

MM Forgings

Operator: Ladies and gentlemen, good day and welcome to MM Forgings Ltd. Q1 FY27 earnings conference call, hosted by 361 Capital Markets Private Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dinesh Kumar from 361 Capital. Thank you, and over to you, sir.

Operator: Thank you, ma'am. Welcome to the MM Forgings Ltd. Q1 FY27 post-results conference call. From the management side, we have with us today Mr. Vidyashagar Krishnan, Chairman and Managing Director, and Mr. Ragunathan, Chief Financial Officer. I will now hand over the call to Mr. Vidyashagar Krishnan for the opening remarks, to be followed by the question-and-answer session. Over to you, sir.

Vidyashagar Krishnan – Chairman & Managing Director: Good afternoon, everyone. Thank you all for joining us on MM Forgings Ltd.'s Q1 FY27 results call. We have seen considerable improvement in the markets as far as Q1 is concerned, and we see the same optimism continuing through the rest of FY27 and into calendar 2027 as well, with strong momentum from both domestic and export markets, particularly the USA.

We have seen growth in the US market, and the CV market, tractor market, and passenger car market in India are all running quite strongly. As a result, MM Forgings Ltd. has posted total sales of 427 crores as against 369 crores in the corresponding period of the previous year.

Our EBITDA stands at 82% gross and 75—82 crores gross, sorry, and 75 crores net of other income. At 18% net of other income, as against 16%—sorry, 19—odd percent considering other income as well. Excluding other income, EBITDA stands at 18%. Revenue growth has been almost 15%. EBITDA has grown by the same 16%, and PBT has grown by 30%.

All this is excluding the sale of assets. We sold land in the Oragadam area of Chennai. We sold it and realized 52 crores as net profit. 58 crores net of taxes, 64 crores gross. Oh, that is the profit on sale of assets, not gross. Profit on sale of assets. All that has not been factored into these EBITDA numbers, naturally, since these were one-time gains.

Domestic sales stand at 63.5% and exports at 36.5%, as against 61% and 39%, respectively, in the corresponding period of last year. India accounts for 63.5% of sales, the US 18%, South America 4%, Europe 14%, and others about 1% of today's sales breakdown.

Commercial vehicles account for 71%, passenger cars for 14%, and agriculture and off-highway for 14% of overall sales. The balance 1% is from other segments. Machined products account for 67% and directly forged products for 33%.

Our heavy forgings constitute 42% of our sales as against 43% in the previous year under reference. Sales per ton have gone up from 193,000 to 202,000, meaning 2.02 lakhs versus 1.93 lakhs in the previous half—quarter.

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MM Forgings

These are some of the base numbers that we have prepared for you. We have this as a presentation that will be mailed out to all of you by the end of this meeting. With these opening remarks, I would like to throw open the floor for questions and would be happy to answer whatever I can in the best possible time.

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

Mumuksh – Anand Rathi Institutional Equities: Thank you, sir, for the opportunity, and congratulations on a good set of results. Firstly, we have seen good growth return in the Q1 quarter. Could you give us your view for the full year? What kind of growth do you expect in the domestic and export markets, particularly the US market?

Also, I think it is very interesting that this time you mentioned a very good machining mix in the quarter. What led to the notable jump in the machining mix?

Vidyashagar Krishnan – Chairman & Managing Director: We did about 1,600 crores last year. We can expect the same 18-odd percent growth this year as well. We should be looking at turnover in the region of around 1,800 to 1,900 crores.

Regarding the machining mix, a lot of money has been invested by the company in machining over the last 3 years, and that has led to a higher machining mix as a percentage of sales.

Mumuksh – Anand Rathi Institutional Equities: Regarding the machining mix, should the current run rate of 67% continue for the rest of the year, sir?

Vidyashagar Krishnan – Chairman & Managing Director: Yes, I think it should hover in the 65% to 68% range.

Mumuksh – Anand Rathi Institutional Equities: Understood. Also, I think gross margin in this quarter has seen a notable sequential improvement of more than 350 basis points. Is this partly because of a better machining mix and export mix?

Vidyashagar Krishnan – Chairman & Managing Director: We have had overall realizations go up this quarter, Mumuksh. That would definitely result in better gross margins.

Mumuksh – Anand Rathi Institutional Equities: Understood. Regarding employee and other expenses, which have increased quarter-on-quarter, is there any reason for the increase, and how do you see the run rate for these expenses?

Vidyashagar Krishnan – Chairman & Managing Director: The increase has been steep in Q1, largely because, in the period under reference last quarter, we had not given the increment, and that was done only in the subsequent quarters. So, this quarter, we had effectively given the increment in the first quarter itself, right from April 1. That is one reason why there is a significant increase in

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MM Forgings

17 August 2026

personnel cost, relatively speaking.

We have also added some employees. However, the overall employee numbers and increment increases have now stabilized. Therefore, these kinds of numbers should hold through the year.

Mumuksh – Anand Rathi Institutional Equities: Understood, sir. Lastly, regarding the debt reduction plan, with the land sale now, how do you plan to reduce the debt further? Could you also update us on the expected interest run rate ahead, considering the change in the interest rate policy that we implemented earlier?

