2025

Time : 11:00 AM – 12:13 PM IST

The Management team represented by **Mr. Viraj G. Kalyani**, Managing Director and **Mr. Nilesh Bandale**, CFO of the Company.

E&OE - This transcript is edited for factual errors. In case of discrepancy, the video recording available on the website of the company will prevail.

Moderator: Mr. Rajkumar Diksangi (Associate Company Secretary).

INTRODUCTION:

Moderator: Good morning, ladies and gentlemen, a warm welcome to this conference call of Kalyani Forge Limited Q1 FY25-26, covering the company's financial results and future prospects. This conference call may contain forward-looking statements about the company which are based upon beliefs, understanding and expectations of this company as on date of this call.

These statements are not guarantees of the future performance and involve risks and uncertainties that are difficult to predict. As a reminder, our Managing Director, Mr. Viraj G. Kalyani will be making the presentation after which participants will get the adequate time and opportunity to ask the questions regarding the presentation. Please note that this conference call is being recorded.

Now I hand over the call to Mr. Viraj G. Kalyani, Managing Director of Kalyani Forge Limited. Thank you and over to Mr. Viraj G. Kalyani.

Mr. Viraj G. Kalyani: Good morning, everyone. Good morning, all shareholders, investors and all those interested in the Kalyani Forge stock. Very happy to have you here on our quarterly investor call.

Let me take you through the highlights of the quarter. We've had a pretty good quarter of Q1 FY26. The major highlights are as follows.

We have robust growth momentum: Revenue is up by 12% year-on-year and 9% quarter-on-quarter, driven by ramp-up in machine conrods, driveline and axle businesses. Our profitability is also strengthened. PAT margin improved by 300% year-on-year through cost-controlled operational efficiency and product mix optimization. EBITDA is at 10%, which is maintained in spite of increased planned expenses and maintenance, which we decided to do in Q1. And I will talk about that in our later slides.

Exports are on track to target: International sales is at 21% of our total sales. And Europe sales have grown with new business coming in.

Strategic projects: Last time I spoke about the Vriddhi Council, which is about 13 strategic projects and initiatives which have delivered gains and savings worth Rs.10 crores of value in Q1. This has helped us to improve our top line as well as increase productivity and operational profitability.

Governance and compliance drive: We launched a clean audit review task force, strengthened procurement governance with direct MD oversight on high-value vendor engagements.

Leadership and culture transformation: Key senior leadership promotions based on merit have taken place. We have restructured roles to strengthen plant accountability and foster a high-trust and performance-driven culture.

Future-ready workforce: We have enhanced the trainee program to build a shop floor-based leadership pipeline while ensuring compliance and integrity.

For those of you who are new or joining us for the first time, I'll just take you through our product offerings. We produce and sell critical high-performance components which are forged and machined, leveraging decades of experience.

Our three main product groups are engine, driveline, and axle. Within the engine group, connecting rod is our signature product and makes up about 70% of our sales. We also produce crankshafts and rocker arms.

Driveline is our second largest product group. Among those, tulip is the major product. These are typically warm and cold forged parts, and we also make double yokes and yoke shafts which go into the propeller shafts. These are typically automotive applications for passenger cars, and the double yokes and yoke shafts are for commercial vehicles.

The third group is axle, and we produce stub axles, steering knuckles, and wheel hubs. All these are growing businesses, and I will share how we have grown in each of these areas.

KFL GROWTH FORMULA:

We have a clear growth formula at Kalyani Forge, which is a KFL growth formula, which I have been speaking about since our first investor call. This is the same format that we will continue to give updates on. The three main ingredients are Strong execution, Business development, and CapEx, which help us achieve sustainable growth.

We'll start with **Strong execution**. These are our financial results for the quarter along with trends of the previous quarters and as you can see, our total income is at 64.52 crores, we've had a significant growth compared to previous quarter as well as the same quarter last year.

Our PAT is at 1.4 crores, which is significantly better than Q1 in the previous year. EBITDA is at 6.25 crores, and EBITDA margin is at 9.7 %. Now, coming to sales, this time we decided to give more details on our sales by product groups and segments based on the various questions that investors asked in the previous investor calls and we have got all this data together, we will be reporting on these groups. Here, you can see our sales by total sales, engine, driveline, and axle. And this is the split of sales by different product groups which is 59 % is engine, 18 % is driveline, 9 % is axle, and 14 % are other products. Thus, it's important to note, and we are happy to see growth taking place in our strategic segments. Our engine products have grown by 16 percent year-on-year. This is the most mature business and the growth it has a higher base, and therefore the growth percentage would be slightly less compared to the other two. Driveline has grown by 42 % year-on-year, that is compared to the same quarter last year. It is at 12 crores versus 8 crores last year and there's a 10 % growth quarter-on-quarter. Axle has shown the most significant growth, and this is very much in line with our strategic focus. It has grown 124 %, so we are very happy about this and we have got, this is driven by increased customer demand as well as customer confidence in our ability to deliver. This is now at five and a half crores in Q1, compared to two and a half crores in the same quarter last year.

