KALYANI FORGE

KALYANI

August 25, 2026

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 12, 2026.

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 12, 2026.

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

Kindly take the same on record.

Thanking you,

For **Kalyani Forge Limited**

VIRAJ GAURISHANKAR KALYANI

Digitally signed by VIRAJ GAURISHANKAR KALYANI
Date: 2026.08.25 10:48:18 +05'30'

Viraj G. Kalyani
Managing Director
DIN: 02268846

Encl: As Mentioned Above

CIN: L28910MH1979PLC020959
REGD OFFICE: Shangrila Gardens, 1st Floor, 'C' Wing, Opp. Bund Garden, Pune: 411001
Tel. +91 2137 252335/755 Fax +91 2137 252344
Website: www.kalyaniforge.com
Email: companysecretary@kforge.com

KALYANI FORGE LIMITED
ANALYST / INVESTOR CONFERENCE CALL
QUARTER ENDED ON JUNE 30, 2026 RESULTS

The company has hosted an Analyst / Investor Conference Call (Virtual - Mode) to discuss the financial performance for the quarter ended on June 30, 2026. Details of the conference call are as follows:

Date: Wednesday, August 12, 2026
Time: 11:00 AM to 12:00 NOON IST

The Management team represented by **Mr. Viraj G. Kalyani,** Managing Director.

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

Moderator: Mr. Yash Patil (Investor Relations Manager).

Moderator: Good morning, everyone. Ladies and gentlemen, I welcome you all to Kalyani Forge Limited's Quarter 1 financial year 2026–2027 investor conference call. I am Yash Patil, Investor Relations Manager.

Before we start the meeting, I would like you all to know that all participant lines are currently in listen-only mode, and there will be an opportunity for a question and answer session after the presentation concludes.

We hope you have received our Q1 financials and press release that we sent out, which are also available on our website.

Please note that our remarks today include forward-looking statements regarding our strategic initiatives and business performance. Actual results may vary materially from these projections due to various risks and uncertainties. Kalyani Forge undertakes no obligation to publicly update these statements to reflect future events or circumstances.

With that, I will hand over to our Managing Director, Mr. Viraj Kalyani, for further business insights. Please, sir.

Viraj Kalyani: Thank you, Yash. Good morning, everyone, and welcome once again to our quarterly investor call. We're happy to see many familiar faces as well as a lot of new investor interest in today's call. So without any further delay, let's get started. We'll just share our quarterly presentation. Yash, is it visible?

Moderator: Yes, now it's visible. Yeah.

Viraj Kalyani: Yes, now is it visible? Okay. So this is our investor presentation for Q1 FY27. This is the usual safe harbour statement, which Yash already spoke about.

And just as an introduction again, Yash Patil has joined us recently as Investor Relations Manager. With his joining, we have created the Investor Relations department in Kalyani Forge for the first time. It is our endeavour to deepen our relations with existing and prospective investors for the long-term growth of all stakeholders. So I welcome Yash to our team and I'm happy to introduce him to all of you.

Q1 FY27 highlights

So these are the main highlights for Q1. As many of you would have seen the press release, this has been a pretty strong quarter and we are very happy with the results. Q1 FY27 PAT is ₹4.48 crore, up over 218% year-on-year from ₹1.41 crore last year. Earnings per share is ₹12.31. ROCE — return on capital employed — crosses 20% for the first time; this has improved to 22%, up from 18% in the previous quarter, Q4.

EBITDA margin is 16.2%. This is another result that we are particularly happy about, as EBITDA margin is one of our main KPIs for our transformation journey. It is up 640 basis points year-on-year from 9.3% last year. PBT margin is 9.2%, again up 600 basis points, and

PAT margin 6.7%, up 450 basis points. So a large part of the PAT or bottom-line growth is coming from the EBITDA margin expansion.

