"Kirloskar Ferrous Industries Limited Q1 FY 23 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Kirloskar Ferrous Industries Limited Q1 FY2023 Earnings Conference Call, hosted by Antique Stock Broking 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. Pallav Agarwal from Antique Stock Broking. Thank you, and over to you, sir.

Pallav Agarwal: Thank you, Rehab. And good morning, everyone and welcome to the. Kirloskar Ferrous first quarter results call. Thank you for taking the time out on Saturday to attend this call. We have the senior management of Kirloskar Ferrous represented by the Managing Director Mr. Gumaste; and the Executive Director Finance and CFO, Mr. Srivatsan on the call.

I would now like to hand over the call to Mr. Gumaste for his opening remarks. Over to you, sir.

Ravindranath Gumaste: Thank you, Pallav. Good morning to everyone, who had joined this call this morning, being weekend and Saturday, thank you for joining this call. And along with me is Mr. Srivatsan, our CFO and Executive Director. And let me first quickly take you through the performance parameters.

As all of you know, during this quarter out of the three Mini Blast Furnaces, two Mini Blast Furnaces were in operation. One at Koppal Blast Furnace I, and one at Hiriyur, whereas mini blast furnace II at Koppal was under upgradation shutdown and which had started in the first week of July and now operational and currently we are running all the three mini blast furnaces. But for all the days in the quarter 1 only two furnaces were running, and with that, we could bring in production for more than 90,000 metric tonne of pig iron and which is in line with the expected output from two mini blast furnaces.

During this quarter, the demand for casting was good. And we could increase the production output from all our foundries. And the gross sales quantity for the quarter is more than 33,000 metric tonne which is a run rate of 11,000 metric tonne per month, which is first time we could cross this level, which means an increase of 15% by volume in case of the casting field.

In terms of value, we have definitely move up compared to the last year, first quarter because of the increasing commodity prices and thereby increasing the prices of the castings as well. If you look at value wise, the Koppal foundry sales during the quarter is very close to INR 300 crore against INR 195 crore which is a very substantial growth in money terms.

In case of Solapur foundry also, though only metrically there was a small dip but on the sales were INR 109 crore against INR 87 crore. The total we have been able to cross INR 400 crore of casting sales during the quarter compared to INR 282 crore.

Now, coming to raw material costs, this was the quarter in which we had one of the important raw material, coking coal with the highest possible price and we had to go through and absorb this high cost of coking coal as we are running Coke Oven with 200,000 capacity and partly we were also converting through our another Coke Oven plant. So overall, I can say that during the quarter, we could manage to skate through the high cost and without major dip.

If you look at the raw material to sales, which was last year for the pig iron at 66% has moved to 80% and foundries it more or less remain same because we could pass on the price increase in the commodity to casting customers and thereby maintain theRMSP. Power and fuel remains healthy around 3%, ERE remains healthy at around 3.5%.

EBITDA as a percentage to last year's quarter was lesser with that of 26% EBITDA and which we he had also mentioned that time that these are not the sustainable numbers. We are dipped to 13.4% in quarter 4, we have improved partially to 16.1% in quarter 1 this year. So, the PBT remains at 11.5% at INR 109.2 crore, PAT at INR 84 crore at 8.8%.

And return on capital employed remains healthy, receivables all both in pig iron and foundry under control. And inventories, rather in during this period we could mitigate and manage the inventory a little bit and borrowings remain healthy. And we have been able to manage the total borrowing in spite of our investment into ISMT. These are certain brief on operational parameters.

Coming to the project. So, we continue to progress on all the projects which we have declared earlier itself. We have completed now the upgradation of Blast Furnace II; we are progressing well Coke Oven and Power Plant Phase II. We expect to commission by January 2023. We are also progressing on pulverized coal injection which should be operational by this time of the year July 2023. Solapur Foundry is progressing quite well and we expect to commission the foundry in the third quarter of this year, that's from October to December 2022.