Vidyashagar Krishnan – Chairman & Managing Director: At the opening of FY26 last year, the debt was around 750 crores of net debt—term debt, at least. Gross, sorry. Gross debt stood at 750 crores. That will remain at approximately those levels this year as well.

We would be repaying about 170 crores this year, and the same amount would be drawn back as further loans for future investments or investments being made this year. Therefore, gross debt will remain at approximately the same levels.

Mumuksh – Anand Rathi Institutional Equities: Understood. So, broadly, capex would also be around 170 crores?

Vidyashagar Krishnan – Chairman & Managing Director: Yes, approximately 150–odd crores.

Mumuksh – Anand Rathi Institutional Equities: Understood, sir. Thank you. Thank you very much for the opportunity. All the best.

Vidyashagar Krishnan – Chairman & Managing Director: Thank you.

Operator: Thank you, sir. The next question is from the line of Ramesh from SJ Investments. Please proceed with your question.

Ramesh – SJ Investments: Thank you for the opportunity. You mentioned some tailwinds from the US market. Could you elaborate further on what exactly you mean by those tailwinds? Is it only in the commercial vehicle sector, or in other sectors as well?

Vidyashagar Krishnan – Chairman & Managing Director: For us, it is the commercial vehicle sector. The CV market, particularly {? Class 8 trucks ?} in the US, is booming quite strongly, so we see huge traction there.

Ramesh – SJ Investments: Understood, sir. Overall, in terms of capex, we have already undertaken significant capex, and you are indicating that capex will continue. Could you explain why we are investing so much? Are we increasing capacity, or what exactly is happening in terms of our capex build-up?

Vidyashagar Krishnan – Chairman & Managing Director: Of course, we are increasing our capabilities across a wide spectrum of machined products. That is where our main focus is.

Management: In addition, we are also adding a few pieces of equipment at our forging sites. We are adding a 16,500-ton press, which will go into production by the end of this fiscal year, in Q4. We

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MM Forgings

also have a 4,000-ton press that went into production in the last couple of weeks.

These are the basic additions on the forging side, apart from a little debottlenecking and the replacement capex cycle coming in on the forging side.

Ramesh – SJ Investments: Understood, sir. In terms of machining capacity, where are we currently, and with the expansions, where do you want to end up in terms of machining capacity utilization?

Management: Machining is a very mixed bag. I did not get your name.

Ramesh – SJ Investments: Ramesh, sir.

Management: Ramesh. Yes, hello, Ramesh. Machining is a mixed bag. It is very difficult to quantify machining capacity outright in numbers or in terms of what happens. If you look at numbers alone, a small product with huge volumes in machining would overshadow a much larger product with lower volumes. However, the larger product would be more value-added and probably also more accretive to the bottom line.

Therefore, it is difficult to provide a single number that would quantify the machining side.

One good thing at this point is that, from April onwards itself, all the cells at MM Forgings Ltd., both machining and forging, have been running to the fullest of their capability. Note the word capability, not capacity.

April and May were down and were hampered by labor availability, which was prevalent across the country. We were not alone in facing this issue; the rest of the country was also affected by the labor shortage, and we were no different in April and May.

June was very different. We were able to bounce back with new hires, largely local employees and also some migrant workers, and ensure that we were up and running strongly in June.

Going forward from July onwards, we see that our overall capability has gone up considerably. It is now hardly a question of a lack of manpower. A few cells have technical issues here and there—not many, but a few. Let us say that the last {? 7% to 10% ?} is still available here and there.

We are now working on harnessing that potential and debottlenecking. I would say 15% to 20%, not just 10%. I would say it would hover between 15% and 20%. Therefore, there is good growth potential ahead, and we are pushing those numbers from July onwards.

Ramesh – SJ Investments: Understood, sir. In terms of automation, I understand that we are adding capacity in machining and forging. Are we also investing in automation? How much have we invested so far over the last few years?

Management: Automation has largely been undertaken only over the last 2 or 3 quarters. Overall, I would estimate that our investment in automation is about 7.5 to 10 crores.

Ramesh – SJ Investments: Going forward, do we expect considerably more investment in automation as part of capacity expansion or the transition?

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MM Forgings

17 August 2026

Management: This number should triple, if not reach about 50 crores, by 40 to 50 crores by the end of this fiscal year. At least, it will be in the region of 30 crores.

Ramesh – SJ Investments: Understood, sir. You mentioned that 150 crores are being invested this year. When do you think we will start—

Operator: Sorry to interrupt, Ramesh sir. May we request that you return to the question queue for a follow-up?

Ramesh – SJ Investments: Yes, sure. Thank you.

Management: I will answer this question so that it benefits everybody else. We would expect this to result in an increase in turnover in about 2 years from now—1 to 2 years from now.

Operator: Thank you, sir. The next question is from the line of Nipun from CD Research. Please proceed with your question.

Nipun – CD Research: Hello, sir. Are you facing any pressure from the government to increase your exports?

Management: Sorry?

