

BHARAT FORGE



“Bharat Forge Q1 FY-23 Earnings Conference Call”

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BHARAT FORGE



C H O R U S C A L L ®

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Moderator: Good day, ladies and gentlemen and welcome to Bharat Forge Limited Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Kalyani. Thank you and over to you sir.

Amit Kalyani: Good afternoon, ladies and gentlemen and thank you for joining our call today. As usual, I’ll take you through a quick explanation and a talk through our results. And then we will be happy to take your questions and answers. So ladies and gentlemen, once again, thank you for our Q1 analyst call.

Overall, we’ve had a decent performance. We’ve had a quarter-on-quarter 5% growth. We’ve had a bottom EBITDA growth of about 7%, we’ve had one of our highest ever export numbers. This has largely been driven by a couple of factors. One is our export of passenger car components having grown very substantially to its highest ever number of almost 200 crores. And we are getting tremendous new traction in this area, from existing customers and also from new customers both for existing products and new products. I’m also very happy to report that we are getting business from geographies that we’ve never been supplying to. So we also see other opportunities of non-automotive coming from those geographies as we begin to understand those markets and build some presence there.

Aerospace now accounts for more than 10% of our industrial export revenue. This same number for last year was 2%. This is the result of many years of hard work and the start of ramp up of a couple of our customer programs. We now have in addition to these programs that are active, two new programs that are ramp up and totally two new customers, in addition who have given us long term orders. So we will now have three distinct product segments which will allow us to create almost like product verticals within Bharat Forge for aerospace and become a large, meaningful supplier in these areas. And I believe that the best years in terms of growth for aerospace for us are now about to start and you will see Y-o-Y very strong growth.

As I mentioned, we’ve also added two new customers during the quarter in aerospace, we have won over Rs.350 crores for the India business in the quarter across automotive and industrial applications. And in fact, we see tremendous new opportunities in terms of customer looking at us for business in India for components and we see quite a lot of growth opportunities. We have completed the acquisition of J.S. Auto at an EV of 490 crores. This is a good company, it was purchased on 1st of July, so it will be consolidated in Q2. And this company will be earning the creative from the first quarter itself. Besides the products that it currently makes. It has tremendous headroom for growth, we can double this capacity with almost no CAPEX and double the revenues. Additionally, we get into a lot of new sectors, which we didn’t have that much presence and become a bigger and stronger supplier in areas such as construction equipment, mining equipment, renewable energy, hydraulics, and many other industrial products.

Our balance sheet continues to remain robust. We have a net debt equity of 0.2 and a net debt divided by EBITDA of 0.75. I believe that in extremely volatile times that we are living in now. It's very important to have a strong financial base and the ability to take advantage of opportunities as they arise, and also the ability to withstand shocks when they arise because nobody knows what's on the horizon. One year ago, we couldn't have predicted what's happening in Ukraine either. Not that any of us want something like that to happen, but it's best to be prepared.

Our European operations have had stable performance in spite of extremely high input prices, and slightly weaker end markets. The end markets have got weak for multiple reasons. One of them being tremendous inflation that is there in Europe and the cost of living impact on families there. And something that is a once in a lifetime kind of scenario, which many people in Europe have never faced. Energy prices in Europe have gone up and more than five times from something like €7.5 cents per kilowatt hour to now over €0.40 to €0.41 per kilowatt hour. I will talk more about the impact of that going forward. So in spite of that, we've had over 8, 8.5% EBITDA margin. Our new facility in the US has just commenced manufacturing operation in the April to June period. And as is, let's say expected for any new facility, it's going to take time for us to prove out the parts, do our PPAPs, and ramp up and get product approval in place. And then we will move to a breakeven and profit situation.

So we are currently running at about a little over a million dollars a month kind of EBITDA loss. But we expect this to come down as time goes by and we hope that by the end of the year, this should be above the red numbers. I would also like to add that this facility is going to be producing specialty chassis components for largely EV and hybrid programs for European, US, Japanese and Korean high end passenger car companies and pickup trucks and SUVs. So full capacity is booked out for the first phase. And we have got enough orders in hand for setting up the second phase now which we will now kick off. So this will allow us to double our size of business in this aluminum forging facility in the US over the next three years.