In addition to this on the iron ore mines front, though we got the forest clearance from the center other approvals and clearances are in process and we are as usual now once again, optimistic that we should be able to start the mine as early as possible. But as of today, still mines are not operational.

Other than this, the debottlenecking projects in foundry have progressed well and most of them have got completed because of which, as of today we have been able to produce and sell up to 12,000 tonnes of castings per month. And we expect to fine tune it to go to 12,500 metric tonnes per month, which becomes about 150,000 per annum run rate, which is the installed capacity of three lines or three foundaries .

We could reach these levels it's very heartening because we are shortly getting ready with the fourth foundry, before that all the three foundries are reaching full capacity utilization. And we plan to take blast furnace one stoppage somewhere in October, November to complete installation of belless top. And also, certain works are the pre casting machine and it could be around 45 days stoppage during October and November. And with that we should be able to complete all the projects related to Blast Furnace I and II, and then subsequently we look forward for commissioning of the Coke Oven and Power plant and of course, the Foundry at Solapur.

That's all from my side a brief from the operational performance of the company and now I would like to hand it over back to Pallav and can we take the questions from the audience. Thank you very much.

Moderator: The first question is from the line of Sahil Rohit Sanghvi from Monarch Network Capital.

Sahil Sanghvi: Sir, congratulation for especially controlling your costs in a quarter in which coking coal has been a hit for all the other steel companies especially. And also, excellent ramp up on the casting volumes. Sir, I had two, three questions. So, first on the cost, sir, are we still having the inventory of high-cost coking coal or shall we see a reduction in our inventory cost of coal in 2Q?

Ravindranath Gumaste: In the next quarter, we still have some old coking coal at high price. It will get consumed somewhere in between the quarter.

Sahil Sanghvi: Got it. Secondly, regarding the Blast Furnace I stoppage for the Bell less top installation so, this is -- I mean, will we still be targeting the 5-lakh tonne production schedule for pig iron from ore metal or this will impact that also?

Ravindranath Gumaste: No, I think we are still looking for that we produce and sell more than 5 lakh tonne during this year. And the Blast Furnace I stoppage for BLT, all equipment's are in place and we would like to complete but it depends if the market pressures are too much for pig iron then we are flexible to adjust the date of stoppage because it's an improvement stoppage.

Sahil Sanghvi: Right, sir. So, this quarter in 1Q FY23 as you mentioned, we had around 45 to 50 days of shutdown altogether?

Ravindranath Gumaste: No, we had the full three-month shutdown during this quarter 1.

Sahil Sanghvi: For one of the blast furnace, right, sir?

Ravindranath Gumaste: One blast furnace whereas other two were running full.

Sahil Sanghvi: Okay. Got it. And my third question would be, as you have been indicating before that the customers are asking for a price downward revision for casting now, so, when do we start seeing that in our numbers, in our financial?

Ravindranath Gumaste: No, we have been asking customers kindly support us and hold us till the end of September. Because we have high-cost raw materials almost till that time and but there have been pressures. I'm still hopeful our customers will hold on but I agree with you there is pressure for immediate downward correction of casting prices.

Sahil Sanghvi: Okay. So, whatever may come probably there is a possibility it will start from October?

Ravindranath Gumaste: No, it may start even before that. I cannot say that my request will be fulfilled fully, because there is a pressure when customers are asking for reduction early.

Sahil Sanghvi: Right. And lastly, if you could throw some bit of light on, especially the customer additions on ISMT side. Now that we have the adopted the balance sheet, and I think we have also refinanced the working capital lines now. So, are we now open to the contracts for the government tender especially for the oil companies and on the export side. How is that working out, the potential customer side for ISMT?

Ravindranath Gumaste: Yes, I think as you mentioned we have started moving forward in bringing the working capital into ISMT, it's not fully in place, but almost in place and the networth is positive. So, we are officially networth positive company and eligible for participation in tender and marketing teams are working to ensure that our names are in the eligible list. And we have started participating in tenders and we have got certain orders and efforts are there to enhance that, improve that position.