Then we come to sales by geography, I will talk more about exports here, which is one of our strategic long-term targets. We have a target of 50 % exports over the medium to long-term. In the latest Q1 FY26, our export sales are at 21 % of total sales and up 25 % quarter-on-quarter.

Europe sales have grown, as you can see in the graph here, with increased demand, and there have been some new business SOPs kicking in. We have also successfully ramped up high-volume export businesses across the board. Here an important point to highlight here is that our exports businesses consist of a variety of part numbers, variety of market segments, and typically we supply to Europe and US, and to some extent to Japan.

There are some businesses which are very niche and low-volume, and the demand is fluctuating throughout the year based on several factors. Thus, we decided that, just like we have done with our domestic business where we either phased out or removed non-profitable businesses, in exports, we have decided to prioritize the steady high-volume and high-value businesses, ensure there's a very clear operations focus on ramping those up, and therefore we gave second priority to the niche and very low-volume businesses which otherwise would have taken up a lot of our capacities at the expense of the growing export businesses. So, this type of very focused execution has helped us to ramp up a lot of the important export parts which will increase customer satisfaction and help us to get new orders in the future.

Business development, as I presented last quarter, we have had new business order wins in FY25 of 115 crores, and this has been probably a historic high for us. Based on subsequent interactions with shareholders, I wanted to give more clarity on these numbers and thus, this figure of 115 crores, it represents peak annual revenue. Typically, our new business orders have a program lifetime of 5 to 10 years, and therefore, there's an initial ramp-up phase in the first year, and then by year 2 or year 3, it reaches the steady-state peak value. That is the level that we refer to, and then it continues for a few years, and then it tapers down in the last 2 or 3 years over a 10-year period. So, 115 crores means typically it's 115 crores every year except for the initial ramp-up phase and the end-of-life phase.

One new machine conrod program SOP commenced in Q1. We have also completed 3 PPAPs i.e. pre-production approval process, and our APQP project management is fully digitized in software. We focus a lot on executing these orders so that it's adding on to the existing business without disturbing the existing business and that was a major focus.

Additionally, I wanted to highlight the new order wins by product. Here, as you can see on the graph in the bottom right corner, majority of the new business order wins have been related to connecting rods and then a significant portion is of nozzle rings, which are turbocharger parts.

We've also had tulips in the previous year, which have started SOP this year, and we are keeping track of new order wins by product, by geography, by supply condition, and so on. But we make sure that new RFPs that come in are very strictly aligned to our strategic intent.

Another update on business development, I'm happy to share that we received two customer awards in Q1. We received the **Technology and Support Award from KOEL**, which is Kiloskar Oil Engines Limited. They are one of our oldest customers, and we received this award for developing one of their new engine connecting rods.

Similarly, as I had updated in the last investor meet, we also received the **Collaboration Excellence Award from Mahindra** for the fastest development of connecting rods and setting up a new line for them. So, we're very happy to get this recognition from our old and established customers.

Finally, the third pillar of our growth formula is **CapEx**. Last quarter, I had highlighted that we have a budget of 25 crores approved by the CapEx allocation committee and the board. This is for FY26 and for last three years, or including this year, we are maintaining a steady CapEx plan, which is based on very clear strategic intent tied to new business programs, as well as upgrading existing machinery for existing business. In Q1, 4 crores of CapEx items have been received, and some of them are commissioned already and some are under commissioning. That's what you can see in the graph here. We commissioned a new connecting rod machining line. Our forging modernization program is initiated for profitability improvement. The first full recon project was completed in the last quarter. Thus, in Q1, the second forging press recon project is also underway.

I'd like to highlight that we have ample land available in our existing premises for expansion and most of our CapEx goes into machinery and very direct expenditure, which has a better conversion into sales. So, that's all I have for the updates for this quarter.

I have added some slides about our company, which most of you are already familiar with, so I won't go into them in detail. But our investor presentation is available online. Now, I invite you to take a look at all these slides at your leisure, so that we have more time for Q&A and conversation. Thank you.

Rajkumar, over to you to open up for Q&A.

Q&A SESSION:

Moderator: Thank you, sir for your insightful presentation. I request the attendees over here, if they have any questions, to kindly raise their hands, or they can use the chat box for questioning.

We have Saket Kapoor here, sir. Yeah, Saket Kapoor, you are unmute.