Coming to defense, as I mentioned last time that the artillery gun has passed all its trials. And I'm extremely proud and happy to report that our artillery gun which is co-developed with DRDO will be showcased in the 15th August Amrit Mahotsav of Independence Day at Red Ford as a part of the 21 gun salute. So this is a matter of great pride for us that it will be shown to the whole nation live over television and something we look forward to.

On e-mobility we are seeing good traction with domestic OEMs both for components subsystems and for their local requirements because our components are completely same compliant. Tork Motors which is the company we've invested in and has already started serial deliveries of their vehicles and also are now supplying three wheeler powertrain in fairly large quantities. New plant for this company is under final installation, and from November they will be starting production in new plant which will increase the capacity almost 10. We have many other initiatives in place, both at the organizational level technology level, digitization, and organization structure in order to manage and grow at a faster pace. And we'd also like to

showcase some new products that we're launching in the next month or two and post our Q2 results we would like to organize an analyst day where we are able to show you a lot of the new products and talk through what is happening in the business and what we hope to do in much more granular detail. And I hope that many of you will have the chance to join us. That's really all I wanted to say as an introduction I have with me member of our Finance, Investor Relations and our business team, and we'll be happy to answer your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kapil Singh from Nomura Group. Please go ahead.

Kapil Singh: First question is on the outlook for each of the segments that we operate in, if you could share you mentioned some risks also. So, what is the outlook for these segments and in particular, in each of these segments, if there is something to highlight, what Bharat Forge is doing to win additional business and also on the defense business, outside the artillery gun if you could share some update in terms of what is the progress there, what are the current revenue number?

Amit Kalyani: My colleague, Subodh will answer the first part, second part I will answer.

Subodh Tandale: So, the outlook of the various sectors that we are involved in and if I can go geographically. So, in the US, the commercial vehicle segment class seven and eight that we operate at this point, the orders with OEMs are secured until end of next year almost and the rate of cancellations is not that high, the production of the OEMs is stable, there is a lot of talk about some recessionary conditions in the US and so on so forth. So, we have all to wait and watch. But at this point, at least as far as what we see on an operating ongoing business, it seems quite stable, we are not seeing any difficult conditions as of now, as far as the car segment is concerned, again similar comments there are some disruptions because of supply chain and those aspects moving, that continues. Only thing is it's not just semiconductors, it's a lot of other things, but overall, the production is still stable. As far as the industrial verticals go in the US, I would say they are operating at a stable level, there is not so much of a growth in it, but there is not so much of a decline either. What would be the impact of if there are any recessionary conditions it remains to be seen, there is of course high inflation in the US like there is everywhere. But the general impression is, even if there is an inflation, even if there is a recession in the US, it may not be for a very long period. So it will be a quick one is the expectation. So we are of course watching this closely. We are doing everything we can to grow our share in these segments, not just in the US but in all other segments in terms of trying to de risk as much as possible. So that, that activity is ongoing.

The same sectors in Europe, Europe is of course as we all know, a little more volatile than the US with particularly because of the impact of the war. The only good thing in Europe is we still see a reasonably strong commercial vehicle industry. The segment in which we operate our premium vehicle segments in the passenger car side. The demand there is also reasonably okay for now. So at this point, we see relatively stable activity for us in North America and Europe. As far as other geographies are concerned, we have growing presence and as Mr. Kalyani

mentioned we are also breaking into new geographies. So we are trying to expand our business across all segments.