Total income, or total revenue, is ₹67.07 crore, up from ₹64.53 crore in the same quarter last year and ₹59.24 crore in Q4. So that's a revenue growth of 3.9% year-on-year and 13.2% quarter-on-quarter. ₹6.15 crore is up over 203% year-on-year.

New order wins are in the sample validation phase, particularly some of the engine and wheel hub components from marquee global customers that we spoke about last quarter. These are progressing on a disciplined, low-capex expansion path, which I will talk about in the coming slides.

Cash conversion cycle has improved to 148 days from 168 days in the previous quarter, with Vriddhi Council cost savings of ₹19.1 crore realised to date against a ₹50 crore annual target. So these are all our major goals and initiatives, and they are progressing quite well.

Product portfolio

These are our product offerings; many of you are already familiar with them. Our three main product groups are engine, driveline and axle. Among these, the engine or connecting rod still commands about 60 to 70% of total revenues, but all three product groups have been growing. Especially the axle group has grown substantially this quarter.

In terms of future business strategy, all our products are quite well hedged for a fuel-agnostic future. What I mean by that is most of our engine business is in heavy commercial vehicles or trucks and in the industrial off-road segments; the driveline and axle businesses are in passenger cars and some in light commercial vehicles. Both these driveline and axle products are fuel-agnostic products. The only place where we see a lot of risk from electrification of vehicles is the engine business in passenger cars, where we have very low exposure. So that's how our business mix is quite well set up, especially after the recent transformation — phasing out old legacy business and focusing on the core high-volume growth business.

Our growth formula is: strong execution plus business development plus capex equals growth. This is something we talk about in the coming slides; this has been our model of growth. After almost one and a half to two years of using this formula, I can say confidently that this is a simple and right approach for us.

Financial performance

So here's our financial performance. As you can see, total revenue of ₹67.08 crore has been the highest in the last five quarters or more, driven by market demand as well as market share gains across the passenger car, truck and industrial segments. This has also come against the backdrop of our improving operational efficiencies, scaling and ramping up on the new businesses. And we hope to continue this trajectory over the coming quarters.

PAT is at ₹4.48 crore, which is also one of the highest in several quarters. I would like to remind our audience that last quarter, Q4, had an abnormally high PAT of ₹5.88 crore, which was due to the deferred tax gain which was offset from the previous quarter. So Q1 FY27 PAT is a normalised PAT and reflects the true trend of growing profitability.

EBITDA, as you can see, is the highest in the last five quarters, and probably at an all-time high level, at ₹10.89 crore; and similarly EBITDA margin at 16.2% is at an all-time high. We are happy to see that we are building on the 15% EBITDA mark from the last two or three quarters.

Key ratios

Now, coming to some key ratios. We have had a consistent improvement in capital efficiency, with ROCE rising from 14% last year to 22% over the last five quarters.

The deleveraging trend continues, and this is a ratio that we are now tracking: debt to EBITDA has improved from 3.53 to 2.51, which is now below our target level. This is a very healthy sign for the long-term sustainability of the business.

Cash conversion cycle has improved to 248 days in Q1, the best level in five quarters, reflecting tighter working capital management. Profit margins remain on an improving trajectory versus FY26 lows, supported by better operating leverage and cost discipline. So our continued focus on margin stability and working capital efficiency remains a key priority going into FY27.

EBITDA margin expansion

This is a little more detail on our EBITDA margin expansion story, which has been playing out for the last three quarters. We've had an all-time high EBITDA margin of 16.2%. What we are experiencing now is operating leverage compounding with shop floor efficiency improvements. This includes Vriddhi Council projects bearing fruit — which is our strategic initiatives — plant engineering initiatives unlocking efficiencies, improved material and power cost discipline, and operational stabilisation through machine recon and die-run prioritisation.

