

BHARAT FORGE



Bharat Forge Limited Q3 FY21 Earnings Conference Call

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**MANAGEMENT: MR. AMIT KALYANI – DEPUTY MANAGING DIRECTOR,
BHARAT FORGE LIMITED
MR. SUBODH TANDALE – EXECUTIVE DIRECTOR,
BHARAT FORGE LIMITED
MR. KISHORE SALETORÉ – CFO, BHARAT FORGE
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Bharat Forge Q3 FY21 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: Thank you very much. Good afternoon, ladies, and gentlemen, and thank you for making the time to attend our call. I have with me our management team from Finance, Investor Relations and on the Sales and Marketing and Business Development side. I’ll quickly take you through a few highlights, and then I will be happy to answer your questions.

For the quarter ended December 31st, we had a full shipment tonnage of about 51,000 tonnes, domestic sales of about 515 crores, exports of about 511, total revenue of 1,035, an EBITDA of 232, which was 22.4%, and a PBT of 144 and a PBT after exchange gain or loss of 126 and profit after tax of 926 after an exceptional item of 5.5 crores, which was towards VRS. The shipment tonnage was about 25% higher. Overall, sales was about 18% higher. EBITDA was 40% higher than last quarter, PBT was 42% higher and PBT after exchange gain or loss was also 37% higher. In terms of distribution of revenue, India was, as I mentioned, 524 crores, America was 351, Europe was 134 and the rest of the world was about 26.

We are starting to see strong recovery across sectors in both domestic and export markets. This has aided the strong double-digit growth that we have seen on a sequential basis. We have had a negative impact on this quarter due to the withdrawal of the MEIS scheme and almost 0 contribution from oil and gas. In spite of this, EBITDA margins have been expanded in Q3 on a Y-o-Y and sequential basis. All the segments in the domestic market have registered quarter-on-quarter and Y-o-Y growth. Our passenger vehicle business was the highest ever in this quarter. The strong recovery in medium and heavy commercial vehicle volumes, robust demand in agri and farm sector, continued growth in PV and new products that we have developed for many of these sectors were some of the factors. In the export markets, barring oil and gas, which continues to be severely impacted, demand is on an upswing and the momentum is strengthening. We continue to strengthen our balance sheet, and cash on the books today is over 2,600 crores. Cash position is positive net of long-term loans today. We are working on a strategy to supplement or substitute a large part of oil and gas business with other sectors over the next two to three years and we will start seeing some meaningful positive accretion on this from the middle of next year. We’ve already secured some business, and hopefully, once the product validation, et cetera happens this will start ramping up. I’m also happy to report that we’ve seen a sharp improvement in our overseas operations on a sequential basis.

We are focusing on cost reduction, efficiency improvement and getting new facilities in Europe and U.S. online. As you are aware that we have made an announcement about a settlement for the German subsidiaries with the German government. This fine will be paid over 5 years from the cash flow of our subsidiaries. Our U.S. aluminum facility is now fully constructed and will start trials in March. All our safety and other checks will be completed in the next 10 to 15 days,

and our training will then start, and then we will start trial production. So we are well on time and on budget with that facility. I'm also happy to inform you that our customers have reacted very positively to the news of us setting up an aluminum forging facility in the North Carolina area. Our first-line capacity is already sold out. So we expect to see tremendous growth opportunities coming from there. We have also set up a center of excellence for light-weighting, which is an engineering and solutions center, in North America, and they are working with existing customers and some of the new EV players in delivering entire solutions using a combination of forging, casting and other metal-forming processes to deliver body-in-white components and entire body-in-white solutions to our customers. And we expect that this will help create a pipeline for the future of large new business and also give us engineering and prototyping business with these customers.