Mr. Saket Kapoor: Namaskar, sir.

Mr. Viraj G. Kalyani: Yeah, namaskar.

Mr. Saket Kapoor: Viraj sir, as you mentioned about the 25 crore run rate that we have maintained for the CapEx. If you could just give us some colour, when we started this exercise in 2024, what was the capacity, and gradually what have been the capacity addition for 2024-25, and hence also for this year, and the asset turnover, which we will be experiencing because of the 75 crore CapEx that we have gone through.

Also, you have spoken about modernization efficiencies, which you are alluding and you have to bring to the system, because I think some margins for this quarter, according to me, are subdued. Other expenses, line item, are also on the higher side.

So, if you could just throw some more colour on that.

Mr. Viraj G. Kalyani: Yeah, sure, you asked a couple of things about CapEx.

First one is capacity, second is Asset turnover and the third was efficiency and why the other expense line item is on the higher side.

These are all three interrelated, we look at capacity in two sections: One is forging capacity of our forging plants and machining capacity of our machining plants.

We have installed capacity in forgings of close to 500 crores. But this is at 100% OEE i.e. overall equipment efficiency. When we look at the OEE capacity of forgings, we are currently at 150 to 200 crores. Now, these are very initial numbers because we started analyzing installed capacity and OEE capacity just this quarter, so that we are taking much clearer capital allocation decisions.

The whole game plan is to increase the OEE of our forging capacity, which includes reconditioning the presses, replacing certain equipment in the press lines, like induction heaters, conveyors, and ancillary parts.

Over the last three years, this OEE capacity has been increasing on the forging side. In terms of how much it has increased, I will have to get back to you, and we will probably give those kind of insights in the next quarter. On the machining side, our capacity is close to 100 crores to 250 crores. Here, the OEE is much better, but we need to add more capacity as and when we get new business. We have added about, these are very rough numbers, about 10 to 20 crores on the machining side, or closer to 20 crores on the machining side in the last two years.

Coming to asset turnover, our current asset turnover is very high compared to our competitors, which means our asset base, net asset value is still very low. The typical ratio is two is to one, that is sales to fixed assets should be in the ratio of two is to one, and we are currently at close to four, whereas most of our competitors are at two or below and there is a lot of headroom to improve our asset base, and it will, this is what makes the sales very sustainable and robust, and that is the strategy we are following.

Coming to the margins for this quarter, the other expenses are also tied to this entire strategy of improving our capacity and improving the OEE capacity. So, we had some significant maintenance expenses, which are apart from the reconditioning, to make sure that all our lines are, we are increasing uptime across the board. There has been a lot of increased focus on maintenance from the end of Q1, as well as it will continue in this quarter, with significant oversight from top management, where we want to make maintenance as a very strong core capability of the organization.

Mr. Saket Kapoor: Sir, when you mentioned that 500 crore OEE means, I missed your very first comment.

Mr. Viraj G. Kalyani: Yeah, the installed capacity is 500 crores, and the OEE capacity is around 150 crores.

Mr. Saket Kapoor: And what do, how do we explain OEE as operational?

Mr. Viraj G. Kalyani: Overall equipment efficiency. OEE is a formula in manufacturing, which is availability multiplied by productivity multiplied by quality and these are in percentages.

Availability is about machine uptime.

Productivity is typically how much you can produce against the target production rate and;

Quality is how many okay parts versus total parts produced.

So, if the machine condition is very old or not reconditioned for a long time, the OEE will erode over time. And therefore, the actual productive capacity, that's what OEE capacity means, the productive capacity will come down.

Mr. Saket Kapoor: You mentioned that our OEE is 500 crore. And out of that, the forging capacity is 150 crore.

Mr. Viraj G. Kalyani: No, I said for the forging capacity, our installed capacity is 500 crores and the OEE capacity is 150 crores.

Mr. Saket Kapoor: Okay, so a lot of effort needs to be taken now to move that from 150 to the 500 crores.

Mr. Viraj G. Kalyani: Yes, yes. It won't reach 500 crores because we aim to have at least 60% to 65% OEE in forging. That's a realistic target.

Mr. Saket Kapoor: Okay, so that translates into 300 crores.

Mr. Viraj G. Kalyani: Yes.

Mr. Saket Kapoor: Okay and other than that, said the machining part revenue, how should we map that also?

Mr. Viraj G. Kalyani: The machining capacity is 100 to 150 crores and that's a separate capacity. The forging capacity plus machining capacity is what we get as an overall sale. Only thing is we have to adjust for inter-plant sales between forging and machining. That's a little more complicated to explain in a quick call. But it's the simpler way to look at it is look at both separately.