What I mean by operating leverage compounding is that the improvements we made in Q2 last year or Q3 last year continue to reap benefits every month and every quarter, and the additional improvements we make beyond that keep adding up. So this has a very nice compounding effect, which helps our EBITDA margin expansion. We've also had price increases kick in where we have negotiated better pricing from certain old businesses and customers. We have also exited from low-margin businesses over the last several quarters. And now we are tracking EBITDA and ROCE to focus on profitability and capital efficiency together.

Sales by product group

Now I'll take you through our sales and business numbers across various segmentation categories. The first one is sales by product group. Engine sales have increased from ₹29 crore in Q1 FY26 to ₹40 crore in Q1 FY27, roughly 38% year-on-year growth. Axle has grown 22% year-on-year and driveline has grown 11% year-on-year. Core businesses have grown with a focus on OEMs' growing demand as well as market share gains for Kalyani Forge. The domestic PV business has experienced increased demand, which is seen in our ramp-up programmes.

In terms of overall sales mix, it's quite similar to the previous quarter across product groups. Engine, driveline, axle and others are at pretty much similar levels, with a slight increase in the engine segment from 57% to 60% and a reduction in the "other" group from 15% to 12%. This is completely in line with our strategy, where we are increasing our OEM and Tier 1 customer business and deprioritising some of the low-volume legacy business of Tier 2 customers, which falls in the "other" category. Also, a lot of non-core products fall in the "other" category, where they are very niche and don't have much growth potential. So those kinds of businesses are reduced.

Sales by geography and market segment

These are the sales trends by geography and market segments. Strong growth across segments, backed by increasing market demand and market share gains. Passenger cars: 35% year-on-year growth, with strong OEM growth and new business ramp-up. Trucks: 48% year-on-year growth, the fastest-growing segment. Industrial segment: 67% year-on-year growth, with a smaller base but the strongest percentage growth. Agro business is down 31% due to consolidation of core businesses, with some legacy low-margin businesses being phased out. The "other" category similarly involves legacy non-fit business that has been reduced. Export sales mix has revived to 16% in Q1 FY27 compared to 11% in Q4. This has happened with new high-volume business replacing some of the legacy non-fit business, and therefore our exports now have better growth potential and better profit margins.

Business development

Coming to business development, which is our pipeline for revenue growth. Since this quarter and this financial year, FY27, we have started tracking a new metric, which is revenue from new business as a percentage of total business. This is something we will be reporting on going forward, because this is the final proof of the pudding of whatever new order wins we are getting — are those getting converted into new business? By new business, we mean those launched in the last three years.

The importance of this metric is that having a substantial share of our total revenue coming from new business ensures a much longer lifecycle and much longer revenue potential. Old businesses, due to their lifecycle, can get phased out or stopped by customers, and those need to be replaced with new platforms or new product businesses.

At 22%, we are at an all-time high in the last five quarters or possibly even more, and at an absolute level it's around ₹13 crore of the quarter's revenue.

Wheel hub samples are in progress, which constitute approximately ₹20 crore of annual revenue. We also have a new wheel hub line installation in progress, where we are utilising existing CNC machines from the recently phased-out businesses. This is what I was alluding to earlier about our discipline in capex — ensuring we have capacity growth and better capacity utilisation while being prudent on completely new capex investments.

Overall, for business development, we have a high-runner portfolio focus, which is on the top 20 high-value customers, and we are working on generating new business from our top customers. Our vehicle share of wallet has been increasing with an offering of engine plus driveline plus axle components. And I'm happy to share once again that Kalyani Forge is the only forging company to offer all three — engine, driveline and axle components — to OEMs, due to the combination of hot and warm forging technologies that we have built over decades.

Business mix optimisation

This is our business mix optimisation progress update. Basically, where we brought in the right business and removed non-fit business to ensure scalability and long-term growth. As you can see, OEM revenues have increased to ₹40.7 crore in Q1 FY27 — 31% year-on-year growth and 9% quarter-on-quarter growth. And I'm happy to share that this is the fourth consecutive quarter of OEM revenue growth, which means we are completely aligned on our strategy, and the entire company — all the various departments, everyone's efforts — is focused on increasing OEM business and satisfaction.

