"Bharat Forge Limited
Q1 FY2022 Earnings Conference Call

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MANAGEMENT: **MR. AMIT KALYANI – BHARAT FORGE LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Q1 FY2022 earnings conference call of Bharat Forge Limited. 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 from Bharat Forge Limited. Thank you and over to you Sir!

Amit Kalyani: Good afternoon everyone. Thank you very much for joining us. Sorry for this slight delay. Thank you for joining us at our Q1 analyst call. I have with me members of our management from sales and marketing, finance, investor relations and as usual I will make few highlights of some and then we will get to Q&A.

Overall, I think on a standalone basis, we have had fairly decent performance despite initial challenges with COVID and then the subsequent impact on the overall economic activity in India. I must congratulate all our team members, management and everyone in Bharat Forge and our suppliers for ensuring that we were able to meet our customer commitments despite all the significant operating challenges.

Exports have been an area that has shown in this quarter. Sequential basis exports grew by almost 25% to Rs.915 Crores was a domestic revenues decline by 22% to Rs.242 Crores leading to overall growth only about 5% in sales. This decline was due to the severe lockdown that was imposed in the month of May and in certain states even followed on right up to June and into July especially in Southern states.

We have managed our costs fairly well we put in place a very strong cost reduction measure last year which continues and due to that plus a good product mix and growth in overall business we have seen a strong performance and margins where we have seen 300 basis points growth.

Our Oil and Gas revenue was approximately Rs.150 Crores for the quarter as against Rs.45 Crores in the last quarter. The fluctuation in interest cost is notional due to the revalue of the rupee. Our PBT grew by around 12% to about Rs.282 Crores. We have an exceptional item of Rs.62 Crores which is towards VRS of Chakkan plant where we have given VRS to over 200 people and all the unionized work for that is completely now retired out and all the expense towards this has been charged in this quarter. There is nothing that will continue.

During the quarter, we also completed acquisition of Sanghvi Forging at a cost of approximately Rs.77 Crores. This facility was operating at a very low capacity utilization and had not been operated appropriately for the last three to four years because of the cash crunch they had. We have put in place new management team, we put in place some measures to quickly bring this facility up to our standards in terms of operations, of course health safety and environment of course our first priority and all those have been seen to and we expect that from Q2 which is the current quarter this company will get consolidated or we will report earnings of this company and we expect that will break even this quarter and move to profitability from the next quarter itself.

The reason for buying this company it has a capability to make products that are slightly bigger than our existing product portfolio and it helps us expand our product offering especially for the renewable energy and wind sector. We continue to maintain strong balance sheet ramble liquidity and we will look at opportunities in emerging areas and in allied areas for deploying capital which will give us incremental growth.

If we look at our international operations, I think their performance fairly satisfactorily. We have registered an EBITDA of 11.7% which is supported by focus on cost optimization, product mix improvement and total focus on delivering overall performance and cash flow. We expect that Q2 CY2021 performance at EBITDA level will be slightly lower optically because of the RM inflation but otherwise things are running quite well there. From this quarter we have also started disclosing the international operations revenue divided between aluminum and steel. This will be helpful for you to understand the growth that we will see in the aluminum side and I will take a little more about that going forward. Our consolidated balance sheet is also very strong with the direct equity net of cash at 04:1.

If you look at Q2 we expect the overall growth to continue being supported by recovery in the domestic medium and heavy commercial vehicle market, sustained improvement in demand levels and export markets and the potential impact on end demand because of the supply issues pertaining to semiconductors and sustained increase of input cost of factors to track on in spite of that we expect fairly strong growth in Q2 over Q1.

In terms of new product development despite COVID, highly motivated team of researchers, engineers and manufacturing teams in Bharat Forge as indigenously developed in-house medical grade safety and clinical product which we developed in under 45 days which meets all the stringent regulatory and quality requirements of the various testing and approving agencies.