Mr. Saket Kapoor: Last point is, can you give the breakup between the forging and the machining capacity for this quarter and last financial year? And how should this map up for the current fiscal year with the type of order booking and the efficiency that we are factoring in for this year? You could give those two numbers, I'll join the quiz.

Mr. Viraj G. Kalyani: I cannot give you an exact number because it may accurate but percentage wise, we are doing 60% of our sales is machined supply condition and 40% is as forged. That's the overall split I can give you at this point.

Mr. Saket Kapoor: And this year, sir, with the type of order book, which you have just mentioned, and about also that 115 crore peak revenue sales, one order program, which you have.

How should this look like for the year and sir you already mentioned that in other expenses we have put some one-off items, so if you quantify that, so that will not be there for the next quarter going ahead?

Mr. Viraj G. Kalyani: Yes, it will be much less in the next quarter, I cannot give an exact quantification at this point, but as I said it is related to maintenance expenses which were necessary to improve our productive capacity.

Mr. Saket Kapoor: Okay sir, do follow up but I will take after my friends. Thank you.

Moderator: Okay, moving to the next participant, Mr. Somil Shah.

Mr. Somil Shah: Hi, good morning and thanks for the opportunity. So in our annual report, I think we have mentioned about the Vriddhi Council and our guidance of doubling of revenue with an EBITDA margin of 15% by 2027. So wanted to know more on this, what's this council about and what role will it play for doubling our revenue in two years?

Mr. Viraj G. Kalyani: Yeah, thank you. This Vriddhi Council is a council of project leaders that are driving high impact strategic initiatives across the company. These are initiatives which involve ramping up production and major cost savings, like in purchase cost savings, power cost reduction, cutting tools, efficiency, cost of poor quality reduction, as these are a few examples. These are very structured projects with cross functional teams, we review them every month in a steering committee and they have a clear mandate to increase the top line, as well as increase the EBITDA in line with our long term goals.

Mr. Somil Shah: So if we are projecting a doubling of revenue by 2027, so that is two years. So what's our internal estimate for this year, since we have grown hardly 13 to 14% for this quarter? So basically we are projecting doubling of revenues in two years by 2027. So what's our internal estimate for this year? Because if we want to double our revenue in two years, so this year, how much growth can we expect?

Mr. Viraj G. Kalyani: We don't give forward looking guidance on revenue. But as I have shared, we have new business coming in, in this year, which will add on to the existing business, which was of FY 25.

Mr. Somil Shah: Okay. So your order book, I think is around what, 150 crore new order book?

Mr. Viraj G. Kalyani: That's the new business order. Peak volumes at different stages, different parts reach peak level at different, in different years.

Mr. Somil Shah: Okay. So this won't be executed completely in this year?

Mr. Viraj G. Kalyani: Correct. Yeah. Part of it will get executed this year.

Mr. Somil Shah: Okay. And so how confident are we, I mean, to achieve doubling of our revenues in two years? Are we on track to achieve it?

Mr. Viraj G. Kalyani: We are fairly on track. I mean, it's not an easy task, but the key ingredients, as I've said, is strong execution and business development and CapEx. All three have to work in tandem. We have to achieve the goals in, you know, in line with our deadlines. A lot of the execution involved is in improving our productive capacity so that our output is ramping up across the board. And we have seen this in the growth in the driveline and axle business in over the last few quarters. Similarly, I haven't shown a graph of our connecting rods sales. Those have also been growing steadily every quarter and this will involve a lot of, a lot of hard work and our teams are geared up for it.

Mr. Somil Shah: If not on absolute basis, can you even confirm on the percentage basis? I mean, we can expect the mid-teams or a higher growth for this year?

Mr. Viraj G. Kalyani: Yes. I mean, what I have said so far is all I can provide in terms of growth guidance.

I can't give any exact numbers because it's the future is anyone's guess.

Mr. Somil Shah: Yeah, because as a shareholder, we've seen hardly any growth in our revenues for past many years.

Mr. Viraj G. Kalyani: Yes, but as you can see now, you can see the growth on this slide.

Mr. Somil Shah: And is there any seasonality in our business? I mean, normally out of the whole quarter, is it that the first half is a bit slower and the second half is a bit stronger? So how shall we look at it?

Mr. Viraj G. Kalyani: There is seasonality in different segments. So automotive has more of a festive season bump in Q2 and Q3. Construction industry has a slump in monsoons and then it picks up later in the year. Exports business tends to have a little slump in Q4. So seasonality differs across segments and therefore we are quite diversified across these different market segments so that our overall revenue and business is not fluctuating.

Mr. Somil Shah: Okay, so Q1 to be a seasonally weaker quarter and Q2, Q3 stronger quarter, is it?