At the same time, we are also working to book the order for direct export. I'm sure, gradually we will be in a position to improve our performance on both these fronts and thereby load the mills with higher volumes. And also, we will have to succeed in enhancing the output from the mils so that we get net increase in our production and sales and that to contributing sales with decent contribution margins.

Sahil Sanghvi: Right. Sr. any decision on the power plant and I mean probably how are we going to source power for ISMT, any kind of decision made on that front, any progress from the previous indication that you'd given?

Ravindranath Gumaste: Yes, power is the important aspect in ISMT and we'll have to work towards one is, what all can be done for energy conservation front, energy consumption reduction front and other one is how do we bring alternate sources of power, which are green and which are cost effective. And that is the most important project. I think, another few months, two, three months we should be in a position to take a concrete steps towards bringing some green power, bringing some cost-effective power in to ISMT to cut down on the power cost.

Sahil Sanghvi: Right. And one last clarification that I required from the financial release that we've uploaded on the exchange, the segment revenue has a casting segment number for the quarter of about INR 940 crore. So, can you just help me understand what is this number? Because in the PPT the quarter number is something different so has there been some change in the way we are classifying these segments or I fail to understand these numbers?

Ravindranath Gumaste: Any particular on the segment revenue and segment income any change in the way we are classifying them? I think no change, it is as per the norm.

Sahil Sanghvi: So, the number in the presentation that we have is approximately 400 -- the sales that we have done is for the casting is approximately -- so, I don't understand that number, it is coming in INR 940 crore, casting segment revenue.

Ravindranath Gumaste: What has happened is if you remember, KFIL is taken as one segment, the pig iron and casting put together. And then, ISMT Steel, ISMT Tube.

Moderator: The next question is from line of Aashav Patel from Molecule Ventures.

Aashav Patel: Sir, congratulations for a good set of numbers, stable set of numbers rather in such challenging times. So, my first question is that pig iron prices are currently very sticky at around INR 50,000. Even when the coking coal prices has fallen from $500 to $200, so how do you actually see the current situation? Do you feel the margins going forward would be much higher and the prices would be sticky around INR 50,000 or do you expect the pig iron prices to correct in line with the quantum of correction in coking coal?

Ravindranath Gumaste: I think it's a very important to look at the margin graph if you look at, we were at certain higher level and then the coking coal prices started going up. And for many weeks and months, we also went through negative contribution means we were net losers and not adding any contribution to the business in pig iron because of the high cost of coking coal.

It all depends on how one sources the coking coal. If it is index based you have compulsions, if you have picked up coal at $600 then you have to go through that absorption. Luckily for us, we never booked anything at $600 we could insulate ourselves not going beyond $474, $480. But we still had some coal at those levels and, which also pushed us for a certain period into negative contribution zone.

But now, you can see the coal prices have gone down whereas the pig iron prices are not dipping that much, which will allow us to improve our contribution in pig iron. But overall, you can expect that well integrated plants can have reasonable contribution and EBITDA in the business. But for the not so well integrated plants it would continue to be challenging to maintain the margins.

Aashav Patel: So, sir given the current split price which we see, we know the current prices for coking coal realization cost on pig iron and iron ore prices, then our margins will be as high as say second half of '21, and first half of '22. So, is it sort of expected to reach these EBITDA margins also you applied those 25% -- I just need to understand that current -- happened only after once the current hike was coking coal which is on our list that consumed. So, a quarter or two down the line do we expect to reach those high margin levels?

Ravindranath Gumaste: Very important what we need to understand is this, during such time period, it's extremely difficult to speculate what will happen to the coking coal, we know what has happened so far. But other one is the pig iron prices. How long it will continue at these levels. It also has linkage to the steel scrap prices and other metallic prices. But as I mentioned to you, there is some stability to metallic prices like steel scrap, pig iron and hence we can expect some downward correction but some stability is there. And we should be able to get in coming months not current level but coming months when we have arrival of the coal at lower prices, our margins will improve.