We are received tremendous support and encouragement from various departments of the Government in India and we are glad to report that we could manufacture secure approvals in commence delivery of their systems within record time from engineering to supply including 45 days of testing of less than 100 days.

So we converted an aluminum forging production line into producing the high volumes light weight portable aluminum oxygen cylinders and this demonstrates the technology development capability within Bharat Forge and ability to work as a team and create a fully new technology master’s in production stabilize it, validate the product and put it into the market. We see this becoming new product line for Bharat Forge which will make from India and potentially supply the world and this could be a new niche market that we occupy at a global level.

On the e-mobility side we have very excited with the progress and making on immobility. We are very happy to report that our investee company Torq Motors has achieved FAME II homologation for multiple products both in two-wheelers and three-wheelers segments and we will talk about this a lot more in detail when we provide full roadmap for our e-mobility business.

In terms of sustainability currently more than 25% of energy requirement are sourced from renewable energy. In fact as you know renewable is a cyclical business in the monsoon time, they are very high variance and in fact in the month of July we have used upwards, we have consumed upwards of 35% of our energy consumption coming from renewable so we will as a goal continue to increase our proportion of renewable energy and focus on reducing all the waste that we have produced, reduce our Co2 and become much more environmentally constant and reduce our water use towards neutral. I think that is really all I have to say and I am now happy to talk about take your questions and in a providing answers.

Moderator: Thank you very much. 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: Congratulations great set of results. Firstly, I had a question on global CV business, we have seen one of the highest revenue runrate there and so far at least in the data we do not see truck production really picking up in a big way so could you talk us through in terms of an order inflow also have been little bit soft for us because of the slot availability. So could you talk us through whether this revenue also includes some new order wins like new products or new customers and what is the outlook for this business along with that some longer term outlook also because there are some new technologies being explored as far as either electric trucks, or hydrogen based trucks so how are you thinking about addressing that opportunity?

Amit Kalyani: First of all I will take your last point first that we have comprehensive EV strategy that covers everything from on the technology side, it goes from light weighting to power electronic, control electronics, motors, transmission and subsystem then systems and on the product category it goes from in two-wheeler, three-wheeler, light commercial vehicle, ultra light commercial vehicle, light commercial vehicle, ICV and bus so we have the whole product suite was available and we probably host analyst meet maybe sometime in October-November after the complete COVID situation is under control and show you what all we are doing in this area and now I will transfer the call over to my colleague Subodh, who will talk about the other question that you asked.

Subodh Tandale: Before I come to your first question and second question, yes, we are winning business on TV products for commercial vehicles as well. In fact, several products are underdevelopment as we speak and we are very strongly engaged with all our customers in this regard. As far as the first question is concerned, you should not go by the order booking that happens on a monthly basis alone, you have to look at that in three factors, the first factor is backlog now is almost equivalent to 10 months of production and most of the products slots for next year also have been sold if you look at that logic, so the commercial vehicle business is very strong. The orders are very robust. The challenge that most OEMs are having right now, which we may have to adjust loss, the semiconductors problem so, to that extent, there is some amount of disruption from us like infrastructure but other than that there is no weakness in the commercial vehicle system. In fact, with the positive news on the U.S. stimulus it is actually probably going to be significantly stronger coming in the next couple of months. So I think we are in good shape as far as commercial vehicles are concerned.

Amit Kalyani: Actually the stimulus not yet started hitting the ground because of COVID and once this starts I think we are going to see a tremendous upsurge in overall activity in the US.

Kapil Singh: Further trucks could you talk about what are the areas in which we have one orders or what are the products there for e-mobility?

Subodh Tandale: We have orders on for example axles, we have driveline products.

Amit Kalyani: We have confidentiality agreement but we have products both on chassis, axle and driveline.