Mr. Viraj G. Kalyani: No, as I said, all our segments have different seasonality and they counter each other thus, we tend to have overall steady market demand on an aggregate.

Mr. Somil Shah: Okay, and my final question, last year we did about 48 crores of export orders. So out of the total sales of 237 crores, which is about 20%. So how much of this is through the US and are we facing any challenges due to US tariff issues?

Mr. Viraj G. Kalyani: No, we are not facing challenges on the tariff situation currently. Our businesses are very niche and very high precision products and it's not very easy to just change over to some other location. These are steady businesses that we have going into the US. In fact, we have seen pretty good growth in our high volume businesses, even to the US. So that's how it is. Overall, the percentage between Europe and US, they're pretty equal. Europe will be slightly higher.

Mr. Somil Shah: And we don't face any challenges due to tariff issues?

Mr. Viraj G. Kalyani: No, at the moment, we are not seeing any such challenges. We are connected with our customers on this aspect. But I mean, the outlook is that any tariff impact would be passed on to the end customer or end consumer.

Mr. Somil Shah: That's it from my side. Thank you and all the best.

Moderator: Our next participant is Mr. Rohit Balakrishna.

Mr. Rohit Balakrishna: Hi, Viraj. Am I audible?

Mr. Viraj G. Kalyani: Yeah. Hi Rohit.

Mr. Rohit Balakrishna: Sorry, there is a lot of background. So I just want to understand. So you mentioned that our forging OEE is about 100 crores and machining is about 150 crores. So in that sense, the numbers that we are doing today in terms of the quarterly run rate, is that sort of optimum?

And for us to grow for this year, we'll have to keep unlocking this OEE capacity up. Is that a fair understanding?

Mr. Viraj G. Kalyani: Yes, correct. You understood it correctly. We have to keep unlocking the capacity, especially on the forging side. On the machining side, there is some unlocking and potential for efficiency improvement. But there we are adding new capacity in machining.

Mr. Rohit Balakrishna: So just to understand this better. So sorry. So just to understand this better. So is it like every monthly exercise, every quarterly exercise? How is it? Because I mean, we are at this level. And at this point, I mean, we did 64, 65 crores this quarter. And if you just analyze this number, probably you will get to about 60 to 70 crores. Which of course is a growth over last year, but just to sort of get to a higher growth towards what we want to achieve in terms of our overall aspiration. Yeah, so that would sort of increase the asking rate. And I mean, so just want to understand.

Mr. Viraj G. Kalyani: Yes, the asking rate for every quarter will go up.

Mr. Rohit Balakrishna: But is that possible? Yeah. But is that possible in terms of unlocking that OEE from your capacity point of view?

Mr. Viraj G. Kalyani: Yes, we have seen very good results just in two months of having this OEE approach. I'll give you some examples. We have three press lines where we did some changes in the configuration in doing some, you know, removing some clearances in the machine, improving alignment and servicing the machine. It took about three to five days of keeping that machine down and doing this overhaul. And right after that, we were doing record production per shift and per day. And this has been a very clear result that we've achieved. These are low hanging fruit, but they require a lot of coordination across maintenance, production, procurement, and at the same time being able to satisfy our customer schedules for the month. But we are seeing good results in unlocking this. It's kind of focused approach and more of a technical approach to maintenance was missing in the past and we are now really unlocking that. And we have all the experience and a lot of skill set in our team on this and we're just channelizing it better.

Mr. Rohit Balakrishna: Got it. Understood. That's very clear. Thank you, Viraj.

So the other question was, I mean, as we came up with the business and you mentioned one part of your vector of getting this growth is CapEx and you outlined 25 crores this year as CapEx. So how are you planning to fund it in terms of this CapEx for this year and also the CapEx that you envisioned for next year and the plan overall to get to that 500 crores?

Mr. Viraj G. Kalyani: So for this year's CapEx, we already received a term loan and we are fully covered. We also have some additional sanction for the term loan and it will also help in next year's CapEx. At the same time, we are seriously exploring raising capital from equity in the coming quarters.

Mr. Rohit Balakrishna: Understood. And from a new business perspective.

Mr. Viraj G. Kalyani: Sorry, one point was it's not 100% debt financed. It's 75% is financed by debt and 25% from our internal accruals.

Mr. Rohit Balakrishna: Okay, got it. And I'm sorry, just as a follow up on that in terms of equity issues, I mean equity raise that you're planning to do. Is it anything that you can share in terms of your thoughts, whatever you have formed up so far?

Mr. Viraj G. Kalyani: Since it's an investor sensitive topic, I can't give any specifics at this point. We are starting the groundwork for it.