Approximately ₹40 crore of non-fit business was phased out in FY26. We have started phase four of business mix optimisation, which we began last quarter, and so this is now the final phase of this business mix resetting. Rationalisation actions are deliberate, measured, and aimed at improving scalability, better capacity allocation and long-term margin stability. What we're doing in phase four is: capex budgets aligned to core customers, capacity allocation prioritised for high-volume businesses, and engineering effort also focused on these same core businesses, which will keep continuing to grow.

Capex

Finally, a little update on capex. We are on track with our capex programme, but we have made our goals more precise in the last quarter. There are two main goals of capex: capacity increase and OEE increase — overall equipment efficiency increase. In the last quarter we have also started focusing on cash flows, and therefore we are making sure our capex decisions are extremely well filtered and that they really deliver fast payback periods and returns on investment.

Sixty per cent of capex is allocated to future growth areas — driveline and axle — and to ramp-up and new businesses, as you can see in these two charts. Our capex purpose and strategy is a bias for future growth and high-ROCE areas, upgrading the asset base for predictable growth, and increasing OEE or removing bottlenecks.

In Q4 you may see a significant jump over Q3 and, for those of you who have joined for the first time, there was ₹10 crore of dies and tooling reclassified from inventory to fixed assets. That's why there's a significant jump from Q3 to Q4 in fixed assets as well as, correspondingly, in capex — but that's more from a reclassification of accounting.

Apart from that, overall, our capex plan for FY27 is ₹30 crore, and that's what we are progressing on.

So that's all from me for the Q1 update. The remaining slides are for all of you to go through in your own time, if you have not seen our presentations earlier, and just to get to know a little bit more about the company. So thank you once again, and I'm happy to take questions and feedback from all of you.

Question and Answer Session

Moderator: Thank you. Thank you so much, sir. Ladies and gentlemen, we would like to begin our question and answer session. Please use the chat box, or you can raise your hand. Yes — Mr. Ajit Sethi, please.

Ajit Sethi: Yeah, thank you for the opportunity. Am I audible?

Moderator: Yes, you're audible.

Ajit Sethi: Yeah, so I'm new to the company and recently started to track your company. Sir, as we have mentioned in the presentation, there are some new orders which are in the validation phase. So my question is for the wheel hub component: how big can this wheel hub component business be going forward?

Viraj Kalyani: Sorry, how — can you repeat?

Ajit Sethi: How big can this wheel hub component business be? How big can it be?

Viraj Kalyani: Yes, so the wheel hubs are basically components that go in passenger cars, one on each wheel. If it's a two-wheel drive it's two per vehicle; if it's a four-wheel drive it's four per vehicle. So this is tied to passenger vehicle growth — it's a very large market. And particularly, we are supplying Gen 3 wheel hubs, which are the latest and best technology in the market. In India, Gen 3 hubs are just recently gaining popularity, so a lot of new car models will be using Gen 3 hubs and replacing the earlier Gen 2 or Gen 1 wheel hubs. So I may not give you an exact number right now, but you can project it to passenger car segment growth.

Ajit Sethi: Okay, understood. And sir, can you explain in detail what this Vriddhi Council cost-saving initiative is that we have taken?

Viraj Kalyani: Yes, so Vriddhi Council is our in-house name for a group of project leaders who are running strategic initiatives, and each of these strategic initiatives is related to certain cost savings — for example material costs, power costs, manpower costs, price increases, engineering, VAVE (value addition value engineering) both on the forging and machining side, dies and tools, and bolster productivity improvements and so on. So a lot of different topics for cost savings or increasing productivity and production. That's what the Vriddhi Council is.

These project leaders have cross-functional teams from across the company, taking different experts on that particular topic, and they work together and report to the steering committee, which is chaired by myself as well as some of our senior team members. We act as sponsors for the Council and support them; we give them more priority for any resources. And that's how it works. We meet once a month.