Some of the new initiatives that we expect is that we expect to see positive traction on the defense, e-mobility and our aluminum casting venture this year. We have put in place a very solid strategy and are seeing a fairly good traction. The PLI and Atmanirbhar policies announced by the government are also giving us some tailwinds, although the COVID and the lack of, let's say, adequate financial support in the system is slowing down some of these initiatives because of incentives not being clearly enumerated. We have seen that there is a scrappage policy that is a mild positive for the industry. More than the policy itself, we will start seeing a shift towards the newer vehicles because of efficiency and overall cost effectiveness.

That's really all I have to say, and I'd be happy to take your questions now. And between myself and our team, we'll be happy to answer all your questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Sir you alluded to some of the new initiatives that you are taking in terms of e-mobility and defense also. So just to set the context, one of the things we understand is, obviously there'll be a strong cyclical recovery, which we can see. But to drive growth beyond that, what are the things which are being done, where is Bharat Forge in terms of success in these areas that would be really helpful to understand.

Amit Kalyani: Yes. So thank you for your question. So as you rightly mentioned, we will see a cyclical recovery in most of our traditional businesses. However, we are now building three new growth drivers, which will, over the next five years, become very meaningful new businesses. One is in the area of EVs, where we are producing components; subsystems in the areas of power electronics, control electronics and the entire BMS for both low-voltage extremely small LCVs and intermediate high-voltage intermediate LCVs. And we are now, let's say in the phase of integrating a couple of solutions for customers for testing and validation. So we believe that this component business will become a large EV business for us. The second is our light-weighting business, which is made up of currently forging and casting. This currently is at about \$50 million and we believe that in the next three to four years, this can easily get to somewhere in the range of 200 million to 250 million. And the third business is this whole solution business

of light-weighting, where you're not just making components, but you are delivering a lightweight solution to an industry, which means we are using a combination of technologies or processes to give a solution. And of course, we are starting to see a lot of traction and momentum on the defense side. We've been shortlisted for a number of programs, which will result in orders in the very near future. Actually we are hopeful that we would have some announcement to make by now, but unfortunately because of the budget and all, things have not yet happened. But, we expect to get some orders and we expect that even in the defense business, we will have a recurring kind of business and the project type of business going forward.

Kapil Singh: Great. That's quite helpful. Sir, are we also working on global EV projects?

Amit Kalyani: Yes. We are working on global EV projects, but that is more at a component level, where we are looking at the DC/DC controllers, the inverters and the BMS solutions, not an entire vehicle solution. Additionally we're also supplying components, forged and machined components, for EVs to our traditional European customers.

Kapil Singh: Sir, on the oil and gas can you also talk about what is the reasonable business size that you are looking at?

Amit Kalyani: Now we're running at about 4 million, 5 million a quarter from 30 million a quarter, it's come down to that kind of number. But this quarter, it was less than 2-3 million, and we expect this to go up slightly, but it's not going to go back to the numbers that there were, therefore we are now replacing this business with business in other sectors, including metals and mining and renewables. And our customer engagements remain very strong. In fact, we are in constant dialogue with our customers, and we are also working with our customers in looking at how we can make products more innovative and make them more cost effective and make the overall solution better for the end consumer as well.

Moderator: Thank you. The next question is from the line of Aryn Pirani from CLSA. Please go ahead.

Aryn Pirani: Just on the oil and gas business, we understand that it's unlikely to go to that 25 million, 30 million run rate anytime soon. But given the way oil prices have moved, is there any visibility of this 2-3 million becoming more like 10 million, 15 million in the near future, or still uncertain?

Amit Kalyani: I would say that give us another quarter before we can answer that. But maybe Subodh can add something.

Subodh Tandale: Yes. In addition to what Amit just said, from our point of view, we think there will be some positive movement just based on oil prices stabilizing between 50 and 60. And based on that positive movement, we will start seeing some traction, whether that is 5 million or 10 million a quarter or a little more, we will know maybe in one or two quarters.

Aryn Pirani: Okay. And apart from oil and gas, maybe other things like construction and other mining equipment and all those kinds of things, how are we seeing the traction there because there in the U.S., things seem to have picked up, if I am not wrong?