Mr. Rohit Balakrishna: Right, right. And the other question on the movement in the margin. Broadly, from the glide path from let's say 10% -11% that you would have done this quarter normalized, assuming whatever one of expenses that is. So if you can broadly outline what are the key factors for us to get from 10-11% to 15% in the next two years?

Mr. Viraj G. Kalyani: The biggest factor is material cost, which is at 48% right now, we need to bring it to 45%. This will happen with more machining content, more fully finished content, and therefore better pricing, better value addition, as well as improving the yield of our materials, reducing cost of poor quality so as to reducing the rejections, which are internal rejection rates. This will also improve as we do the machine reconditioning. It's another side benefit that the machine accuracy makes the production quality much better and that's all about the material cost.

Next is manpower cost. This is something more tricky in the sense, it's kind of a fixed cost. But the key is to increase productivity of the workforce and to improve talent density. We do have a strong performance culture now, which we have been increasing the last few quarters. So there's much more accountability, much more clear targets, balanced scorecard system across all team members, and stronger engagement with our labour workforce to increase their productivity.

Third is power cost, where there's a lot of energy efficiency initiatives that we are undertaking. We did a very detailed energy audit last quarter and this quarter we have started implementing on the recommendations from that audit. It involves modernizing some of the power transmission equipment, the regulating equipment to ensure good quality of power. And changing some of our old equipment to more energy efficient equipment. So that's the third part of the EBITDA increase.

And then the fourth is on the consumable costs, as well as transport costs, and a lot of the supporting or indirect costs. Those all have, you know, we are looking at better procurement, better improving the vendor base, and improving our overall planning in the procurement.

Mr. Rohit Balakrishna: Very clear. So, I mean, just going by the map, we are at around 48% in terms of material cost, and you're saying that if we get it to 45, I mean, that itself will help us to get to that 15% number. So, I mean, so, in a sense, of course, it's not everything can be precise numbers. But if we achieve a lot of the initiatives that we are working on, we probably there could be, we could reach that 15% number given that growth will also have some kind of operating leverage. Is that a fair understanding? I'm not asking whether you will do it. I'm just asking whether the business has some, yeah.

Mr. Viraj G. Kalyani: Yeah, top line growth is another major lever in improving the EBITDA margins. So that ties into the, you know, capacity improvement, OEE improvement and the material cost is, it's quite challenging to execute that kind of transformation. And it takes a little bit more time, but the path is clear.

Mr. Rohit Balakrishna: Wonderful, just two more questions if I can. One is, so you mentioned machining is about 60% right now for us in terms of revenue. So, any broad targets for this year? And also the yield improvement or the rejection rates that we have, whatever you can share. Let's say, what is it today? What was let's say two years back? And what are you trying to target? So that just for us to get a good sense on the improvements.

Mr. Viraj G. Kalyani: Yes, machining is from 60%. Our target is to go to 70% this year, or 65 to 70%. I'll just be conservative. On the cost of poor quality or rejection, we measure in terms of COPQ, cost of poor quality, which takes the more holistic, all the costs involved, including rejection, rework, segregation, and so on. We're targeting about 1.5 crores of savings from COPQ reduction for the year. That's a clear number I can give you. I don't have the yearly trends readily available right now.

Mr. Rohit Balakrishna: Okay, got it. I have a couple of questions, but I'll run back into it. Thank you.

Moderator: Okay. Are there any other participants who would like to ask questions? Yeah, Saket sir is again here.

Mr. Viraj G. Kalyani: Yeah, yeah. I mean, some may have follow up questions, we can take them if there's no other new participants.

Mr. Saket Kapoor: Sir, when you mentioned about this 115 crore new order addition, what would be the closing order book number then, including this or excluding anyway, if you can share. This is the new one which we have back. So what have been the closing order book?

Mr. Viraj G. Kalyani: Closing order book is close to 260 crores for last year.

Mr. Saket Kapoor: Okay. And the executable period is? By what time we will execute?

Mr. Viraj G. Kalyani: Yeah, 260 crores would be sort of including the regular schedules as well as some of the earlier new business. We had 95 crores of new orders in FY24 and 115 crores in FY25. So is your question in terms of these two numbers or are you asking something else?

Mr. Saket Kapoor: Sir, my question was for 31st March 2025, what was our closing order book? I think so 115 is the new specific order which we have won for the first quarter that will span over a 10 year period which you mentioned.

Mr. Viraj G. Kalyani: Yes. 115 is of FY25, which we won throughout FY25.

Mr. Saket Kapoor: Okay. So that is a particular one or what should be the closing order book for 31st March 2025?

Mr. Viraj G. Kalyani: Closing order book, I'm not sure how we can specify that. But maybe in the next quarter's presentation, I will make this clearer.