Amit Kalyani:

The answer to put it in a summery way. Most of our customers are still showing a lot of confidence in the year going forward especially in the US. In Europe, people are talking on a shorter time horizon. But if you look at the advantages that we bring to the table, we are in a strong position and that is why we continue to strengthen our position on our balance sheet, our technology, our customer attraction and intimacy. And take advantage of whatever opportunities arise. And sometimes you have to create opportunity. So that's the way I look at it. You asked me a question about defense. So we have three verticals within defense. The one part of the business is our capital items, which is things that are procured for the fight, and move and that kind of part of the business which is artillery guns, your vehicles, and other specialty products. The second is all your spares and consumables. So we currently have a well-balanced business between them, currently our business is, I would say between 300, 400 crores a year of spares and consumables. And our business on the capital side is currently largely vehicle lead. And we have a business of roughly about 200 to 250 crores a year currently, on the vehicle side, this can go up. And we're looking at global opportunities in this. And we are also looking at global opportunities on the consumable side. So if you look at today, our total business I would say it's somewhere in the region of 400, 500 crores a year and a two, three year horizon or let's say 25, 26 horizon is how do we take this to 1500 crores a year. Plus, 300, 400 crores of exports so, we are looking at growing the business simply 3x and creating a suite of products that will keep giving us this kind of business going on and also look at global opportunities because some of the new products that are developed in India are really world class and we have the opportunity to supply them globally.

Kapil Singh:

Okay, great. We'll look forward to that. And just a second question on financial, I see that gross margins or raw material sales have actually come down. So if you could give some color because steel price has actually gone up. So is there some inventory and how to think about gross margins over next?

Amit Kalyani:

Yes, so there is some inventory impact, but if you look at the operating margin, which is raw material and variable cost, there it is more or less stable as compared to last quarter. In fact, it has gone up by 0.4 basis points as compared to last quarter. So you should look raw material plus variable cost.

Kapil Singh:

Okay. Now that the steel price is coming down, I was just trying to understand how does this evolve as we head into the coming quarters?

Amit Kalyani:

In this quarter we have not seen any of the softening of prices, it might we are looking at some reduction in prices. But for this quarter, there was no reduction in prices.

Kapil Singh:

This quarter, you mean the quarter ending June?

Amit Kalyani:

The quarter which ended in June.

- Kapil Singh:** Okay. But what I'm asking is July to September, we should expect some declines. So will the RM to sales improved further or will it stay here just trying to understand that?
- Amit Kalyani:** If the price goes up, then you will see some improvement in margin, but it's optical increases it's optical decrease in EBITDA. But what you should look at is EBITDA per tonne, which is on an improving basis.
- Moderator:** Thank you. The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.
- Binay Singh:** The first question is on our European business is the full impact of the inflationary pressures, gas prices and all that we are seeing in Europe visible in this quarter's earnings?
- Amit Kalyani:** Yes, it is.
- Binay Singh:** Okay. And secondly, on the North Carolina forging facility. Earlier, we had talked about \$80 to \$85 billion revenues in phase one. So that should largely play out in FY24 right?
- Amit Kalyani:** Yes.
- Binay Singh:** So to an extent so FY23 is the year of breakeven, whereas FY24 you will start to generate sort of mid-single digit or higher margin in that?
- Amit Kalyani:** Yes, absolutely.
- Amit Kalyani:** We will have a positive margin for sure. And as I mentioned earlier, we now need to very quickly start the setup of the second phase because we have orders for almost 4 million pieces and our first line we have capacity of about 2.2. So we will be able to double our capacity by FY26.
- Binay Singh:** And is it fair to assume that the margin there in, when the first phase is fully operational will at least be similar to the level that you had seen in Europe which is high single digit or so?
- Amit Kalyani:** No, I would say that 10%, 11%, 12% should be doable, when it stabilizes. You asked about EBITDA right?
- Binay Singh:** Right.
- Amit Kalyani:** I would say 10-11% on a blended basis, high double digit margins in Aluminum & high single margin in steel business.
- Binay Singh:** And then just looking at the aero business, it seems like a pivot this quarter. So finally, we are seeing the revenue scale up and earlier we had often talked about an aspirational target of \$100 million coming from this vertical. Any timeline, you would think that giving the two customer orders, three customer orders?