Kapil Singh: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of the Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Thanks for the opportunity in your opening comments you talked about Q2 being stronger than Q1, could you talk a little bit about what will be the drivers are or is it predominately going to be India linked to that we have seen nice uptake in the oil and gas business what is the trajectory that you are talking about that going ahead and similarly, if you could also comment about your aluminum forging and we are almost hitting 24 million per quarter runrate on that USD so what is the trajectory that we should look on that side? Thanks.

Amit Kalyani: Our growth in Q1 over Q1 is going over come from all sectors. It is going to come from commercial vehicles, it is going from pascar, it is going from pascar India and from commercial vehicle in India and industrial India. Industrial export will also increase in addition to that we see a little bit of increased demand coming from certain sectors where there is a pent-up demand because of long periods of no purchases in India and in certain other markets. So I would say that we will see across the board kind of uptick obviously each sector with slightly different but generally speaking, we will have across the board kind of uptick taking place and your second question pertaining to our aluminum business, we have installed capacities in place for whatever growth we see over the next two to three years and we will more than double our revenue per year from where we are over the next two years of two and a half years and we have capacity for more than that amount of business already in hand. In fact, we have more orders than capacity today and we will very soon look like how to expand our facilities in outside of India for multiple geographies and we not the same capex that we have done now.

Binay Singh: This is including North Carolina and Germany facility?

Amit Kalyani: This is including both and we see tremendous demand both the areas and we are already now the commissioned the line in the U.S. We have now made more than half a dozen platform, prototypes and sent them for approval and by the end of this year we will get the approval and early next year, we will start ramp up and all to the current major OEMs are covered including EV, OEMs pure OEMs, traditional OEMs which is the big European OEMs also big US OEM and Japanese OEMs.

Binay Singh: That is encouraging to know. Lastly could you comment on about the future trajectory of oil and gas revenues?

Amit Kalyani: Oil and gas you must understand is now moving towards very dynamic business where it depends on oil prices and which location in the US as what cost of production of Shale, the production cost vary anywhere from $25 a barrel to $55 a barrel of that so obviously the one which has $55 will only start with the oil prices are high, the one which are $25-$30 will keep running throughout what the oil price start.

Binay Singh: Thanks for that.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.

Ronak Sarda: Congrats on a very strong set of numbers. The first question was on the e-mobility side I mean the last when we met, you showed products by any kind of order booking now given the inflation you are seeing in the two-wheeler and three-wheeler segment in India just most on the domestic?

Amit Kalyani: We have received order and our executing orders right now across the very interesting sectors. We are not in any real commodity products, give us the next quarter when we probably will be able to show you more and tell you more than what we are able to right now but very clear that e-mobility is going to become very large part of our business more than India and then gradually outside as well.

Ronak Sarda: The other questions I had was on more on the profitability side assuming Q2 and the second half the export mix comes down and the domestic inches again back let us say 60-40 or 55-45 kind of ratio however the operating leverage also kicks in kind of we would be at?

Amit Kalyani: We remember we are one month down in the quarter may be 1.1, 1.0, six weeks into the quarter let us wait till the quarter is done but I do not think we are any concerns or apprehensions about our performance for next quarter.

Ronak Sarda: No what I meant was how does the product mix and operating leverage play out, do you see margins stabilizing at current level given the cost measures we have taken?

Amit Kalyani: Our margins will remain stable at this level currently.

Ronak Sarda: Even if the product mix normalizes?

Amit Kalyani: Exactly.

Ronak Sarda: The final question on the export CV right given how strong the performance had been. Is there a play of inventory here I mean all do we feel as the production ramps up we will see similar growth in our topline or hours exposed as well. How should we look at any inventory adjustment happening in the exports CV specifically?

Amit Kalyani: I do not think there will be any adjustment for inventory. I think it is fairly real.

Ronak Sarda: Sure great. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line up of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Sir firstly on the European states I think we have already reached the peak that we have done FY2019 quarters so what is driving this growth and how do you see outlook going ahead over there?