Nipun – CD Research: Are you facing any pressure from the government to increase your exports?

Management: No, nothing specific.

Nipun – CD Research: I was asking because there are many companies that are also exporting, and our export ratio and export numbers have been reasonable over time, although in percentage terms it has remained more or less the same. That is because the domestic business has grown. You know all that.

Management: Yes, yes, okay. Okay, sir. Thank you.

Operator: Thank you, sir. The next question is from the line of Naveen Vijay from NS Capital. Please proceed with your question.

Naveen Vijay – NS Capital: Hello, sir. My first question is: where are you currently seeing momentum or new avenues for growth in the order book? We recently had a power backup company secure a large order from a hyperscaler. I wanted to know whether we are positioned to supply crankshafts for such OEMs.

Management: Naveen, yes, the hyperscaler business is entering the domestic forging market, and there is strong demand from such companies. You are right.

Naveen Vijay – NS Capital: Thank you, sir. My second question is regarding power and fuel costs, which are still elevated despite the addition of green power. Could you quantify what has led to this?

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Management: There has been a huge increase in fuel costs in Q1 on account of the Russia-Ukraine conflict. After Q1, it has reasonably stabilized. That is the reason why power and fuel costs have gone up.

There is also a slight increase in EB power costs due to the policy of the Tamil Nadu government. However, that did not come in during Q1 of this year. It will come in as an annual increase in TNEB costs.

Naveen Vijay – NS Capital: Understood, sir. Another small bookkeeping question regarding depreciation: it has increased 20% year-on-year. Which facilities or product lines are seeing the bulk of these capital additions?

Management: It is largely forging and machining capex. I would say mostly machining capex.

Naveen Vijay – NS Capital: Okay, sir. We could see the machining share increase very nicely. My last question before I rejoin the queue—

Management: That is the intent.

Naveen Vijay – NS Capital: Yes. My last question before I rejoin the queue is regarding Abhinava Rizel. We have had customers being added, and I wanted to get an update on how many customers we are billing, the pipeline, and an overview of that, sir.

Management: Abhinava Rizel is on the cusp of receiving its first business. It has received its first business, and I am thrilled to say that we are in the initial phases of SOP, or start of production. We are producing parts at a stage between production and samples. I would describe it as a ramp-up stage, and that is very good news for us.

Naveen Vijay – NS Capital: Thank you, sir. I will rejoin the queue.

Operator: Thank you, sir. The next question is from the line of Manas Jain from Sanjay Jain Family Office. Please proceed with your question.

Manas Jain – Sanjay Jain Family Office: Hello, sir. These are good numbers. We have actually been shareholders of your company continuously for the last 30 years. It has been a privilege to be a part of this company for the last 30 years.

I have just 2 questions, sir. I remember hearing you mention in 2 or 3 conference calls that the trailer tractor is reducing the demand for front axles. I wanted to understand whether MM Forgings Ltd. is considering entering the trailer axle suspension assembly business.

I understand that the process might be different and the customer segment might also be different, but some forging companies have started doing this in order to offset that business loss. I wanted to understand whether we are considering moving in that direction.

Management: Not at this moment, Manas.

Manas Jain – Sanjay Jain Family Office: Is there any particular reason, sir? Is it margin-dilutive to our existing business? Is that one of the reasons?

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Management: One reason would be that it is margin-dilutive. Second, we already have enough on our hands in terms of growth, managing debottlenecking, and ensuring further improvement in EBITDA and costs.

This quarter, we have been struggling just to keep supplies flowing. We are now organizing ourselves around cost reduction, and there is a lot to do in the current business. Without getting distracted, we have to ensure that we move forward in this line of business first.

The traction is clearly there, and we need to carry this to its logical conclusion across the entire spectrum of the business itself and continue along this path.

Manas Jain – Sanjay Jain Family Office: Okay. My second question is regarding the QIP. I remember seeing an interview 2 months ago on one of the media channels where you said that, subject to any QIP, you might want to undertake 400 crores of growth capex. I know it is very far-fetched, but I wanted to understand where we are targeting this.

Would it be the existing product and existing business, or are we looking at non-auto industrial applications? Are we also evaluating non-ferrous products such as aluminum and titanium for aerospace? I am trying to understand where our existing machining and engineering capabilities can be leveraged. Where are we looking at deploying that 400 crores of growth capex?

Management: First and primarily, we would be looking at our own business in steel forgings. That is the primary zone. Second would be anything else in the metallurgical space.

Manas Jain – Sanjay Jain Family Office: In the metallurgical space, what does that mean?

Management: It means metal machining, forging, assembly, and value-added parts.

Manas Jain – Sanjay Jain Family Office: Okay. So non-auto industrial applications may be one of the areas you might be considering?

Management: Definitely, within those areas.

Manas Jain – Sanjay Jain Family Office: Understood, sir. Thank you.

Operator: Thank you, sir. The next question is from the line of Suraj from Catamaran. Please proceed with your question.

Suraj – Catamaran: Hello, sir. Thank you for the opportunity. Of the 150 crores of capex, what percentage or amount would be replacement capex, and what percentage or amount would be new capex?