- Subodh Tandale:** Yes. U.S. has picked up, and we also see particularly in the construction area, strong amount of traction coming from India as well, just given the fallout of the budget and the push for infra. So we are obviously working on that aspect, not just on our current offering, but also to grow our offering in the segment and there are various projects that are in the pipeline. So this is an important sector for us.
- Amyr Pirani:** Okay. And just lastly, you mentioned that on the defense side, there has been a lot of traction. And hopefully, you will have certain announcements to make in the near future. If I can just ask, is this related to the ATAGS project or these are new things that you are referring to?
- Amit Kalyani:** No. ATAGS is a different story. There, we have a well laid out process that is going on. But there are some other products, which we have built over the last 6 to 12 months.
- Amyr Pirani:** Okay. And is there any clarity from the government on the ATAGS?
- Amit Kalyani:** Absolutely, there is clarity, there are clearly defined steps. So there is the final testing that is going on, after which we have the last step that needs to be done.
- Moderator:** Thank you. The next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.
- Nishit Jalan:** Sir, my question is a follow-up on non-auto exports. We have seen a sequential decline of about 60% as well. So is there, any shipment which has got delayed or there is some negative impact, which has come from any segment and your analyst update says that our construction and mining equipment sales in the international markets is under pressure. So just wanted some color on that?
- Amit Kalyani:** So it is largely oil and gas. 95% of that reduction is oil and gas. And there are certain industries, which also get impacted by oil and gas, such as construction equipment also.
- Nishit Jalan:** Okay. So in last quarter, oil and gas revenues were around USD 4 million, USD 5 million only, right? I'm talking about Q2 FY21 and Q3 FY21. So non-auto exports from 178 crores in Q2 FY21, it has come down to about 90 crores in Q3?
- Amit Kalyani:** Yes. That drop is almost entirely oil and gas.
- Nishit Jalan:** So last quarter, oil and gas revenues were closer to 70 crores, 80 crores, is it?
- Amit Kalyani:** Yes. It was about \$10 million.
- Nishit Jalan:** Okay. And sir, if you can share debt numbers or net debt numbers for consolidated entities.
- Amit Kalyani:** Consolidated, on a long-term basis, we have net cash. Long term debt is around 300 million.
- Moderator:** Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.

Ronak Sarda: Sir, first question on the commercial vehicle revenues, both India and exports. We've done very well, sharp outperformance in India and registering a positive growth Y-o-Y for exports. Can you help us understand how are these segments seen over the next few quarters?

Amit Kalyani: Yes. My colleague will answer, he is the one who is responsible for delivering this growth. You've done a great job. Go ahead, Subodh.

Subodh Tandale: So in the global side, based on the present projections, we see reasonably strong traction both in Europe and the U.S. This is of course, considering the fact that there will be no negative impacts of the COVID situation going forward. And as far as India is concerned, we are a little concerned, just given the traction as you know the sales of commercial vehicles are fluctuating quite a lot. Overall, there is optimism, given the rise in construction activity and so on. So overall, it should all go well. But right now, we have to be very cautious about India, and we are taking it month by month.

Ronak Sarda: Right. So this fluctuation you mean from the demand side or the supply chain constraint?

Amit Kalyani: So, actually, what Subodh is trying to say is that the retail sales are not at least for January were not in-line with wholesale sales, and this has been across many sectors.

Ronak Sarda: Right. Okay, sure. And on export CVs, can you help us understand how is the lead lag behaving, are we now matching the overall production run rate for North America business, or do you think there is some opportunity for inventory stocking which might happen given the strong order booking?

Subodh Tandale: Currently, if you are comparing the incoming orders that are typically announced every month, then obviously, those orders are at a very high level. They are at +40,000, obviously the production is not at those levels in the market. So we have adjusted our levels of shipments to the production levels, and we are obviously ready for more. So it is a dynamic factor.