Amit Kalyani: On the European subsidiary the overall performance has been peak compared to previous because the non-aluminum business is operating at a fairly high level driven by the underlying demand for passenger cars and commercial vehicles and aluminum has grown to a higher level than previous and we have received businesses for hybrid and electric which we have started executing this had also tripled over the last two years from our German plant contributing to this fact.

Ashutosh Tiwari: So this is large chunk passenger vehicle which is driving this growth I mean what has driven this growth?

Amit Kalyani: Basically the growth is driven by the pascars, on hybrid and pascars.

Ashutosh Tiwari: Okay and on India side despite this lockdown impact if I look at India industrial revenue is only around 10% quarter-on-quarter and what sectors you are seeing more pick up now versus earlier versus last three to four years and what is the outlook over year going ahead for the next two to three years?

Subodh Tandale: As far as India industrial is concerned it is largely driven by the growth in the construction segment in India and with all the efforts of the government to continue those things infrastructure, we expect this to remain on a strong trajectory.

Ashutosh Tiwari: So largely the construction that were only in India?

Subodh Tandale: These are construction equipment as such, these are engines that are used as prime movers which are also off-highway applications, these are tractors and so on so there is a wide range of products in one year and we have also entered into some new areas of industrial products which are new segments for us so as the combination we see a strong trajectory in industrial business.

Ashutosh Tiwari: Lastly on the oil and gas side exports we mentioned that you get over Rs.50 Crores revenue. Now it will take different companies across sectors I think all of them are seeing very good traction on they have been talking about more orders going ahead so can this $20 million revenue that we did in last quarter and it is further increase going ahead from here for the coming quarters?

Subodh Tandale: Well, currently we are not seeing new activity in the cracking area in the US, lot of activities is largely business is linked to revitalizing of current assets so we expect this to remain stable for the next couple of quarters. Growth, we are not exactly sure as yet.

Amit Kalyani: We will only grow from new products that we launched into the sectors which we are working on from the product development point of view so please understand we do not make commodity products like Sanghvi and there is a huge requirement for those kind of products but they are very low margins and they are extremely commoditized products so we are only focusing on high value highly differentiated product in this sector.

Ashutosh Tiwari: Thanks a lot.

Moderator: Thank you. The next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.

Pramod Amthe: This is regard to the Sanghvi Forging looking at the capacity it looks to be small compared to the size which you have so can you explain what type of capability is it doing or there is more scope to expanding the capacity or shift your products there?

Amit Kalyani: Basically they have same capacity in terms of tonnage that we have in Bharat Forge in our open forging facility. The issue is that they have lot of bottlenecks in their plant and in their facility. They have set up a very good press line but not everything that goes before it and after it so debottlenecking will end up costing us somewhere in the region I would say Rs.22 Crores to Rs.25 Crores but with that, I would say almost triple the capacity there and honestly with the press like this and if we are able to do high value and or even let us say medium value products we can make this into Rs.600 Crores business if not more.

Pramod Amthe: Is there a further scope to expand there in terms of Brownfield?

Amit Kalyani: They have 15 acres of land out of which I think they have only used about 5 acres or so, so there is scope to expand in terms of machining, equipment etc.

Pramod Amthe: Second one is you were talking about more wins in CV space. When you expect these to kick off in terms of sales, any guidelines, you are looking from the customer?

Amit Kalyani: CV orders will start from 2023-2024.

Pramod Amthe: Thanks Amit. All the best.

Moderator: Thank you. The next question is from the line of Sumit Mahawar from Edelweiss. Please go ahead.

Sumit Mahawar: Congratulations on a great set of numbers. My first question is on the new plants especially the India locations and North Carolina what is the contribution of revenue we are targeting by the end of FY2022?

Amit Kalyani: FY2022 revenue from North Carolina will be very small. It will be somewhere in the region of $8 to $10 million because that will be our first year and that is where we have to get all our approvals and even the customers have to start doing their own preproduction loss etc., so 2023 onwards we will see a very steep ramp up and by 2024 we should be at full capacity.