Management: Sorry, Suraj, could you repeat that?

Suraj – Catamaran: Of the 150 crores of capex that we plan to undertake, what amount would be replacement capex, and what amount would be for new machinery and equipment, or growth capex?

Management: Roughly 30 to 50 crores, and up to 50 crores, will be replacement capex.

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MM Forgings

17 August 2026

Suraj – Catamaran: Understood—replacement plus debottlenecking.

Management: Yes.

Suraj – Catamaran: Understood. Regarding the current gross block of roughly 2,100 crores, what is the peak revenue that we can generate?

Management: Close to that number.

Suraj – Catamaran: Understood. One last question: what was our revenue from the US market in the base quarter, that is, the same quarter last year?

Management: One moment, I will provide it. Up to this term, it was 18% in this quarter versus almost 15%, or 16%, in the previous fiscal quarter.

Suraj – Catamaran: Understood, sir. Thank you very much.

Operator: Thank you, sir. The next question is from the line of Subhratra Sarkar from Mountain Infra Company Limited. Please proceed with your question.

Subhratra Sarkar – Mountain Infra Company Limited: Hello? Am I audible?

Operator: Yes, sir.

Subhratra Sarkar – Mountain Infra Company Limited: Yes, sir. Could you kindly share the volume details? What was the volume we achieved this quarter, and what are our expectations in terms of volume?

Subhrato Sarkar – Mount Intra Finance: What we have done this quarter and what our expectations are in terms of volume—what we achieved last year and what we expect going forward. I also have 2 clarifications.

I have followed your company for a long time. We have been operating at relatively low capacity utilization, but we are still continuously undertaking capex. In that case, could you guide us regarding the level of capex we can undertake over the next 1 or 2 years, the direction in which we want to make that capex, and the reason for it, despite having such underutilized capacity at present?

Also, how much additional debt would we need to take, or reduce, in this case? If you could suggest a 2-year roadmap, that would be helpful.

Management: Could I have your name, please?

Subhrato Sarkar – Mount Intra Finance: My name is Subhrato Sarkar from Mount Intra Finance. We have also followed your company for a very long time and have considerable faith in it, which is why I am asking for some long-term guidance.

Management: Your first name is Subhrato, correct?

Subhrato Sarkar – Mount Intra Finance: Subhrato, yes, sir. Subhrato Sarkar.

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Management: Sarkar. Okay. Yes, we see capacity utilization going up considerably, Subhrato. Last year, we did about 78,000 tons of sales, and this year we have done about 20,000 tons in Q1.

We expect Q2 and the subsequent quarters to be much better. They should hover at around 24,000 tons for each quarter, with a minimum of 23,000 to 25,000 tons in Q2 and beyond.

As discussed, or as we have been guiding, we would expect to cross the 90,000-ton mark this year and challenge the 100,000- to 110,000-ton mark next year. The momentum is continuing, and we see traction in moving our output to more than 100,000 tons.

Currently, from Q2 onwards, we should be almost in the range of 100,000 tons per annum. Capacity utilization is going up, and I am happy to say that from 80,000 tons this year, we should reach more than 90,000 tons, with a definite run rate of 100,000 tons per annum.

Maybe by near the end of the year, we will be at much more than 100,000 tons. If things hold, we should be able to push the run rate beyond 100,000 tons. Our internal target continues to be 27,000 and then 30,000 tons per quarter.

Subhrato Sarkar – Mount Intra Finance: Understood, sir. A small clarification: is the revenue growth we are expecting almost entirely coming from volume growth?

Management: Correct. The consequence of that, which answers the next part of your question, is where we are investing. We are largely investing in the machining side and a little bit on—not a little bit—this year, about 50 crores on debottlenecking, mostly on the forging side.

Of that 40 crores will be for forging and 10 crores will be for debottlenecking on the machining side. This debottlenecking will result in greater utilization and more machined products being supplied to customers. That is the plan.

Subhrato Sarkar – Mount Intra Finance: Right, sir. Will the capex for the next 2 to 3 years be funded mostly through internal accruals, or will we take on additional debt?

Management: No, we do not plan to increase debt beyond these levels. Gross debt levels of 750 to 800 crores will remain at this point in time.

If turnover increases reasonably, and EBITDA increases along with it, only then could we consider raising gross debt levels. Otherwise, I would like to see it capped around these levels. Give or take 50 crores. Not give or take—plus 50 crores.

At this point in time, our need for capital may not allow us to reduce borrowings, but we want to maintain borrowings at the levels we have announced for quite a few quarters.

Subhrato Sarkar – Mount Intra Finance: Sir, one last clarification. How will we use the funds we receive from the land sale?

Management: Could you repeat that, Subhrato?

Subhrato Sarkar – Mount Intra Finance: We sold our land this quarter and received some money. What will we do with it?

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MM Forgings

17 August 2026

Management: That will be used to reduce our working capital, capex, or debt borrowings.

Subhrato Sarkar – Mount Intra Finance: Perfect. Thank you, sir.