- Amit Kalyani:** I will not give any timeline, but I will only say that we are definitely on track to achieve this.
- Binay Singh:** That is good to know. And lastly, just two housekeeping question.
- Amit Kalyani:** So, I'll give you an example, if you follow our PV story, when we talked about it, about five years ago people who didn't know when we were going to get this and was a little skeptical. But we achieved it and the same thing I would say, will play out in this.
- Binay Singh:** So, this is actually very encouraging to see because this is where the PV business in terms of contribution used to be in FY15.
- Amit Kalyani:** Exactly, so we will see the same.
- Binay Singh:** And, in fact the showcase of the guns at the Independence Day and in fact, all the commentary that is coming from your side is seeing that on that side of business also we should see an order inflow this year finally taking place.
- Amit Kalyani:** All the signs are pointing towards that direction, so let's hope.
- Binay Singh:** And just two housekeeping questions. One is what is the USD INR realization for the quarter. And secondly, if you could just share the agriculture number within domestic industrial business, the agri business.
- Amit Kalyani:** Our realization of 78, agri was about 55 crores. Any other question.
- Moderator:** Thank you. The next question is from the line of Ronak Sarda from Systematix Group. Please go ahead.
- Ronak Sarda:** Sir, first question is on the export passenger vehicle business, like you just alluded it has seen a very secular growth. So, if you can help us understand, what work for us there, what kind of products have we added over the last few years, and was the trajectory like for the next two to three years?
- Subodh Tandale:** See, what worked for us is, we have been working on this very consistently for the last five, seven years, and in any passenger car business, particularly when it happens from offshore, there is a very high degree of credibility involved, because the volumes are high, the customers are very demanding and so on. So, let's say over the last three, four, five years, we have been performing and doing our bit and now we have established a very strong track record of deliverability. And based on that, we are gaining traction to grow especially because, the same cannot be said about the supplier base in the outside world. So we bring in a much more credibility and much more dependability as compared to them. So we are seeing that traction, and that is something that we continue to leverage on. And we are expanding our product offering as well as we speak, so it's a combination of various things.

- Subodh Tandale:** So, what we've also done is, traditionally we used to make engine components, one of the areas where we've gotten into is now transmission and driveline components highly complicated and highly differentiated products. So products that companies used to make in-house, we are now making and supplying fully machined condition.
- Ronak Sarda:** Okay, got it. And question on the overall CAPEX for FY23, if you can help us understand standalone plus overseas, what we'll look at?
- Amit Kalyani:** BFL will look at the CAPEX of about 250 crores in India, our EV business will be somewhere in the 125 crore or so region. In the US our total CAPEX only for the second phase if we do it will be about 75 million over a period of two years, that will be actually next year and year after next, it will not be incurred this year. And in Europe it will be a small I would say 10, 15 million CAPEX which is basically for machining and some value add, et cetera. So, just to recap, the CAPEX in India will be 250, EV about 125 or so, 375 and the other two CAPEXs will be over two years.
- Ronak Sarda:** Got it. During the electric vehicle CAPEX that is?
- Amit Kalyani:** We will need two new plants.
- Ronak Sarda:** Right. So, on electric vehicle on the top side if you can help us understand where do we see the overall revenue potential break up between OEM parts where we are selling motorcycles and then the components and....
- Amit Kalyani:** We are not selling motorcycles, Tork will be selling motorcycles.
- Ronak Sarda:** Okay. And the component and the sub systems will be from Bharat Forge?
- Amit Kalyani:** Lot of components and sub systems will be from us, so motor, motor controller, the BMS, battery all that will be made by us. Till the Q2 because I'd really like you to see it, will give you a very good idea of what we're doing when we have our post Q2 analyst call, analyst meet rather.
- Moderator:** Thank you. The next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.
- Pramod Amthe:** This is with regard to industrial division, where you have added inorganic capacity and looks like very GDP forecasts are shaping up for the global markets that run up for exports or industrial can be cut short. So, how are you looking at the industrial division export opportunity, in case there is a weakness, or a refreshment type of environment based up in the global market one, or do you like to add up any more capabilities there is an opportunity going forward?
- Amit Kalyani:** So, as I have mentioned before, I see the industrial vertical as one of our biggest growth drivers. Today our industrial vertical is roughly a 1000 crores when we add J.S. Auto, it becomes about 1400 crores, and we need to grow this at a strong double digit rate CAGR over the next three to

four years. And that is what we should get from it. We have plenty of opportunity, we have good facilities, good people, most importantly and very good customers who are all growing their business with us. So, we are going to grow this business quite substantially. You will be quite happy to see the way this grows in the next two, three years.