Ajit Sethi: And you have mentioned that you are expecting ₹50 crore of annual savings, so will this be realised in FY27 fully, or will it be spread out over the years?

Viraj Kalyani: Yes, if we — purely mathematically, it would spread out over the years, as it's a continuous saving once it kicks in. Our endeavour is to get as much of the ₹50 crore within this financial year as possible.

Ajit Sethi: And we are currently sustaining our EBITDA margin for the last three quarters at around 15%, so do we expect to sustain this EBITDA margin going forward? And as this cost initiative kicks in, do we expect to improve our EBITDA margin going forward? And can you give some guidance on the revenue growth for the next two to three years, if possible?

Viraj Kalyani: Okay, so there are two parts. One is on the EBITDA margin. Yes, we will sustain this level of 15% or more; 16.2% is a good margin expansion. And yes, the Vriddhi Council projects are particularly directed towards further expansion of EBITDA margin. We are targeting internally 20% as an EBITDA margin over the coming quarters, and this is in line with our industry benchmarks.

On revenue growth — while we don't give revenue guidance, I would say that this year we are focusing on scaling up. This quarter at ₹67 crore has been one of our highest revenue quarters, and we are expecting to continue at this level in the next several quarters. This is also a result of our strategic realignment of businesses, phasing out the non-scalable businesses and focusing on the high-volume growth areas.

Ajit Sethi: So, last question — when can we expect to reach this 20% EBITDA margin that you are saying?

Viraj Kalyani: I can't give an exact time period, but we are looking at several — within a few quarters.

Ajit Sethi: Thank you. I will join back.

Moderator: Okay, thank you, Mr. Ajit. The next question is from Mr. Vanesh in the chat box. We have three questions from him.

First: what fixed asset turnover should we expect, given we have net assets of ₹90 crore and another ₹10 crore of CWIP as of 31 March 2026? And how do you see sales CAGR over the next five years?

Viraj Kalyani: Fixed asset turnover currently is around 2.6 or 2.5. The industry benchmark is below 2 that — so between 1.5 and 2 So we are looking at, as we do a little more capex, stabilising between 2 and 2.5. Over the long term, we will bring this to a ratio of two.

In terms of sales CAGR over the next five years, again, we don't give revenue guidance, but I would say at least 20% CAGR is something we aim at. And this is based on our entire growth strategy playing out.

Moderator: The next question is… okay, second question.

Viraj Kalyani: Go ahead.

Moderator: The second question is from Mr. Vanesh debtors have been on the increase and cash conversion days have moved up significantly. How are you planning to deleverage the working capital cycle?

Viraj Kalyani: So our cash conversion cycle has actually reduced to 148 days compared to 170 last quarter. A big part of our effort has been on reducing inventory which is non-moving, or indirect materials inventory, and focusing on direct materials which are required for sales.

Similarly, debtors and receivables — that is an area we are focusing on a lot more in Q1 and Q2, where we are taking a much more structured approach to collections, to improving payment terms, as well as using bill discounting facilities to get faster cash flows. So there are various such efforts going on.

And on the procurement side as well, we have reset our procurement budgets — more budget for direct material, reduced budgets for indirect materials and services — and a lot of cost control.

Moderator: Okay, thank you, sir. Thank you, Mr. Vanesh. We have the next question from Mr.—

Viraj Kalyani: There was a third question: plans to repay the debt. So…

Moderator: Yes, yes, please.

Viraj Kalyani: Yes, on some of our long-term debt we have been repaying already, and that's how our debt-to-EBITDA ratio has improved, apart from the EBITDA itself improving.

We do have plans to raise equity in the future. There are multiple options that we are evaluating, and the promoters themselves would be putting in equity along with other participants. So we would use some of the equity to repay debt, but it's too soon to state any numbers at this point.