Aashav Patel: So, my question is that I was going through our past numbers and earlier during the phase of margin contraction, we did EBITDA margin in 2017 and 2018 of around 5% to 7% quarterly. But now even in such a difficult quarter which was Q4 of last year and Q1 of this year, we have able to maintain the margin upwards of say 12%, 14% given the sort of backward integration which we have already done to save the power cost and coking coal, coke cost and everything. So can we take this as in this case, that even when the things are not very favorable to for us from industry perspective, still we can do around 12% to 14% of margins versus which was earlier the case -- margin. So, this is our sort of new base. Is that correct understand, sir?

Ravindranath Gumaste: Quite often, I have been talking the whole purpose of investing something like INR 1000 crore in the pig iron business about INR 600 crore is coke oven and power plant plus upgradation of the furnaces pulverized coal injection, all these. The main purpose is properly backward integration mines to machine casting to take the EBITDA numbers from like you know, 8% to 16% or 8 % to 18%. That has been the purpose and the goal and objective to make such a huge investment in this line.

I think the goals and objectives and the expected results coming out of these projects, I think they are in line with our expectations and as you know, market uncertainties also new ones keep coming like Ukraine war or something else, those have and also ban of export of iron and steel products, have distinctive impact but otherwise normal course I fully agree with you that we have taken steps to improve the EBITDA levels from a single digit to decent double digit numbers.

Aashav Patel: And sir, if you zoom out say two, three years down the line, so currently only around 10% of our pig iron volume is going for casting, so what are the internal ambitions? Can we diverse say 50% of volume terms for internal consumption, of value-added products?

Ravindranath Gumaste: Both are expanding. Casting is expanding as well as the pig iron is expanding, we are upgrading furnace increasing the productivity. So, my assessment is that the pig iron consumption in house will remain at 10% around that level.

Aashav Patel: But post ISMT acquisition, sir?

Ravindranath Gumaste: Subsequently once we start making steel in Hospet, from Blast Furnace II, then we will have at least one furnace pig iron output going for steel, which is a value-added product than pig iron itself.

Aashav Patel: And what sort of investment we are looking for converting that Blast Furnace?

Ravindranath Gumaste: Very early stage but it could be up the order of INR 600 crore, INR 700 crore.

Aashav Patel: And this will be implemented once we have already completed all the current measures which are already in hand, right, cost optimization measures?

Ravindranath Gumaste: It may start a bit early because there is long process time of getting environmental clearance. So, we could be starting early, but natural distribution year after year investment will come because it takes time to get all this to start with this implementation.

Aashav Patel: Sir, for FY23 and FY24, what sort of operating margins are we expecting for ISMT? I understand that there is strong traction in terms of orders?

Ravindranath Gumaste: See, ISMT need to look at what are the real root causes for the low profitability margins. One of them is the power cost. Power and fuel at 16%, 17% is the real root cause. And we need maybe one or two years to really resolve that successfully. One of the way is to make steel in Hospet and not in jejuri could be one answer, because more power is consumed in making steel rather than processing steel.

Second is bringing in green power solar wind in a substantial way. But all of them require maybe a couple of years, one or two years to implement these projects. So, this acquisition is for long term projects and long-term value creation. And there's no very quick fix possibility to make a big change on the cost structure and contribution structure. So, requires a couple of years to set it right maybe two, three years.

Moderator: The next question is from the line of Yash Chandak, Individual Investor.

Yash Chandak: Congratulations on a very good set of numbers. I just had couple of questions on pig iron business. One is despite the already negative traction sloping prices in pig iron, before the duty was announced right from the start of May, and the fall post duty announcement, how have you managed to increase pig iron NSR by more than 20%, 22%, sir? What different have we done for pig iron?

Ravindranath Gumaste: I couldn't get your question please.

Yash Chandak: Sir, I will repeat. In Q1 '23, pig iron prices have fallen on all the indexes have fallen down, and duty announcement have made the situation worst. Still, we have increased our pig iron realizations from 48,400 to 59,600. So, how have we managed to do that, sir? What steps have we done? And whether whatever steps we have done this time, this is sustainable in the coming quarter or this is a one-time some benefit which we obtained?