Sumit Mahawar: From the capacity in India especially Nellore?

Amit Kalyani: Nellore also by 2023 we should be at almost full capacity.

Sumit Mahawar: Fair point. Second question is on Sanghvi again. I am sorry to harp on Sanghvi again but this is a plant which also had some qualification strong some of the global OEMs like Rolls-Royce so you spoke about renewable tonnage, but the plant is please correct me if I am wrong, it is far beyond renewables or so more about quality of business that you can tap from there you spoke about Rs.500 Crores revenue but the quality of business from this plant can be far different right and I know Bharat Forge has a solid qualification from the Western OEMs but anything specific that you would want to add on this plant?

Amit Kalyani: I will tell you one thing, I honestly do not know what they have communicated to outside world in terms of qualification, but fact that they were dire straits where they are in, because of the overall management that they have but I know that that is a good plant, it is well set up and we can maximize its potential and anyone can and we will leverage our relationships, our capability and our integrated approach to definitely maximise the output value and value additions from that facility.

Sumit Mahawar: Thank you Amit.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services Limited. Please go ahead.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services Ltd. Please go ahead.

Jinesh Gandhi: Congrats to the team for excellent results, so first question pertains to the margin sustainability I mean given that in a quarter may be almost 30% lower volumes when the peak volumes our margins were comfortable to those performance from hereon should we expect on steady state may be in FY2023, utilizing more capacity margins go back to previous peaks of 30%-32% or there are some changes in business?

Amit Kalyani: Company is very different than what it was in the past. I think we are spending a lot more on R&D right now and honestly between 28% and 29% I think it is very good number for margins more than margins we will focus on capacity utilization we will focus on capital output and overall sales and cash flow and growth of course.

Jinesh Gandhi: Okay understood. Secondly can you share the EBITDA and what was the utilization in this quarter and what was the steel price pass through benefit?

Amit Kalyani: It was Rs.75 this quarter.

Jinesh Gandhi: Okay and steel price pass through?

Amit Kalyani: Steel price pass through our Rs.30 Crores.

Jinesh Gandhi: Lastly with respect to EV portfolio I mean we are doing so many different products across different categories but you take board wise and based on orders win which we would happen, would you be able to share magnitude of revenues or orders coming from new component space and electric space side?

Amit Kalyani: Like I mentioned earlier will do this in more detail next quarter because I think we will have a lot more to share with you.

Jinesh Gandhi: Sure Sir that will be very helpful. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.

Nishit Jalan: Thank you for the opportunity and congratulations for a very, very strong set of numbers. Sir I have two questions, firstly you mentioned that the US business will reach a peak utilization FY2024 but wanted to understand what is peak revenue potential from the kind of assets that you have incurred in the US business?

Amit Kalyani: Right now based on the product mix we have it will be somewhere in the region of 80 to 85 million but we continue to receive new orders which are above and beyond what are capacity is and we are currently in deep discussion for the setting of second phase in the same plant with an incremental capex obviously, it will not be directly proportional to the initial capex it will be significantly lower.

Nishit Jalan: My second question is whenever we see downturn across segments particularly in the export market we see a sharp reduction in inventory and I think inventory levels were sharply lower at your customer end across segments couple of quarters back, do you think there are still below normal levels or do you think now which strong revenues in the last two quarters and the inventory levels are normalized and growth will be more linked with retails things that are happening in this segment?

Amit Kalyani: Inventory levels right now pretty low I would say. They are not as robust as they should be but it is also very mixed but it is quite stable from a demand point of view.

Nishit Jalan: Sir any numbers would it be able to share especially on CVs and non-auto and maybe I do know auto is possible or not across any segments but at least in CVs what kind of inventory level used to be how low it came down and where are we today?

Amit Kalyani: I think it will be difficult to answer that.