Moderator: Thank you, Mr. Vanesh. We will come back to your last question once Mr. Saket Kapoor has asked his question. Please, Mr. Saket Kapoor.

Viraj Kalyani: Yes, no, absolutely. Nice to have you back.

Saket Kapoor: Yes, sir. Thank you, sir. Thank you, and sir, first of all, I congratulate the team on displaying a very strong set of operational and financial results — a much cleaner set, as you have yourself explained, given the anomaly that we had in the previous quarter. So, to my understanding, operationally these are the best numbers in the recent past.

Viraj Kalyani: Yes.

Saket Kapoor: And we hope that we are able to live up to expectations, with the market being on the better side. Sir, the small point which I would like to make, especially on the Vriddhi Council part — sir, I hope I'm audible clearly, there's some noise…

Moderator: Yes, yes, there's some background noise, you know, at your end.

Saket Kapoor: Okay, fine. Thank you, thank you. So sir, I'll just join the queue; let this noise get over and then I'll join the queue — let the other party go. And congratulations, and welcome, Mr. Yash Patel, to the team.

Viraj Kalyani: I'll just give a quick clarification to Mr. Vanesh's question on net fixed assets. As you can see in our slide, in the capex slide, fixed assets are close to about ₹100 crore including CWIP. So fixed asset turnover is sales divided by fixed assets, and so the ratios I mentioned are still intact — a fixed asset turnover of 2.0 is what we're targeting long term.

Moderator: Okay. Thank you, Mr. Vanesh. Next question is from Mr. Ajit Sethi. Please open your mic, Mr. Sethi.

Ajit Sethi: Yeah, so thank you for the opportunity again. So what is our revenue contribution from the top five customers?

Viraj Kalyani: Revenue from the top five customers would be in the range of 30–40%.

Ajit Sethi: And sir, what is our competitive advantage? What makes us different from our peers?

Viraj Kalyani: That's a very good fundamental question. As you can see — I'll just share once again — our products are highly complex forgings, and we offer complete, fully forged and machined, ready-to-assemble parts. There are not many players in the market who are able to make this level of precision and accuracy at a high-volume scale. So our quality and our deep engineering expertise of four to five decades — that is one of our biggest competitive moats.

Apart from that, it's our relationships with our customers, which also span multi-decade lifetimes, and we continue to deepen those relationships and customer service.

Ajit Sethi: So, do we do our machining in-house for our components?

Viraj Kalyani: Yes, we do all our machining in-house — pretty much for all these core products. If there is some non-core product, some of that machining may be done outside, where the costs need to be much less, or where it doesn't make sense to put up capacity in-house.

Ajit Sethi: And so, is it possible for you to share what our current capacity and capacity utilisation is?

Viraj Kalyani: Yes, our capacity is something we measure separately for machining and for forging, because those are not fungible facilities.

On the forging side, we have close to 20,000 tonnes of installed capacity, and the utilisation there is in the range of 50 to 60%.

On the machining side, we look at capacity in number of pieces. So we currently have a capacity of — I'd say 1.8 lakh pieces per month. This is for multiple products, but predominantly connecting rods, wheel hubs, gear blanks and tulips. Out of this 1.8 lakh capacity, the utilisation is almost 90% — 90 to 95%. And therefore we are working on increasing this capacity to 3 lakh pieces per month by the end of FY27.

Ajit Sethi: And when will this wheel hub line complex be online — the new capex?

Viraj Kalyani: We are expecting by the end of Q2 we should have it up and running, since it involves shifting our existing machinery from other businesses to this line and retooling the line. And there would be some key machinery, special purpose machinery, which we would have to procure.

Moderator: Thank you, Mr. Ajit. Please stay in the queue to ask another question — we would like to give other people a chance as well.

Saket Kapoor: Yes, yes, if I may just add a bit and then join the queue. Hope I'm now audible clearly and there's no background noise, sir.

Moderator: Yes, yes, it's perfect.