Ravindranath Gumaste: No, we don't have any magic to pig iron, naturally we are part of the same market. But we always have a certain focus. We are very focused on small customers, small foundries, across India. We don't -- we're not a big player in rake sales. We're not a big player in steel grade pig iron, so our focus in a well-diversified sales -- it helps us to sustain this for slightly longer periods than others but otherwise, all of our prices will get aligned to the market prices. And in a commodity like pig iron, we can't expect a big premium on this, maybe small difference in the price. Our customers pay for better quality, better delivery, better service, but we will be in line with the market. It's only a question of time.

Yash Chandak: Sir, my second question is on the contribution front. How much was the pig iron contribution? Because I'm curious because when you said that we have had negative contribution also. So, what negative was it and how much positive contribution are we getting from pig iron business now, sir?

Ravindranath Gumaste: These are like you know, it's very difficult to say on which day, how it was but if you look at the quarter 1, this quarter 1, the majority of the contribution is from casting rather than from the pig iron. So, but overall blended comes to whatever results that we have declared but overall, for the quarter still it is positive contribution, but if you go few weeks or the third month the coking coal prices even from April, May, June it was rising and arrival I'm talking about and the worst effective towards like June, July. So, that's -- and then it should again taper down from the peak of that. So, I would say the worst months are June, July.

Yash Chandak: And but coking coal we buy a spot sir, right in one of the earlier calls you have told, we don't do index?

Ravindranath Gumaste: See, we have bought something on index based also but our experience, we are not very great in that and we decided to play spot, pig iron is spot so it's better to play spot and it all depends on availability, but generally yes, we are spot buying. And when prices are better, we try to book more quantity. That's the standard way of working.

Yash Chandak: Sir, just one last question in earlier comment sir, you had mentioned that raw material costs for pig iron has gone up from 66% to 80%. Is that correct, sir?

Ravindranath Gumaste: Yes.

Yash Chandak: And sir, when we publish this 59,600 what is the freight and shipping expenses in this considered or this is net realizations which we are getting?

Ravindranath Gumaste: I think I'm talking about net realization.

Moderator: The next question is from the line of Bharat Seth from Quest Investment Advisors.

Bharat Seth: Congratulation on good performance in challenging time. Sir, can you give some kind of demand and pricing scenario as well as I mean, on the casting side, how by year end, calendar year end we'll have a 2-lakh capacity. So how do we ramp up and everything? So, from two-year perspective, if you can give as you said that by probably, calendar year will be monthly run rate will be around 12,000 to little more so, we can do 1. 50 lakh. And how much will be the machining and these new line will be a much better -- having a better efficiency than the what we were doing? That is one part on the casting overall if you can give.

Ravindranath Gumaste: Basically, I said that currently we are at a run rate of 12,000 metric tonne per month and we have to move to say 16,000 metric run rate. We have a gap of about 4000 tons per month. And we are yet to commission the fourth foundry. And the interest of the customers to procure casting from us continues very strong and we remain focused on what is critical to our customer and we focus on that and which brings in a new customer additions even this quarter we have added one more new customers to our portfolio. And we have added at least five, six new components to our portfolio.

So, the interest and the addition of new customers and existing customers, new castings and the existing customers, new share of business these are ongoing quarter to quarter basis. And hence we will be able to service better our customers with four foundries. And in my view it will take us two to three years to reach a level of let's say 1,80,000 or 1,90, 000. 2 lakh fully is quite optimistic. We definitely look for it but it could be of the order of 1,90, 000 reaching but in the meantime, we are already working to expand some casting business on two parts foundry or large casting foundry and that could bring some volume.

But generally, the volumes are not like high pressure molding line volumes so, volumes are normally low volume, heavy castings kind of that but can bring in the long run like in next four or five years, it can bring us 10, 000-15,000 tons of additional. So, I would say that within two, three years we should be looking towards 200,000 casting, realizing, and we have not made up any mind what do we do beyond this? Because there are a lot of market dynamics including the technology changes which is happening and we are closely watching. But currently, most of our customers are asking for more castings which is calling for new foundries to be added. We will be taking over a decision within next six months to one year whether we should add the fifth foundry or we stop here. Quite likely customers are likely to ask us one or two more foundries. But we have not made any decision, we are just analyzing the technology scenario closely.