Operator: Thank you, sir. The next question is from the line of Nishant from Sridev Abrasives. Please proceed with your question.

Nishant – Sridev Abrasives: Hello, sir. I have a question about current capacity utilization and how we plan to increase it. Do we have any plans for capacity expansion in the future?

Management: I just answered that when I responded to Subhrato, Nishant. Last year, we did 78,000 tons of sales. This year, we did 20,200 tons in Q1. From Q2 onwards, we expect to be somewhere between 23,000 tons and, by the end of the year, approximately 25,000-plus tons.

That would mean a run rate of 100,000 tons a year. That should set the tone for FY27 to reach 100,000 to 110,000 tons. Therefore, the capacity utilization issue is behind us.

Nishant – Sridev Abrasives: Okay. One more thing, sir: are we catering to the EV business, such as two-wheelers or three-wheelers?

Management: Are you asking whether we are catering to the EV subsidiary or to the parent company?

Nishant – Sridev Abrasives: No, sir, I am asking about the parent company.

Management: The parent company? Okay, that is an easier question to answer. Yes, we are supplying products to EV customers, or products that go into electric vehicles, across several platforms. But not two-wheeler, four-wheeler.

Nishant – Sridev Abrasives: Okay, thank you, sir.

Management: One line of products is exported, and another line is supplied domestically.

Nishant – Sridev Abrasives: Thank you, sir. That is all.

Operator: Thank you, sir. The next question is from the line of Rajesh Maru from Moneycurve Analytics. Please proceed with your question.

Rajesh Maru – Moneycurve Analytics: Good evening, sir. Thank you for the opportunity, and congratulations on a great set of numbers. One of my questions has already been answered.

I have one more clarification, although it is a basic question. We are taking up our last 16,500-ton press, and you have already said that revenue from it will come in over the next 2 years. Do we plan to move toward hyperscalers or any other segment, such as defense, where we could exploit the opportunity created by this capacity?

Management: We are definitely moving into businesses that support hyperscalers. There is no doubt about that. We see it directly in front of us, and a lot of business is coming our way.

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Regarding defense, it is a mixed bag. It is a mixed bag because once we enter the defense business, it will not stop with serving only the Indian market. We would start looking at capacity utilization, because a line may not be filled entirely with business from Indian defense.

Therefore, we would immediately look at what we could do outside the country. That is something toward which, at a personal level, I am not very inclined.

Rajesh Maru – Moneycurve Analytics: Thank you, sir.

Operator: Thank you, sir. The line for the current participant has dropped. Shall we move to the next question?

Management: Yes, of course. He will rejoin if required.

Operator: The next question is from the line of Ramesh from SG Investments. Please proceed with your question. Mr. Ramesh, your line has been unmuted. Please proceed with your question. As there is no response, we will move to the next question.

The next question is from the line of Suraj Malu from Catamaran. Please proceed with your question.

Suraj Malu – Catamaran: Thank you very much. Could you help us understand why other expenses increased by 35% year-on-year?

Management: Give me a few minutes, and I will come back to you on that.

Suraj Malu – Catamaran: Sure, sir.

Management: I do not have the numbers immediately available. My team is providing them. Please hold on for a moment.

Your other expenses are a combination of a couple of things. One is the fixed component attributable to the regular other expenses recorded in the P&L. There is also an export expense component relating to freight. Freight has risen sharply.

The other expenses that we refer to as traditional other expenses—the fixed overheads of running an organization, starting from rent and going up to fax, paper, computers, IT, and other such expenses—have increased by around 10%. They have gone up from 8 crores to 9 crores.

Suraj Malu – Catamaran: Understood.

Management: In a nutshell, the biggest increase in other expenses is around 4 crores. Of the 4.2-crore increase in the published results, export expenses alone account for 4 crores.

Suraj Malu – Catamaran: Okay.

Management: That is largely due to freight being routed around the Straits of Hormuz for obvious reasons.

Suraj Malu – Catamaran: Understood. Could you also help us understand why revenue from Europe is declining while the US and domestic businesses have grown?

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Management: Europe has also declined in volume terms. That is surprising to me; I do not see it that way.

Suraj Malu – Catamaran: If you look at the last 4 quarters, in Q2 FY26 we had 82 crores from Europe, which became 89 crores, then dropped to 68 crores, and is now 69 crores.

Management: Europe is basically a stable market, and it moves reasonably up and down in line with customer demand. Nothing noteworthy has happened in Europe in terms of business being lost. That much I can say very clearly. It is simply customer demand going up or down.

Suraj Malu – Catamaran: Understood. We hear that European forging shops are shutting down, so that should represent a significant opportunity for us, and it should be reflected in the growth.

Management: Yes, that overall trend continues.

Suraj Malu – Catamaran: In terms of machining, what percentage of our gross block would consist of CNC machines?

Management: Suraj, your question is answered.

Suraj Malu – Catamaran: No, my question was how many CNC machines we have and how much they account for out of the {? 2,100 crores ?} gross block.

Management: That is a difficult question, Suraj. I do not have that number across the board. It should run into hundreds; that much I can tell you. I will note it down, and we will come back to you on this.