Amit Kalyani: But I would also say that the demand after has been so rapid, that we are probably shipping a little less than what we could have.

Ronak Sarda: Right, sure. And finally, on the domestic industrial revenues. So if I, say, even knock off the overall growth seen in tractors, are we seeing some traction in the industrial or capital equipment industry, or do you think there's still some time away?

Amit Kalyani: Actually, even without agricultural, we've had growth. We've had small growth, but we've had growth. And we are gaining market share also. So initiative has been how do we get closer to our customers, and how do we gain market share, defend our business. So we are playing both defense and offense. Defend our large positions and attack new areas that we're not present in. This mechanization of agricultural equipment is increasing at quite a fast pace. There are a lot of new components and opportunities in that, which we are addressing.

- Ronak Sarda:** Right, Sure. And this was effectively not present over the last few years, or we are seeing a rapid growth?
- Amit Kalyani:** We're seeing a rapid growth in that.
- Moderator:** Thank you. The next question is from the line of Jeetu Panjabi from EM Capital. Please go ahead.
- Jeetu Panjabi:** Lovely to see great numbers. I have a question. When you're looking at what the customer schedules are looking like, and you're seeing that they're coming back and saying, look we need it sooner, we need it quicker. Is that continuing or is that paused and if linked question is, are you kind of producing to inventory or are you producing to the orders, are you going ahead with what the order book looks like?
- Amit Kalyani:** No. We produce only against orders, Jeetu. But this urgency is also because a lot of customers, and in turn, some of their supplier plants have not yet ramped up to full capacities or have not ramped up even to 50%, 60%. So when spot orders happen, they are unable to have their entire supply chain respond as fast as we can. We can go from receiving an order to getting steel, forging it, and machining it and out the door in probably 3 weeks. It is very uncommon for many people. So wherever there are spot orders, we are getting a big benefit of that and NPD, value addition, all that is leading to better customer traction and market share gains.
- Jeetu Panjabi:** And Amit, one more question, in terms of the new three new areas we talk about, what do you think in two or three years, in terms of revenue what kind of scale do you think you can get?
- Amit Kalyani:** Jeetu, these are large new businesses. This is like I would say that this is similar to creating a non-auto business that we did. It went from 5%, 10% to a meaningful proportion of our business. Now all three of these put together, in the next 2, 3 years or 4 years, should get to a meaningful percentage of our overall business. That's the desire, and that's the intention.
- Moderator:** Thank you. The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.
- Binay Singh:** Is it fair to assume that tractors will be around 20% or so of India non-auto?
- Amit Kalyani:** India non-auto, yes, approximately, yes.
- Binay Singh:** And secondly, how to think about gross margins going ahead, because if I remember correctly, the commodity is a pass-through, right, but mix will have some impact on margins?
- Amit Kalyani:** I would expect gross margins to remain strong, and in fact as the capacity utilization goes up, I would expect gross margins to turn slightly positive from here.
- Binay Singh:** Okay. And will there be any impact of mix shift, like if India grows faster than exports?