Pramod Amthe: So, you are not worried about the CAPEX cycles getting shorter in those developed markets and then you may have to delay your ramp up time?

Amit Kalyani: No, not at all.

Pramod Amthe: And second one is with regard to the Global CV cycle, considering that you have a much longer experience in handling those cyclical. Do you see this kind of cyclical the ups and downs or the down cycle will be as deep in the past or you get from the customers back so we didn't hit the peak itself properly because of supply constraints, the volatility will be much lesser going forward?

Amit Kalyani: It's a very difficult question to answer you have to look at it from two different geographies, in the US the inflation is largely due to overall commodity price increases everywhere. In Europe the inflation is due to everything that is happening globally plus what is happening uniquely in Europe which is energy. So, it is very difficult to be able to say that it will be all the same everywhere. So, therefore I don't want to hazard a guess on this and give you some answer. But the point is, if you build a business model where you have strong customer relations, you understand your market well, you have strong financials, you have strong technology and you have capacity, you can take advantage of good times and bad times. In good times you have growth, in bad times you have suppliers who die. Okay, not everybody can survive. So you just have to be quick, nimble, good at what you do and strong. And then you can take advantage of both. I'm not saying that we are going to buy anyone, I'm just saying that there will be companies that will no longer be viable, and somebody will have to produce what they used to produce.

Pramod Amthe: Sure. And are there any new wins because now there are.

Amit Kalyani: Lots, so we've had a lot of new wins, we've had new wins in pass-car, in industrial, in CV, in defense, in aerospace, in every vertical.

Pramod Amthe: I am specifically asking for the, since there is some traction on the CV, EV drive, which is happening in some of the markets?

Amit Kalyani: Yes, so we are doing a lot of work in that area. And once again, as I mentioned, in the Q2 post results analyst meet you will see a lot of new things that we're doing.

Moderator: Thank you. The next question is from the line of Vinit Bajaj an Individual Investor. Please go ahead.

Vinit Bajaj: What is the demand of class 8 truck in Europe and North America?

- Amit Kalyani:** Mr. Bajaj my colleague who looks after the sales and business development, will answer this question one second please.
- Vinit Bajaj:** Demand scenario I am asking, are we getting new orders?
- Amit Kalyani:** Yes, we are getting new orders.
- Vinit Bajaj:** Any numbers specific?
- Subodh Tandale:** You mean the market. The US truck market is supposed to be in the region of 300,000 trucks and Europe is similar. Last year in the US it was about 275, 280. So this year is expected to be close to 300 and Europe is more or less in the similar range.
- Vinit Bajaj:** China is a major competition from export side or is it any other country?
- Amit Kalyani:** China is not a competitor on the export side to a large extent in these markets. Other countries, yes they are, mainly US and Europe.
- Vinit Bajaj:** China has not done the heavy truck markets?
- Amit Kalyani:** They supply components to their own market. Not globally, the global companies are buying less and less from China.
- Vinit Bajaj:** Or any new products we are developing on EV side?
- Amit Kalyani:** Yes, a lot of new products which will be shown in about three months.
- Moderator:** Thank you. The next question is from the line of Peter Agnel from KSEMA Wealth Management. Please go ahead.
- Peter Agnel:** Sir, I was just wondering, what is the geographical revenue breakup for this quarter. And how much of the revenue loss because of the situation in Europe and America this quarter and what is the provision you have kept for the entire year on a worst case scenario basis?
- Amit Kalyani:** It's there on page 6, so full revenue break up by geography.
- Peter Agnel:** Okay. And sir what's the percentage of the steel price rises have we been able to pass on to customers?
- Amit Kalyani:** So, I am not going to share that level of detail with you. All I will say is that, as a company we have a policy of passing on price increases, which are out of our control. Whether it is raw materials, or other freight and things like that, but this is a dialogue. We want more they want to give less, it's always never easy, but we have to find a good relationship and make it happen.