Bharat Seth: And sir, on meanwhile machining side, I mean how do we see next two, three years' time? What is current level and how do we see? Because there is a continuous process that we are continuously enhancing the capacity.

Ravindranath Gumaste: No, I think we are working very closely with our customers and definitely no doubt, our key focus has been on the castings and wherever customers are willing we are ready to set up the machining facility and we are gradually expanding the machining facility. But the rate of casting manufacturing is growing much ahead of the machining. But though the machining values are also growing, but not exactly in line with casting growth.

Bharat Seth: Sir, coming this pig iron one question. So, the kind of I mean, situation of course that is very volatile, still raw material prices shoot up and we have some around 30 to 45 days of our high inventory coking coal. But is it fair to understand that Q2 in pig iron contribution could be a little better than or it will be more or less like Q1 level and then gradually subject to raw material prices and finished product prices could improve?

Ravindranath Gumaste: I think, your understanding is very close to the reality position. We will have quarter 2 which is again, partly high costs, partly low cost. But quarter 3 and quarter 4, we expect that the big change doesn't come in the coking coal prices, we should have the advantage of lower coking coal prices in quarter 3 and 4 fully, but partly in quarter 2.

Bharat Seth: Sir, coming to this now ISMT we have been able to improve these tube vis-à-vis tube and steel mix, if you YoY we have been able to improve this tube capacity operating at a little higher than the steel. So, do we expect that gradually still, I'm not talking about reaching say industry standard of 15% EBITDA margin on ISMT in immediate turn, but gradually in this current year in second half, then next year first half, can we see some kind of improvement in EBITDA. And second thing, what will be the benefit that do we expect from this coke oven II plant?

Ravindranath Gumaste: Okay. Let me address ISMT tube one first. Definitely we are putting all our effort to improve the operational efficiencies without big investments first. And they are in the area how we can book the new order, how we can book at better prices, how to mitigate and improve the procurement cost structures, how to bring efficiency, how to bring working capital facility, can we give LC and get some advantage on purchase, all this will happen coming three, four months. And definitely that will give us some benefit and improve EBITDA as well as improved sales quantities.

But it still doesn't change the major cost structure which is coming out of the power and fuel. And that will come with some big initiative either making steel in Hospet or setting up some solar and windmill or taking over something that will make a major change over there. But till that time, yes. The increased capacity utilizations, better booking of the orders and efficient working of the plant and the business processes and sourcing procurement as well as the marketing side will definitely improve the EBITDA in coming months.

Bharat Seth: And it was part two of the previous question, Phase 2 of the Coke Oven?

Ravindranath Gumaste: Yes, definitely. One thing is we are securing the full requirements of coke from our own plant and directly feeding into furnaces, cutting down on the handling loss, cutting down on the fire generation, reducing the coke consumption plus also supplying the Hiriyur and in addition to that will generate more power part of it will be utilized immediately and that will give us benefit both from coke side as well as power side.

Some surplus power is likely to remain which will get utilized, we are working out how to transfer that power to ISMT and KFIL Solapur unit, it is possible. And but we will get partial benefit, but subsequently when we make steel and consume power everything within the complex of Koppal, then we get the full benefit on power. And that's what we are aiming at to mitigate the power cost.

Moderator: The next question is from the line of Sumesh from Green Portfolio.

Sumesh: Hi, sir. Congratulation on good quarter. Majority of my questions are already answered. So, I will keep it on the macro level. So, sir, there are rumors of recession in the Western world, especially in the U.S. So, how does it impact our operations? Will it impact our top line margin and what is our operation decision?

Ravindranath Gumaste: Recession on?

Sumesh: Recession in United States.