In FY24, we had 95 crores out of this some part of it has got into production throughout FY25 and remaining will carry forward into FY26. Similarly in this FY25, 115 crores some part of it will get executed in FY26 and remaining will carry on into FY27.

Mr. Saket Kapoor: Sir, you mentioned about connecting rods as the key component of our product profile and I think so you have given us the breakup also. Going ahead, if we can get unit realization also, then we can understand for the total machine, how much do our equipment contributes to the cost of the machine. So that will give us some understanding as a percentage of the total machine cost.

Mr. Viraj G. Kalyani: That's a business sensitive information for us. So I don't think we can disclose at that level.

Mr. Saket Kapoor: Sir, another point was that we hosted our call at 11am and presentation was uploaded 9 or 10 minutes ago only. So requesting that next time, either with the results you come up with the presentation or give us at least 2 hours time. Today being the ultimate day for earning season also, we find it very difficult to align our schedule. So for better participation also, we should look at the second half 4pm schedule and some 2 days gap also can work. Had we scheduled on 18th, we would have been very different than by today's schedule.

Mr. Viraj G. Kalyani: That's a good suggestion. We will definitely take that into our planning for next quarter onwards.

Mr. Saket Kapoor: I just read an article earlier sir, maybe correct me there, when at the time you were inducted or our company gave some target of say 400-500 crore revenue way back in 2017-18. So correct me there.

Mr. Viraj G. Kalyani: No, I don't think we have given that in 2017-18.

Mr. Saket Kapoor: Maybe sir, one target, I will just share the article later on if I have the same. But at the time of you joining, we had a program but that got deferred over a period of 3-4 years. So if you could just explain to the investing community, what changes have you made that this time we should take your point more seriously. Last time it didn't happen like that.

Mr. Viraj G. Kalyani: Yes, I think that article would have been way back in 2013-14. I had just joined in 2012. I was much younger that time, I was 24 years old in 2014. But our plans were clear on expansion. The only thing that was not clear at that time was the clarity on CapEx and we did not have a structured program of CapEx and capital allocation like we have this time. As you can see the numbers on CapEx as well. The last 3 years we have been working on it and that reflects the kind of ambition that we have as an entire leadership team and the board as well. So that clarity was not there in 2014-15 because there was a lot of uncertainty about electric vehicles and new technologies and connecting rod was our signature product back then as well and we were just being very conservative that time.

Mr. Saket Kapoor: So we hope that this time we will implement what we have in the program. To get an understanding as Bala sir was also asking, how should one look at the revenue in terms of the utilization percentage? So that we can get an understanding how well are we aligned to our target of doubling the revenue in 2 years from the exit of FY25. So your revenue of 64 crore, how should that be factored in terms of utilization and starting from Q1 how will the utilization levels will be for the exit of this financial year. Then we can map out how things will work out.

Mr. Viraj G. Kalyani: Okay, but that is an indirect way of giving guidance to you. But only in terms of utilization of Q1, again it would split between forging and machining. On the forging side, the utilization is around 40% and on the machining side, it is around 80%. Now, utilization is different from the OEE capacity. So just please take that into consideration.

Mr. Saket Kapoor: Sir, why I am asking that question, earlier participant also asked, so we only want to understand how will the margin improvement happen with the incremental increase in the utilization level. Since you mentioned about various five factors that will add to the margins when worked out. So utilization levels are somewhat at peak only where the way we have exited for Q1. So there will not be any further improvement in that case, since machining is 80% and forging is 40%. So we will not be having any further volume addition. Is that understanding correct?

Mr. Viraj G. Kalyani: No, this is 40% has a lot of headroom for growth. I mean, that's not fully anywhere close to being fully utilized on the forging side. On the machining side, we are adding new capacity. We are increasing the installed capacity through some of our Vriddhi Council projects and there is a lot of headroom for growing installed capacity in machining and growing OEE capacity in both forging and machining and then growing utilization through increased order books or increased schedules from the customers and production against those schedules.

Mr. Saket Kapoor: Last point, I'll join in the queue, sir. What was the capacity addition for the year ending 31st March 25 in terms of the forging and the machining part and with the new capacity addition and the type of steps we are augmenting in the Vriddhi scheme, what should be that for the exit of FY26? If these two comparison you can.

Mr. Viraj G. Kalyani: Capacity addition in machining was close to 20 crores and this I would take off two years FY24 and FY25. So you can assume 10 crores each year. It's very rough numbers. Forging side capacity was increased was of one press line, which comes to I'll have to look at the numbers, but it would be close to 10 crores as well.

Mr. Saket Kapoor: Sir, can you mention it in tonnage form; you are mentioning how much we have spent at that point, but in tonnage?