But this will happen, our team is working on it and most of our customers have now agreed, and this will get corrected in the prices going forward.

- Moderator:** Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Fund. Please go ahead.
- Sonal Gupta:** Amit, if I look at the numbers the last couple of years, x of the standalone we have done a CAPEX of 600, 700 crores for the last two years. So just trying to understand.
- Amit Kalyani:** Not, 600, plus 700, a total.
- Sonal Gupta:** I mean annually, right.
- Amit Kalyani:** No, in standalone we have not done that much CAPEX.
- Sonal Gupta:** I was just looking from this Q4 cash flow statements.
- Amit Kalyani:** No, you are saying ex standalone, not including standalone, right?
- Sonal Gupta:** Correct.
- Amit Kalyani:** So, that correct. Basically look, we have built two new plants, we have built a plant for Aluminium forging in Germany, and we have built a plant in the US.
- Sonal Gupta:** Right. But, like you are saying that we are going to be making like a 10% to 11%, 12% EBITDA margin. So potentially single digit EBIT margins on these sorts of investments. So your return on capital is fairly low.
- Amit Kalyani:** No, hold on, I did not talk about margins for those facilities. I said, on our overall European basis, we will do a double digit EBITDA margin. Aluminum business will be higher. Steel, business will be lower on a blended basis, it will be a good number. So we won't make investments if it didn't generate adequate returns. Please be rest assured.
- Sonal Gupta:** Got it. And so the Aluminium business should make like we made in BFAT a mid-teen sort of a margin to high teen sort of margin?
- Amit Kalyani:** Yes, that is the goal.
- Sonal Gupta:** Got it. And just on the, we are seeing wage cost pressure is also increasing, like even in European countries. So what is the outlook there, now once you have these, I know currently you maintain about 8.5% EBITDA margin but how do you see that sort of getting absorbed?

- Amit Kalyani:** I would say that we are still targeting to generate 8%, 8.5% margin for the year. And hopefully, yes there are wage inflation issues with about 7% to 8% in Europe and maybe 8% to 9% in the US. So, obviously we will have to re-price the funds.
- Sonal Gupta:** Right. But you think that will be possible, or it will take a longer negotiation process with the customers?
- Amit Kalyani:** Look it's not easy, but it's something that we have to do, and our team is committed to it. So we're working on it.
- Sonal Gupta:** Got it. And just a last question, could you just talk about on the oil and gas side what is the traction you're seeing in the US because we have a fair amount of exposure to Shell. And earlier you were talking about a few years back with some new products and new customers being added in the space and now that this space is coming back, what's the expectation?
- Subodh Tandale:** So the Shale Gas, the tracking segment in the US is doing reasonably well from a demand point of view. As compared to say, five, seven years ago, the players are following a very fiscal prudent policy. So they are controlling amount of investments quite aggressively. So as such, we are seeing a fairly stable demand pattern there. We expect this demand pattern to be stable for the next maybe at least one or two years, if not more. We are also working on adding new products. We continue working on adding new products in the last two years we have added a couple of new products and we are actually working on gaining traction there. So all said and done we have a stable situation when it comes to the US tracking side of the business.
- Moderator:** Thank you. The next question is from the line of Jay Shah from Capital PMS. Please go ahead.
- Jay Shah:** I just wanted to ask one question on the business side, when you say that we've got these particular order wins. What is our preparedness for these order wins, and how does the contract work like from the day of signing when does it go into production and say, God forbid if there are some uncertainties do we have capacities that are fungible that we can use it some other.
- Amit Kalyani:** So, let me answer your second question first. First of all, all our facilities are fungible. Okay, we only have to change some tooling. Secondly, how long does it take after an order to get into production really depends on what the product is. If it's a product that we make regularly, then the whole product knowledge, process knowledge, everything is ready, then it's just a matter of developing dyes, tools, fixtures, and all that, and getting into production that could be as much as three to six months. And then of course, trials and testing and stuff like that. But if it's a completely new product, or it's a product or a segment, like aerospace, or something like that depends, which is very, very critical. That requires longer testing, that could be as much as 12 to 18 to 24 months. So it really depends, there is no one size fits all answer for this. It depends on the product, it depends on the industry, it depends on the customer and the segment.
- Moderator:** Thank you. The next question is from the line of Ronak Sarda from Systematix Group. Please go ahead.