Suraj Malu – Catamaran: Sure, sir. Thank you.

Management: However, I can tell you what it constitutes. I can tell you what our investment in the machining shop constitutes out of the 2,100 crores. Give me a minute, and I will look at the sheet for you. That is possible. Please hold on for a moment.

I will get back to that answer. We have the data; we are just retrieving it.

Suraj Malu – Catamaran: Sure, sir. Two quarters ago, you mentioned reaching 3,000 crores in revenue by FY25. Do we still stand by that number?

Management: Yes.

Suraj Malu – Catamaran: Excellent. Thank you very much, sir.

Operator: Thank you, sir. The next question is from the line of Gautam Kishnani from 361. Please proceed with your question.

Gautam Kishnani – 361: Thank you for the opportunity. Good afternoon, sir. I hope you are well. Congratulations on a great set of numbers.

As we move from 20,000 tons per quarter to 25,000 tons and eventually to 27,000 or 30,000 tons, where do you think the maximum growth could come from? Is it the Indian market, the European

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markets, the American markets, or a combination of all of them?

Management: It will be a combination of all of them. That would be my first answer. India currently accounts for 63% of our sales, so naturally it will carry a significant amount of the tailwind.

We are also receiving a lot of order wins on the export side, which also augurs well. Overall, I would say that the numbers should grow across the globe.

The point is, Gautam, that many customers are also setting up operations in India. Therefore, some global business is becoming Indian business.

Gautam Kishnani – 361: Understood, sir. As a small follow-up, considering the last 3 or 4 cycles, do you think the combination of all 3 regions represents the highest growth we could see in the current cycle?

Management: Could you repeat that, Gautam?

Gautam Kishnani – 361: We have experienced multiple cycles over the last 20 years. Considering the current combination of business being generated from India, Europe, and America, do you feel that the current scenario is the strongest we have seen in the last 3 or 4 cycles?

Management: I think so, because we have not seen this level of strength in demand across all customers. At some point, one customer or one region or another has been dormant. This time, as I mentioned a few minutes ago, every cell and every machining line is running to the fullest of its capability.

We still have some scope for productivity improvement, at least from my perspective. We are working on it, and my team is working very hard on it. We have a lot to do on the productivity side, even at this level. That is the headroom available to us.

Having said that, every line is virtually running at its reasonable fullest level today. However, that can be increased by another 10% to 15%. In some cases, it requires considerable work, but that work is necessary and unavoidable. It must be done to improve the overall asset utilization of the organization.

Wherever, during these efforts, we find that we need to debottleneck or replace equipment, we are also considering that.

Gautam Kishnani – 361: Great, sir. Thank you. We look forward to fantastic numbers in FY27 and FY28. Congratulations once again.

Management: Thank you.

Operator: Thank you, sir. The next question is from the line of Brajesh Maru from Moneycurve Analytics. Please proceed with your question.

Brajesh Maru – Moneycurve Analytics: Thank you for this opportunity again, sir. In the last 2 or 3 calls, you have consistently said that we had taken some cost-saving measures relating to power and fuel costs, interest costs, and labor costs by implementing robotics.

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MM Forgings

17 August 2026

If I am correct, in one of the institutional calls you also said that you were incrementally trying to use AI to become more efficient in the ancillary functions of the company.

Given all these factors and with volumes increasing, do you see any headroom for EBITDA margin expansion from the current 18% level? If so, what kind of margin could we see? Thank you.

Management: Thank you. Could I have your name again, please?

Brajesh Maru – Moneycurve Analytics: My name is Brajesh Maru, sir.

Management: Brajesh, you were there a few years ago. No, sorry, just before Gautam, actually. Yes, Brajesh, there is scope for EBITDA improvement. It would be naive to say that there is no scope, even though we have reached peak EBITDA.

There is scope, and we have to work on it. As we previously mentioned, our target remains to achieve more than 20%. We have to extract another 2% to 3% from the system.

Brajesh Maru – Moneycurve Analytics: Okay. Thank you, sir.

Management: I have clear visibility for 1% to 2%. However, I would say that 2% to 3% should be our goal, and that is the challenge for the team.

Brajesh Maru – Moneycurve Analytics: Thank you, sir. Thank you very much.

Operator: Thank you, sir. The next question is from the line of CA Garvit Goyal from Sirene Alpha Analytics LLP. Please proceed with your question.

CA Garvit Goyal – Sirene Alpha Analytics LLP: Hello, am I audible?

Operator: Yes, sir.

CA Garvit Goyal – Sirene Alpha Analytics LLP: My question is regarding working capital. Over the last 2 years, working capital reached around 30% of revenue, whereas in FY24 it was about 23%.

In standalone revenue, is there any operating contract around {? 4,094 crores }? Have we been able to convert this cash into trade receivables and other items in Q1 FY24-25? Is there still working capital intensity, or can we return to 23%, in line with past performance?

Management: That is a very good question, Garvit. We are working on this increase in working capital, and it is certainly our endeavor to bring it down. There is no doubt about that. We are doing this by reducing inventory.