- Amit Kalyani:** That's a good point. I would say that, again, if it's significantly improving capacity utilization, it should more than compensate.
- Binay Singh:** Okay. And lastly, could you tell us a little bit about the currency rate that you realized for this quarter and how are you hedged?
- Amit Kalyani:** This quarter was 72.50.
- Binay Singh:** Okay. And are you hedged for the coming few quarters?
- Amit Kalyani:** Our next quarter is more or less at the same level.
- Moderator:** Thank you. The next question is from the line of Pramod Amthe from InCred Capital. Please go ahead.
- Pramod Amthe:** I wanted to check, what is the status of this aluminum casting facility which you've set up in India, what is the run rate, what is the ramp-up status?
- Amit Kalyani:** So our facility is fully ready and just making trial production, we lost about 10 months because of COVID. So basically, I would say we lost one year. We have this year's plan of about 25 crores, and next year will be about closer to 70, 80 crores that is on an organic basis.
- Pramod Amthe:** But you had orders in hand and all, right, for this, and how are the customers?
- Amit Kalyani:** Yes. We have orders of about 35 crores, that is all ramping up because even those customers, this is all for new platforms.
- Pramod Amthe:** Okay. And this is only to do with the COVID, nothing to do with the operational challenges per se for this, because this was a new line of business to set up in India, right?
- Amit Kalyani:** Yes, absolutely there was no challenge on the technology side as such.
- Pramod Amthe:** Okay. And second is, you talked about PLI. I wanted to get your thoughts, would you be a derived beneficiary of new capacities coming on stream, or do you plan to take benefit by setting up yourself some projects under this scheme, how do you look at that?
- Amit Kalyani:** As I mentioned, we are going to follow our asset-light strategy. And we are going to sweat our assets in any areas where we have capacities, and if that means that we collaborate with a customer and do manufacturing of components and systems and supply them, that's a collaborative model that we will follow.
- Pramod Amthe:** Okay. But they cannot unleash a big CAPEX on it in that?
- Amit Kalyani:** No, because the PLI is not, it's not very clear to everyone yet. I still haven't fully understood it. And the guidelines are not announced. There's only a big picture that's been announced. I've

spoken to my friends in the chemical sector, and they don't seem to see too much value from it. This is good for sectors where you're doing a lot of assembly where your capital output to investment is significantly higher.

Pramod Amthe: Okay. And the last one is with regard to the German operations, where you had a settlement there. How do customers perceive you guys as suppliers, one? Second, assuming that you had a relatively better pricing power in those years, and hence the profitability was relatively superior to assume. So if that is not the case going forward, how do you address the operational cost issue in the overall German scope of things?

Amit Kalyani: No, I didn't understand the second part of your question. I understood the first part and quite frankly, this was an action against only German customers, German suppliers. A lot of other suppliers, their parent countries choose not to pursue it because they didn't find it meaningful or serious enough. So quite frankly, even the customer understands that. And I don't think this has much of a customer impact. But this is a part and parcel of business and maybe Subodh can add something.

Subodh Tandale: Yes. Pramod, one comment is last year and the year before last, they also approached the customers for the same. And there were settlements with the customers, there were settlements with the steel mill as well. So it's more like a class action process in the system. So we are, it is a collateral damage for us more than anything else.

Amit Kalyani: Also, the allegations are alleged so just instead of fighting in courts for the next 10 years, we agreed to settle it.

Pramod Amthe: In the sense if they have found out this cartelization, and hence you can't get the pricing power.

Amit Kalyani: There is no cartelization as far as we are concerned.

Pramod Amthe: Yes, sorry. So I was asking, does that compromise on the pricing power of those operations, and hence you have to relook at your cost structure for the German operations?

Subodh Tandale: See, Pramod the first comment is, maybe I'll just take 30 seconds. There was no cartelization whatsoever, there was a simple common mechanism that was set between the OEMs and the suppliers to be able to just drive the common movement of scrap and alloys that happen in the market. Because if every customer starts reacting to every tailwind and every supplier differently, they have a problem. So it was a perfectly legal process set up under what is called as EUROFORGE. And that was being followed by all customers and all suppliers. Now the German government, the antitrust found some process that was not compliant to its objectives, and that's the reason it was done, but there were absolutely no case where there was anything done in at least by us, in any way that should not have been done. That is absolutely clear and we have not gained any benefit, even a cent to be frank with you for that reason.

Pramod Amthe: Sure. Because the amount, the second looks pretty large. So in that context, I was trying to ask?