Saket Kapoor: Yes, thank you, sir. Sir, firstly, with respect to the Vriddhi Council part — when we read that we have realised ₹19 crore in savings, then exactly, when we say savings, where do these savings flow through? If you could just explain to us, since you have valued it at ₹19 crore, where has this gone into — the asset making, through the P&L? Some understanding of the same output.

Viraj Kalyani: Okay, yes. That's a very pertinent question, because it does not directly — it's not as simple as ₹19 crore just going to EBITDA. This ₹19 crore is an annualised savings number, so for a quarterly amount it would be divided by four, so close to ₹4.2 crore per quarter.

Out of this ₹4.2 crore for the quarter, some of it flows directly into EBITDA, and some of it is offset by other cost increases, or inflation, or increases in wages, or rates of input materials. So these savings help in twofold ways: one is directly increasing EBITDA, and second is to absorb cost increases due to inflation. So — does that make sense?

Saket Kapoor: Yeah, yes, sir. So overall, sir, I think overall we should also try next time — sir, since you have taken a lot of and given us a lot of understanding in your opening remarks and your presentation, and your articulation of things makes things very clear to us — so going ahead, sir, next time when you speak about Vriddhi and its benefit to us, we hope that we get more insight into the holistic part of it.

Just a second point, sir: you have mentioned that for Q2 your priorities are very clear — it's about overall equipment effectiveness, accelerating collections, and converting our strengthening order pipeline into revenue. So if you could just give us some colour on the new orders won that we have done, and their additions going ahead in the coming quarters.

Viraj Kalyani: Yes, the new order wins are particularly on the wheel hubs, which I have spoken of — there's ₹20 crore annual business potential there.

Then there are connecting rod businesses of existing connecting rods where we are getting a share of business increase from our customers, due to their ramp-up as well as due to our better performance and our ability to put up more capacity. So on the conrod side as well, there are about three customers where we are seeing an increase in share of business and overall revenue in absolute terms. And this will play out over FY27. So these are the two main themes.

There's also the exports business, which is gear blanks, and that is continuing to scale up. We were supplying in as-forged condition last year, and this year we are going to supply 100% in machined condition, so that will also add value to the same business.

Saket Kapoor: Correct, sir. And sir, in terms of any capacity augmentation that we are anticipating going ahead — because I think there was some capex number also which you have outlined in the presentation — so how are we going to invest that, and will that lead to any capacity augmentation, or only efficiency steps?

Viraj Kalyani: Yes, so we are definitely focused on both capacity enhancement and overall equipment efficiency improvement through capex, as I stated in one of the earlier questions.

We are planning to expand our machining capacity from 1.8 lakh pieces per month to 3 lakh pieces per month by the end of the financial year. So some portion of the capex is going towards this machining capacity increase, which involves de-bottlenecking on the machining lines or just adding new machines for the new business, replacing old fixtures and old tooling with new ones which will increase the capacity, and some other small capex items for capacity increase which come through the Vriddhi Council projects.

Saket Kapoor: Yes, thanks for that. Correct, sir. Thank you, sir. I'm joining the queue, and all the best to the team, sir. Good show by us, and yes, my best wishes, sir.

Viraj Kalyani: Yes, thank you, thank you.

Moderator: Thank you, sir. Okay, thank you, Mr. Saket.

The next question is from Mr. Govindraj: can you throw some light on how the forging business inquiries are now, as we had a slowdown for the last 18 to 24 months?

Viraj Kalyani: Can you repeat that? I didn't catch it.

Moderator: Can you throw some light on how the forging business inquiries are now, as we had a slowdown for the last 18 to 24 months?

Viraj Kalyani: Forging business inquiries, meaning new business inquiries — those are continuing. We continue to receive several RFQs every month, on which we are quoting. We are also regretting certain RFQs where those are not part of our core product portfolio. But we have not experienced a sort of slowdown in new business inquiries from various customers. In fact, we are a little filled up with catering to all the inquiries.