To answer a previous question—I do not know, did you ask the question about AI?

CA Garvit Goyal – Sirene Alpha Analytics LLP: No, sir. My question was about working capital.

Management: Brajesh Maru asked it. Yes, let me answer Brajesh and Garvit together. One moment.

Using the 2 together, we are now using AI tools to identify where inventory is getting stuck. Within the last 7 to 10 days, this has become a real revelation regarding stuck inventory.

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Several teams are now involved, and a rapid action force has been formed to dissolve this inventory, if I may use that term. Literally, the objective is to push out to customers what the customers want, and secondly, to recover the money that is stuck in goods.

Your point is well taken. That is one of our goals for the months ahead. In answering this, I would also say that we are using the AI tools from Brajesh's question effectively. We have started using them, at least, to process the data, and the insights are truly remarkable.

The tools are able to map the data and identify the parts and specific part numbers that are required and are in stock, which we need to push to customers. This is providing a lot of insight to the management team.

Over the next few weeks, we should see—I do not merely hope; I expect—that this will start yielding results. As a result, what we want to do is reduce our WIP to the bare minimum, perhaps 1 week's worth, and move everything else into finished goods.

Overall, there would be a reduction in inventory numbers, but not to an excessively low level. At some point, however, I would focus on bringing inventory down to a bare minimum in WIP terms, or work-in-process terms, and push the numbers or convert all of that into what we call RFD, or ready for dispatch.

CA Garvit Goyal – Sirene Alpha Analytics LLP: Understood, sir. That is all from my side.

Operator: Thank you, sir. The next question is from the line of Priyankar Sarkar from Square 64 Capital Advisors LLP. Please proceed with your question.

Priyankar Sarkar – Square 64 Capital Advisors LLP: Good afternoon. Congratulations on a good set of numbers. I have one basic question. Is there any update on the enabling QIP resolution that the board passed a few months ago?

Management: Yes, I answered that a few rounds ago. The QIP is largely centered around a sharp opportunity that we might see in the markets. It is certainly on the cards, and we are considering it. At an appropriate time, we would definitely consider it.

Priyankar Sarkar – Square 64 Capital Advisors LLP: Thank you very much, sir, and I wish you all the best.

Management: Thank you.

Operator: Thank you, sir. The next question is from the line of Nitya from TTK. Please proceed with your question.

Nitya – TTK: My question has already been answered. Thank you.

Management: Okay.

Operator: Thank you.

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Management: Before you take the next caller, one of the data points requested was our capex on the machining side and where we have invested the money.

Overall, we have invested about 1,100 crores on the machining side. Of this, we have invested 625 crores in the last 5 years. Over the last 10 years, the number is about 1,000 crores.

So, 100 crores invested prior to 10 years ago has now become 1,000 crores invested over the last 10 years. Of that 1,000 crores, 625 crores has been invested in the last 5 years.

I hope I am clear. To repeat the numbers, the total investment on the machining side is about 1,100 crores, of which 100 crores dates back more than 10 years. The remaining 1,000 crores relates to the last 10 years, and these are approximate numbers, rounded off by plus or minus 10 to 20 crores. Therefore, 1,000 crores was invested over the last 10 years, and of this 1,000 crores, 625 crores was invested in the last 5 years.

Operator: The next question is from the line of Ramesh from SG Investments. Please proceed with your question.

Ramesh – SG Investments: Thank you for the follow-up. As you already mentioned, approximately 1,100 crores has been invested over the last 10 years. I am trying to understand how capacity has developed. More than 10 years ago, what was the machining capacity, and what is the machining capacity today?

Management: Machining capacity is extremely difficult to define in terms of numbers or tons because there is one part that is very heavy and requires relatively less machining. There is another family of parts, which is very popular today, that accounts for a significant portion of our sales, is heavy, and requires extensive machining.

Then there are light parts that require less machining. We will try to quantify this over a period of time. Give us a couple of months. I noted this down from the first question that Mumuksh asked. This question has been pending since then.

We have a number tracker, but that number tracker is of no use to you. Therefore, we need to quantify machining capacity. We will work on it and come back to you with a method of quantifying our own machining capacity.

I am sorry that we are answering such an important question in such a vague manner, but that is the way things stand. We will apply our minds and try to bring some method to that uncertainty, if we can.

Ramesh – SG Investments: Understood, sir. That would be helpful. Regarding the opportunity you mentioned, the contribution is currently around 10% or so, correct? Where do you think the contribution from the US will reach over the next few years, since you are very bullish about it?

Management: It is around 16% now, if I am not mistaken, and the US should increase by around— it should hold these levels. It is 18% now, so it may increase by 1% or 2%.

MM Forgings

The rest of the world is also growing. This time, it is not just one region growing relative to the others. Every region is growing reasonably well, apart from a small blip in Europe.

Ramesh – SG Investments: Understood, sir. Regarding machining, I am trying to understand the market. Most of our exports go to Europe, correct? Are forged products used more in Europe than in the US, or is it simply because we have had longer relationships with European customers than with US customers? Could you explain the nuance?