Nishit Jalan: Thank you so much.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Emkay Global. Please go ahead.

Mumuksh Mandlesha: Thank you so much for the opportunity. Just wanted to ask on the outlook on the aerospace and aviation segment Sir?

Amit Kalyani: We have received new orders in the aerospace sector and we are well let us stay position to take aerospace business which was at 5, 6, 7 million to about 20 million in the next two years and we have already received orders and capacities are being set up. So, these will be forged machine high value products for jet engines.

Mumuksh Mandlesha: Thanks Sir. Outlook for railways segment?

Amit Kalyani: In railways we have I would say decent order book from outside India and as far as India is concerned we have order book from Indian Railways relative to turbo and so on and so forth, it is an ongoing process.

Mumuksh Mandlesha: Sir what would be the current revenue from the CLWT Nellore plant Sir?

Amit Kalyani: Very small, it is a single digit growth.

Mumuksh Mandlesha: Thank you so much Sir for the opportunity.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Can you talk about the update if it is there on defence guns in what timeframes can we expect to gear about that to be complete orders?

Amit Kalyani: We cannot talk about that right now.

Kapil Singh: Okay can you update us on the testing at least?

Amit Kalyani: We have just started. It is going on.

Kapil Singh: That is all. Thank you.

Moderator: Thank you. The next question is from the line of Nishant Vass from ICICI Securities. Please go ahead.

Nishant Vass: Thanks for opportunity. First for the quarter can you just shed light in terms of results we see much highest finished good inventory at the consolidated level vis-à-vis standalone why that Sir?

Amit Kalyani: This is mainly because of the inventory assessment between Bharat Forge and its trading entities and the exports are growing that is the reason the inventory levels are also increasing although in terms of number of days it is coming down but since it is a volume increase it is impacting us.

Nishant Vass: So the way should look at roughly Rs.190 Crores in that roughly which we difference between standalone consolidated?

Amit Kalyani: This would be whenever may be current quarter and next quarter otherwise we should see normalized.

Nishant Vass: Fair enough. My second question is on the steel price contracts and from the competitive dynamic whether that makes effect in terms of vis-à-vis global competition so first is the pass through export, and domestic and exports completely happen on an index level indexation basis and if the indexation for most of your customers on a domestic pricing or at a global pricing levels so can you shed some light on that and whether that has any bearing on from your relative competitive dynamic because your global competitors might be much high steel price level so can you shed some thoughts on that?

Amit Kalyani: We have steel pass through agreement first quarter domestic and exports and there are indexed to the respective markets and some cases, they are mixes because everybody is now present in India as well and as far as comparativeness goes the steel market is escalation has been pretty much standard across the globe so we have seen the same in India so big factors that is positive for us is steel availability is much better for us as compared to our competitions so it helps in overall scheme of things.

Nishant Vass: So is it meaningful benefit in terms of for the customer who will potentially indexed to a global then benchmark because the domestic price is much lower than global?

Amit Kalyani: It depends on domestic pricing in much lower. I do not think it is much that lower but important thing here is that in overseas markets right now lead times to procure steel are very high for various reasons for us that is the big advantage right now.

Nishant Vass: Thanks. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Aditya Marphatia from HDFC. Please go ahead.

Aditya Marphatia: Just sorry to go on about a question for defense, just there was article in the paper suggesting that one of the gun trials had failed, so at least can you throw some light on that and secondly on the defense side, are they any timelines we can throw now because lot of programs have been awarded to various entities being the Tejas plane, or be this carrier which has been commissioned recently for trials so in that light there has been some amount of ordering which is happening in the sector now which we have not seen earlier so is there anything which we could give some color as to how we are looking at our potential order book?

Amit Kalyani: I have no more comments to make on defense side at this point in time.

Aditya Marphatia: Just on the commercial vehicle, US Class 8 this year what kind of production, are we looking for in US would it be Rs.300000 for the Class 8 trucks?