- Amit Kalyani:** Yes, basically we have a standard formula for the amount, which is based on a global revenue. So if the same thing applied to a German company with 100 million revenue, they would have paid 1 million or something like that. It's just because they apply it to global revenue.
- Moderator:** Thank you. The next question is from the line of Sonal Gupta from UBS. Please go ahead.
- Sonal Gupta:** Amit, just wanted to understand, like last year we were talking about a lot of cost reduction and cost-cutting program and if I look at compared to say Q3 FY20, your top line is almost similar and your profitability is similar because I still understand yes, you improved. But if I look at the absolute like your other expenses or staff cost, there's not much of a change. So is there like delay in that cost cutting and the digitalization and all those cost reductions?
- Amit Kalyani:** No, one second, we have had a lot of reduction on variable costs. The only area where we have not done anything is on manpower because when COVID has hit, it is we found it morally wrong to reduce or terminate people during this period. And that is why we have chosen not to do that. That will happen subsequently, and we've already now started seeing VRS happening and people reducing.
- Sonal Gupta:** Right okay, sure. So basically, then you're saying that the reduction that we're seeing in raw material cost to sales is because of the cost-cutting effort or is, because the problem is it's difficult for us to track because it's also dependent on obviously commodity prices, et cetera, as well. So just trying to understand how much of the benefit has come through and how much is yet to come?
- Amit Kalyani:** It also is a factor of inventory change so you should look at the operating margin, and at the EBITDA level, whether the margins are improved or otherwise. If you were to look at Q3 of last year and Q3 now, we have a reduction of almost 22 or 23 crores of export incentives. So in spite of that, our margins are the same. So you're seeing that that is clearly an impact of cost reduction. And energy costs have gone up for us. Electricity cost in Maharashtra is now at all-time high, it is above Rs.9.
- Sonal Gupta:** Okay, I was just trying to understand from a going-forward perspective, do we see some like other than the staff cost line item, do we see like other expenses or other line items also seeing further reduction?
- Amit Kalyani:** See, what has also happened is, in this quarter we have seen an increase in transportation and logistics costs everybody is aware that shipping costs have gone up. This will also get, hopefully balanced out in the next two quarters.
- Sonal Gupta:** Okay. And just the last thing was to, like you mentioned light-weighting is the major like as a growth driver where you're expecting going from 50 million to about 250 million. So this will include the aerospace business as well?
- Amit Kalyani:** No, light-weighting, this is more of automotive

- Sonal Gupta:** Sure, because in response to the initial questions you mentioned that light-weighting, forging, and casting would be sort of a big growth driver for the company. And if I got it correctly, you said that you're expecting revenues to go from currently around 50 million to 250 million over a certain time frame?
- Amit Kalyani:** So that includes forging and casting both yes.
- Sonal Gupta:** Correct. So that is just on the mainly on the automotive side, like you mentioned?
- Amit Kalyani:** Yes.
- Sonal Gupta:** And over what time frame do we see that?
- Amit Kalyani:** By FY25.
- Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.
- Jinesh Gandhi:** A couple of questions from my side. First is, if we see the blended realizations in third quarter, they have dropped quite sharply. This is, a, partly because of blended realizations, net revenues divided by your tonnage?
- Amit Kalyani:** So, that is multiple reasons, our product mix has changed.
- Jinesh Gandhi:** Okay. So primarily, it's due to much lower oil and gas revenues and?
- Amit Kalyani:** Exports are lower, passenger car is higher.
- Jinesh Gandhi:** Okay. So that is the key reason, and second question pertains to the U.S. aluminum forging plant. So can you just throw some light on, over the next two to three years, how much ramp-up do we expect there and what is the scope?
- Amit Kalyani:** We should be at full ramp, which is about \$70 million in revenue.
- Jinesh Gandhi:** 70 million in revenues, okay. And have we decided upon the second plant in Europe for aluminum forging?
- Amit Kalyani:** Our second plant is already installed.
- Jinesh Gandhi:** Commercial operations have started?
- Amit Kalyani:** No, not yet commercial production will start from about June.
- Jinesh Gandhi:** Okay. And that, again, will see ramp-up in next 3 years?