Management: Forged parts are used in every economy. Forged parts are used in any economy because, without forgings, you do not have motion as we know it today. As engineering stands today, forgings are at the very center of motion and transportation.

We know how critical both are to any economy. However, what happens is that these products are consumed by Original Equipment Manufacturers or Tier 1 suppliers. Where are they located, and therefore to which geographies are the products sent?

It would obviously be unwise to say that the rest of Asia is not involved in the transportation or forgings market. The rest of Asia is huge—Japan, China, and Korea. However, these are all traditionally closed markets, as India is.

That is the reason why everybody looks at forgings, castings, and similar products in Europe and the Americas. This kind of metalworking is popular and strong in the Asian economies and is declining in the other economies.

Ramesh – SG Investments: Understood, sir. So, essentially, the US and Europe are where capacity is declining, and our opportunity also lies there. I was just trying to understand that.

Management: South America should also be added to that list.

Ramesh – SG Investments: So, capacity is also declining in South America?

Management: That is not a difficult question to answer. Brazil is fighting back. A lot of indigenous forgers are now emerging in Brazil. It would be premature to write off South America and say that it is a declining market. South America is another market where there is scope. That much I can say very clearly.

Ramesh – SG Investments: Understood, sir. I am trying to understand the root cause of why European customers contribute more to our revenues. Usually, it is the other way around, with the US representing a higher proportion than Europe. What is the reason?

Management: They are high-cost economies and high-labor-cost economies. Labor and cost pressures ensure that such businesses move out of those geographies.

Ramesh – SG Investments: Understood, sir. In our case, how has the US business been affected by the duties imposed by the US government recently?

Management: None of the forging buyers in the US have backed away as a result of that. Fortunately for MM Forgings Ltd., none of our contracts require us to bear the customs duty. Otherwise, it would have been extremely difficult.

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Even though a significant amount of duty has been imposed, customers are still buying because they are unable to set up these capacities. Establishing forging capacity and finding people to operate forging presses and process the parts is not easy; it is extremely difficult.

Even in India, forging will be a sector that will be difficult to staff over the next few years. By staff, I mean both men and women. Currently, we do have a significant proportion of women joining our workforce.

The point is that these economies are finding it difficult to build this capability, and skills are also being lost. If you have not forged for 20 years, recovering that capability is difficult.

However, it is possible to leapfrog the skills challenge. India jumped onto the GSM bandwagon without going through the CDMA route and struggling on the mobile phone and connectivity side. We moved directly to GSM and leaped forward by about 20 years.

Similarly, in forging, it is possible to gain ground, but that would have to happen in very restricted circumstances where there is a high level of automation and significant capital investment. That means you need customers who are backing you fully.

All these are strategic or systemic shifts in the cost landscape, and they will be very difficult to unravel.

Ramesh – SG Investments: Understood, sir. One last question: you mentioned that we are receiving orders because capacity is declining. Is our main competition China? Where do you think we are receiving most of the orders from? Is it because of declining capacity, or is it because of China-risk sourcing?

Management: We are also receiving new orders because customers in those markets are growing their businesses and want to source the respective parts from BCC, or Best Cost Countries, and LCC, or Low Cost Countries.

I am not saying that those markets are experiencing only a pure decline. For all I know, the US market may also be growing in forgings. I do not have complete visibility on that.

However, many orders are coming our way across the global landscape because customers want to buy from India. Ultimately, the math at an entrepreneur or organizational level is that servicing a business at 18% EBITDA requires significantly less effort than servicing the same business at 5% EBITDA.

That math contributes to customer satisfaction. This is my perspective based on the last 15 to 20 years.

Ramesh – SG Investments: Understood, sir. That is very helpful. Thank you, sir. How much more—

Operator: Sorry to interrupt, Mr. Ramesh. We will take this as your last question due to time constraints.

Management: Mr. Ramesh, send us a couple of questions by email or through another channel, and we will try to answer them for you.

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Operator: Ladies and gentlemen, that was the last question for today due to time constraints. I would now like to hand the conference over to management for closing comments.

Management: Thank you all for participating and for giving us your time, as well as your incisive questions, which have provided us with additional insight into our own business. Hopefully, we will see more of this as we move forward.

I expect MM Forgings Ltd. to perform strongly in the quarters ahead, targeting a minimum of 25,000 tons of sales in each of the next 2 to 3 quarters. We would then look beyond that to reach 27,000 and subsequently 30,000 tons every quarter.

This would enable us to move quickly toward capacity utilization of around 120,000 tons, supported by strong machining exposure. As we see it, most of the orders we are receiving now are machined, with very few being supplied as forged.

That, in turn, means that capital requirements are higher. As we move forward, we see challenges on the cost side, and we also need to undertake some internal trimming in terms of costs, working capital, and inventory. These issues have come up internally over the last few months and have also been discussed in this meeting.

Thank you all for your wonderful participation. We look forward to posting better numbers and achieving much more growth in the quarters ahead through the hard work of the team and, of course, God's grace. Thank you all. Victory to India.

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

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