Amit Kalyani: Somewhere between Rs.290 Crores to Rs.300 Crores.

Aditya Marphatia: Thanks.

Moderator: Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Fund. Please go ahead.

Sonal Gupta: Thanks for taking my question. So just wanted to understand one be like your opening comments that there could be some RM related margin impact in Q2 so if you could?

Amit Kalyani: Only in our subsidiaries because they operate at 11%, 12% EBITDA margin so if the sale price gets inflated by 5% or 10% that optically reduces the margins. That is only for the subsidiaries.

Sonal Gupta: Okay and this amount of Rs.30 Crores for the steel price pass through could you sort of explain that is for pertaining to this quarter?

Amit Kalyani: Q1 for Bharat Forge India.

Sonal Gupta: Right but this is normal course of business?

Amit Kalyani: This is inflator impact of the steel price increase which has been passed through to us by the customer which has been reimbursed.

Sonal Gupta: Sure got that and just lastly could you talk about what are the capex plans for this year and next year?

Amit Kalyani: I think total capex this year will be in the region of Rs.200 Crores to Rs.250 Crores.

Sonal Gupta: Right and consolidated?

Amit Kalyani: Well, our consolidated capex is done now, it is what we did in US was the last capex about $75 million that is about it.

Sonal Gupta: This last question on this Sanghvi Forging, I mean you are do replicate this capacity like just wanted to understand what sort of cost would not have cost you?

Amit Kalyani: Land building, plant and equipment it will take about our say close to Rs.300 Crores and above may be two and a half years.

Sonal Gupta: Thank you so much.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.

Basudeb Banerjee: I missed out may be but initial comments you mentioned that during course of the call you will highlight how three, two-wheeler business of Torq is progressing launch pipeline, etc., going by the kind of…?

Amit Kalyani: I mentioned that we will do in probably in November.

Basudeb Banerjee: But any launch plans in the near term?

Amit Kalyani: Absolutely I do not want to steal the thunder now, but yes definitely.

Basudeb Banerjee: Second thing Sir as it was discussed in the call earlier also if I look at gross profit per tonne that number shot up significantly, I suppose due to oil and gas revenue driving this quarter on a sequential basis but how to look at the sustainability of gross profit per tonne number or if just the temporary number?

Amit Kalyani: Plus or minus 5% on our per tonne basis that is our goal to maintain at this level.

Basudeb Banerjee: That is great Sir.

Moderator: Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead

Mukesh Saraf: Sir my question is regarding this comment that you had mentioned in the previous quarter on one time government orders and I think it was mentioned that it will be kind of fulfilled sometime around September or just wanted to get some more color on that?

Amit Kalyani: That will get fulfilled that is the current order when I talked about the aluminum cylinder that will get completed by October and I would say by Q3 it will get fully completed because testing and trial process took 45 days because of the required testing that they asked for later on so everything got pushed up about 45 days to 50 days.

Mukesh Saraf: Any ballpark number that you want to mention on the size of this order?

Amit Kalyani: I do not want to talk about number but we will give you all the details in a very short period of time because we have not yet announced officially to mention those numbers.

Mukesh Saraf: That is it from my side. Thank you.

Moderator: Thank you. As there are no further questions in the participants, I now hand the conference over to Mr. Amit Kalyani for closing comments.

Amit Kalyani: Ladies and gentlemen thank you very much for attending our conference and your continued encouragement and interest in our company. I am very enthused by all the questions you have asked and I really acutely feel that we have not been able to interact in person and I think I will request my colleagues here to figure the way that in November, we will find a way to do in analyst meet in Pune, where we can show you and talk to you about what all we are doing and bring you up to the speed with where we are, if you have any suggestion and recommendations for us, please do reach out to me or any of the team members and if you do visit Pune sometime please look at us. We are happy to meet you and wish you all the best and good health and have a nice week. Thank you. Bye-bye.

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.