Ravindranath Gumaste: See, currently, our exports right now from ISMT are not very big and they are of the order of 10% to 15% and going across everywhere. So, need to study what major impact it has but right now, I think it is marginal and about business in India.

Sumesh: So, I remember last to last call, I think you said, margin will sustain between 10% to 15% and highest we clocked around 15% in standalone levels. So, are we going to sustain this 15% level for financial year '23 or we can increase it some 1%, 2% level?

Ravindranath Gumaste: No, in case of if you are talking about the ISMT steel

Sumesh: No, sir, standalone numbers, Kirloskar status in pig iron and casting business?

Ravindranath Gumaste: See, pig iron in Kirloskar Ferrous margins I explained in detail. The major impact is pig iron pricing in the market where I see stability. The second one is the coal prices. I have said that they are coming now, but we have some more coal to be consumed which is at higher price, but I would still see improvements the situation once again in the coming months and quarters.

Sumesh: Okay. Sir, my last question will be any guidance for financial year '23 on top line?

Ravindranath Gumaste: Guidance on?

Sumesh: Revenue, Kirloskar Ferrous, standalone

Ravindranath Gumaste: Kirloskar Ferrous you see this quarter also we could improve compared to the last year first quarter and we are very close to around INR 900 crore. But this is without running the Blast Furnace II. Once we have the Blast Furnace II up and running which has already started but we have a stoppage in October, November but next year we plan to run all the three furnaces continuously. And adding to that growth coming from casting both coming from steel and tube, we expect that standalone even KFIL, we are looking towards continued growth, the growth which is definitely better than 15% CAGR which we have maintained over the last 20 years.

We will continue to maintain that and improve that and quite optimistic that we are yet to go into pulverized coal injection which increases the productivity by almost 11%, which will give us more pig iron and the fourth foundry will give us more castings. So, we are definitely looking at substantial growth coming and looking towards achieving our big vision very shortly.

Moderator: The next question is from the line of Pallav Agarwal from Antique Stock Broking.

Pallav Agarwal: So, I had a question on what are the Capex guidance for this year and next year? I'm asking what is the Capex guidance, what are you planning to spend in FY23 And FY24?

Ravindranath Gumaste: I think the Capex right now what is going on is all known CapEx's. I think we have close to INR 500 crore of Capex balance to be completed in next 12 to 15 months..

Pallav Agarwal: And anything in ISMT, that we would be incurring over there?

Ravindranath Gumaste: ISMT right now, our understanding is all the small investments relating to improving the maintenance upkeep and also small investments for debottlenecking and realizing the capacity utilization, all this we are planning something like INR 40 crore, INR 50 crore per year to ensure plant improve and perform better and we are that is the focus right now, but after that it would be definitely related to the power and fuel energy area where we will have to cut down our cost.

Pallav Agarwal: Just finally on NMDC is also taken very sharp price cuts and we've also had this supreme court judgment probably allowing the sellers to not go through the e-auction process. So, will this also start helping our margins with lower iron ore costs going ahead? And how do you see this iron ore prices playing out over the next let's say in this quarter?

Ravindranath Gumaste: See, iron ore pricing in our sector depends on the consumption pattern of all the southern based plants. In my view, we even today, the iron ore demand is higher than the iron ore mining which is happening in the Hospet, Bellary, Chitradurga sector. The ban on exports or higher taxes on export will definitely help all of us. But at the same time, it's very, very important that more and more mines are becoming operational which I am finding, which is not happening though we won the mines but our mines are not becoming operational. That's the big hindrance, big problem for the industry and only bigger sustainable relief will come with mining, balancing with the consumption.

Pallav Agarwal: So, I think I would really like to thank all of you for taking the time out and attending this call. Yes, sir, any closing comments from your end, sir and then we can hand over to Neerav to close the call.

Ravindranath Gumaste: Anything else, Srivatsan, you want to add? Thank you very much being today also, some of you made it possible to join this call. Thank you so much, I think thank you for your continued interest in Kirloskar Ferrous Industries Limited as well as now into ISMT. I have nothing more to add other than thanking all of you for joining the call. Thank you.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.