- Ronak Sarda:** Just trying to understand on the Europe business, given the sharp variable cost increase in terms of energy prices. So how are the new order win, new orders, the new SKUs being priced, are we getting the entire cost increase?
- Amit Kalyani:** New orders that we are quoting will take new pricing into account. And obviously, with existing clients, as I mentioned about few times on this call, it's a process of working with your customers and getting reimbursed for whatever is the delta.
- Ronak Sarda:** Got it. But the new orders there is a clear acceptance of the new prices, so there is no new issue in getting those.
- Amit Kalyani:** We wouldn't quote our price which is not right.
- Ronak Sarda:** Got it, thanks for that. And lastly, the equation for J.S. Auto, has that amount been paid and will that be part of a subsidiary or that will be directly part of the standalone business?
- Amit Kalyani:** It's under a industrial subsidiary, it's 100% owned and 100%, we paid on 1st of July.
- Ronak Sarda:** We paid on 1st of July you said?
- Amit Kalyani:** That's the day we bought the company
- Ronak Sarda:** Okay. And from counting perspective, will it be part of standalone?
- Amit Kalyani:** No, it will be a part of consolidated, it would be a subsidiary of Bharat Forge.
- Moderator:** Thank you. The next question is from the line of Abhishek Kumar Jain from Dolat Capital. Please go ahead.
- Abhishek Kumar Jain:** What sort of benefit do you see for export due to the high manufacturing cost in Europe?
- Management:** There are multiple factors, one is obviously there will be a difference in cost right now, second is ability to continue manufacturing sustainably on a longer term and availability of energy. So, there are many factors, but please remember it may also affect some of our customers. So, there is right now a lot of shuffling taking place with large companies which are looking at, where else they can produce things they produce in Europe in order to reduce their overall cost.
- Abhishek Kumar Jain:** Okay. And sir this quarter consolidated EBITDA is lower than the stand alone on absolute basis because of the subsidy losses. So what is the outlook for the consolidated EBITDA margin going ahead?
- Management:** So, we have talked about this also in the past that any startup that we have a Greenfield startup, if you remove that, then we will continue to have a positive EBITDA and once that also in six to nine month get stabilized it would all add positively to EBITDA.

- Amit Kalyani:** And also if we are comparing on a consolidated basis if you are comparing with the earlier quarter, please be aware that since we have taken out the quarter lag between our consolidation, the sequential quarter is actually six months for overseas entities.
- Abhishek Kumar Jain:** But this quarter subsidiaries, manufacturing cost has gone up by around 1000 bps from 40% to 49%, if we deduct the standalone?
- Amit Kalyani:** You get on a call with our team separately and discuss this, I don't have this value information.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Amit Kalyani for closing comments.
- Amit Kalyani:** Good afternoon, ladies and gentlemen. And I really thank you and on behalf of our company and our team for your interest and questions and if you have any further questions or require any more clarification, you know who to call in our company. I look forward to your continued support and we will definitely keep you advice well in time of the analyst day that we will have in post Q2, I promise you it will be interesting and exciting, and you will see a lot of new things that we have done and it will give you a glimpse into what Bharat Forge is transforming into in the next few years. So, thank you very much, have a Happy Raksha Bandhan and wish you all good health. Thank you.
- Moderator:** Thank you. On behalf of Bharat Forge Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.