Mr. Viraj G. Kalyani: Tonnage currently is at close to 10,000 tons in terms of OEE capacity. And it should be increasing. It can go up to 20,000- 25,000 tons. But again, these are ballpark figures, rough estimates.

Mr. Saket Kapoor: 10 to 20 with Journey will take how much time?

Mr. Viraj G. Kalyani: That is a very good question. I mean, that's the major challenge. We have an internal target to get there within the next one and a half to two years. But that is an ambitious target.

Mr. Saket Kapoor: Right, sir. So all this is backed up by your customer's order booking. All this is aligned to what the execution cycle will map over a period of time. That is what the program should be and that is where you get the confidence to go on for the addition. That understanding is correct? And all other efficiencies under the Vriddhi program will be incremental to the efficiency and the margin additions going in.

Mr. Viraj G. Kalyani: Yes.

Mr. Saket Kapoor: This year, we will be effecting in 10 crore of efficiency to the bottom line from the Vriddhi program. This is what your presentation speaks.

Mr. Viraj G. Kalyani: It's not a clear, it's not a one is to one addition. I mean, there have been other cost increases, which are getting covered by this 10 crore savings. So part of this 10 crores goes straight to the bottom line.

Mr. Saket Kapoor: Right, sir. Thank you, sir. If I have any other feedback, I will share with the department so that that can be passed on to you. Thank you, sir. And all the best.

Mr. Viraj G. Kalyani: Thank you.

Moderator: Thank you. Any other participants who would like to ask questions?

Mr. Rohit Balakrishna: Yeah, I had just two questions. Can I ask?

Moderator: Yes.

Mr. Rohit Balakrishna: So Viraj, just one question was around, actual business grew very well. So what contributed to the new customer or and do you think this is kind of sustainable for the FY 26? So that was my first question.

Mr. Viraj G. Kalyani: Which one did you say? Axel?

Mr. Rohit Balakrishna: Yeah, actually, like, it grew almost 100% or 120% while. So is this going forward sustainable? And do you see this business, which is, I think, 8-9% of your business at this point in time, is that going to be a higher share, let's say, in FY 26 and 27?

Mr. Viraj G. Kalyani: Yes, this is a very strategic growth area for us. It's a non-ice business. So it will irrespective of fuel or electric powertrain, this business will continue. The growth percentage may not be as high, just because right now it's a lower base effect. But this business has been ramping up with our existing customers. We have had very close coordination with them on capacity increase and we also have new orders in the pipeline from them, as well as from some other customers on similar products. Thus, there is increasing customer confidence on these products and where earlier, there was a lot of confidence on the engine products. But now they are also seeing us as a serious player in this space.

Mr. Rohit Balakrishna: Okay, and just, I think, just one more thing was around the fact that you mentioned a few years back, almost a decade back, you had some plans and you were not sure about this transition from ice to EV, etc. And you were not clear on the tactics, etc. So, I mean, today, also, we are somewhat in that situation where probably that transition is much more clear. So, I mean, 60% of the revenue comes from engine. So how do you see, I mean, one is this immediate number, but let's say three, four years out, how do you see that? How do like, more business will be redundant for us or like just wanted to get your perspective?

Mr. Viraj G. Kalyani: No, we have a very positive outlook on all our businesses, including the engine business. There are the EV transition has met with a lot of challenges, and a lot of the realities are coming out now as a lot of electric cars get into implementation phase. A lot of customers have rolled back on their EV programs, a lot of governments as well have rolled back on subsidies and so on and there's more and more consensus on a multi-fuel future.

I think, engines are here to stay and even though EVs may increase, it's most probably restricted to the passenger car space and maybe the two wheeler space. We are, our engine business is mostly on the truck space, a truck segment and off-road and industrial segments. Which will continue to grow, but we have a substantial chunk of business, which is currently 40%, which is non-ice based products and those will also, as you can see, those growth rates are higher than the engine growth rates. So, we will keep a balanced outlook on this, but we will not let go of our core business of engine.

And there's a lot of headroom to grow and a lot of market share to recapture.

Mr. Rohit Balakrishna: And one question, how many active customers do we have, roughly?

Mr. Viraj G. Kalyani: Roughly around 40 to 50.

Mr. Rohit Balakrishna: Okay. Okay. Thank you very much, Viraj, and all the very best. You've been very kind.

Mr. Viraj G. Kalyani: Thank you.

VOTE OF THANKS:

Moderator: Viraj Sir with your permission, should we conclude this meeting?

Mr. Viraj G. Kalyani: Yes, sure. If there's no more questions.

Moderator: Okay, there are no questions. Thank you all the participants and the MD for your time. We will be posting this transcript and the recording as well on the Stock Exchange shortly and looking forward for your encouragement and support as always. On this note, we end this meeting. Thank you, everyone.