Moderator: Okay, thank you, sir. Another question from Mr. Govindraj: can you quantify how much we were hit due to the increase in raw material costs, and whether it has been passed on to the customers?

Viraj Kalyani: We are fairly well insulated from raw material price changes, because we have a pass-through mechanism with all our customers. We have received pricing increases from our customers for whatever recent raw material rate increased there were.

There were increases in indirect materials like consumables and cutting tools and so on, due to the Middle East war and disturbances which were taking place in the last five to six months. Because of that, a lot of our smaller suppliers of indirect materials have asked for price increases of anywhere between 15 to 30%. In some cases we have given those increases, but we have controlled the quantity of consumption to ensure our costs are controlled. And we have also similarly received price increases from customers for this conversion cost increase. This is still a work in progress, because some OEMs are also looking for an overall consensus in the industry to address this ongoing inflationary pressure.

Moderator: Thank you, sir. We will take two more questions.

The first question is from Mr. Aniruddha: as we see, people are preferring EV vehicles over petrol and diesel, and also there is a surge in EV car bookings; even EVs are used in transportation. So the question is, are the same forgings used for EV parts? If not, then how are we trying to capture this market?

Viraj Kalyani: Yes, thank you for the question. It's an important risk that all manufacturers, all Tier 1 companies, as well as those in the automotive industry, are always strategizing on.

As I explained at the beginning of my presentation, this is our product portfolio — engine, driveline and axle. And across our entire product portfolio we are almost fully hedged to EV growth, especially in passenger vehicles. Based on our market research, our primary feedback from customers and the general market, what we observe is that EVs can grow, but mainly in the two-wheeler and three-wheeler and then in the passenger vehicle market. There is not too much feasibility for EVs in the truck segment, even though there are a lot of attempts being made in the market.

So coming to our engine products, they are primarily in heavy commercial vehicles and in off-road or industrial vehicles and engines, so those have a very long staying power and lifecycle. On the other hand, our driveline and axle products are EV-agnostic and they grow with all vehicle platforms. These are also areas where we are investing more in terms of capacity — like we said, we're putting up a new wheel hub line, and we're also expanding our capacities for stub axles in forging.

Moderator: Okay, thank you, sir. Next question is from Mr. Saket Kapoor. Can you please open your mic? Please.

Moderator: The next question is from Mr. Rahul Singh — that would be the last question. How important will direct customer engagement be in building the new business, and how frequently do you plan to visit key customers?

Viraj Kalyani: Okay, that's another nice question. It's always — I enjoy travelling, so I enjoy going on business trips and meeting customers.

If I give a sort of more clear understanding: meeting customers is a very, very important part of my role, as well as of our team's efforts on business development, customer satisfaction and growth. So we have an internal plan of meeting our core customers at least once a quarter. Within our core customers, we have strategic customers, key accounts and standard accounts. For the strategic customers, I have a calendar of meeting once a quarter, wherever they are. And our team also covers different people within the organisations at the customer end. So it is very important, and it is an important allocation of time for myself and some of our team members.

Moderator: Thank you, sir. We have another question — should we take it, or…?

Viraj Kalyani: Yeah, we have time for one last question.

Moderator: Okay, thank you. It's from Mr. Vanesh how will the ₹30 crore capex this year be funded — debt or full internal accruals?

Viraj Kalyani: Yes, the capex is going to be funded by a combination of debt and internal accruals. So we're looking at 75% funding from debt and 25% from internal accruals. That's our policy.

Closing remarks

Moderator: Yes. Thank you, sir. Ladies and gentlemen, on behalf of Kalyani Forge, we conclude this conference. Before that, I want to let you know that if anyone wants to visit our plant or have one-to-one talks with our senior leadership, you can contact me. My contact is available on our website. Thank you for joining us, and you may now disconnect your lines.

Viraj Kalyani: Okay. Thank you, Yash.