- Amit Kalyani:** Yes, that also will ramp-up in the next 2 to 3 years.
- Moderator:** Thank you. The next question is from the line of Hitesh Goel from Kotak Securities. Please go ahead.
- Hitesh Goel:** The amount that you paid for the FCO, basically will be paid over 5 years. So cash flow impact will be five years, just to speak on the exceptional item this quarter?
- Amit Kalyani:** We've just taken a charge-off for it this quarter.
- Moderator:** Thank you. We'll move on to the next question that is from the line of Basudeb Banerjee from AMBIT Capital. Please go ahead.
- Basudeb Banerjee:** Just wanted to understand the strong set of margins for foreign subsidiaries which you reported. Is that the after effect of the restructuring exercises, and how to look at the sustainability of that going ahead?
- Amit Kalyani:** Yes. That is the result of the restructuring and hopefully, this will continue, and in fact, strengthen going forward.
- Basudeb Banerjee:** Okay, that's great and sir if I look at your realization per kg, it's like a five-year low. So how to look at those drivers, for example, oil and gas being a higher realization?
- Amit Kalyani:** No. See, I'll tell you honestly, it's because oil and gas is at the lowest it ever was, exports are significantly lower, and passenger car is higher. It's a combination of too many different things.
- Basudeb Banerjee:** Because the decline from the normalized levels of Rs.240 a kg is?
- Amit Kalyani:** So you will see that change in the next two to three quarters. I'm very confident it will reverse in the next two to three quarters.
- Basudeb Banerjee:** And subsequently, the gross profit per kg, which is down from Rs.140 to Rs.128, should one take it also as an aftereffect of mix or it is some lag effect of steel prices?
- Amit Kalyani:** Yes, it's exactly what you said.
- Basudeb Banerjee:** And last question sir, comments on consolidated CAPEX outlook for this year and next year?
- Amit Kalyani:** Only CAPEX, were doing this year is in the U.S. I would say our CAPEX in India this year, new fresh CAPEX will be below 50 crores. Only other CAPEX that we may have is if we get some defense order and we have strong CAPEX for that.
- Basudeb Banerjee:** And that will be next fiscal or this fiscal?
- Amit Kalyani:** We'll start the day we get the order.

Moderator: Thank you. We'll move onto the next question that is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Sir, could you just give some highlights in terms of what has helped the improvement of overseas operations margins and what is a sustainable run rate from here on?

Amit Kalyani: So basically, we've changed the entire operating model or let's say tried to change the operating model from a fixed cost-oriented model to a variable cost-oriented model. We've brought in a lot of efficiencies and cost reductions on every area. And hopefully, we are on track with, if we continue with this level of business in terms of revenue and from hereon only go up, we should have margins that are at this or above this level. And as our aluminum forging facility comes online, we should see margins improving.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Amit Kalyani for his closing comments.

Amit Kalyani: So ladies and gentlemen, thank you very much for joining our call and your support to our company. I'm very happy with the way our management team has come together and performed over this very difficult period of time. I'm very proud of our entire team that not a single customer anywhere in the world was affected by us in spite of us being a sole supplier or a single supplier to many, many customers in many different locations around the world. We've had to manage raw materials, manufacturing, COVID permissions, supply chain, deliveries, logistics. And our team has done it effortlessly, despite putting in a lot of sweat and tears. And this is paying off because, people realize that the depth and the breadth that this company has. And that is also reflecting in the market share gains and wins we are seeing and will help us going forward. It's also given us time to look at new opportunities, structure our business, to take advantage of new opportunities and do things which will bring us closer to the market and customers. So we expect every quarter to see improvement in our performance. And hopefully, in a very short period of time, we should be back to the kind of levels we were operating at, and then build a platform for future growth from thereon. So thank you very much, and have a lovely weekend and be safe, and we will be in touch. Thank you, bye-bye.

Moderator: Thank you. Ladies and gentlemen, on behalf of Bharat Forge, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.