"Kirloskar Ferrous Industries Limited Q3 FY-24 Earnings Conference Call"

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MODERATOR: **MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY24 Earnings Conference Call of Kirloskar Ferrous Industries Limited hosted by Antique Stock Broking.

As a reminder, all participants line will be in-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.

Pallav Agarwal: Thank you Muskan. A warm welcome everyone, to the Third Quarter Results Call of Kirloskar Ferrous Industries Limited.

We have the Senior Management Team from Kirloskar Ferrous represented by Mr. R.V. Gumaste – Managing Director and Mr. R. S. Srivatsan – Executive Director (Finance) and CFO.

So, I would now like to hand over the call to Mr. Srivatsan for his "Opening Remarks." Over to you sir.

R. S. Srivatsan: Thank you Pallav. Good evening everyone. Thanks for your interest shown in Kirloskar Ferrous Industries Limited. The results are with you for some time and the quantitative details, and everything has been uploaded.

The Quarter remained a bit flattish with Rs. 968 crores of the sales turnover compared to Rs. 880 crores of the Q2. With the sales realization of pig iron at 42,000 a drop of around Rs. 2000 per tonne of Q2 and the castings realization remained 1,24,000 as of 1,26,000. EBITA of standalone at Rs. 127 crores percentage of sales of 13% and the PBT of Rs. 70 crores percentage to sales of 7%. PAT of Rs. 52 crores percentage to sales of 5.3%.

The CAPEX program is going as per the plan, pulverized coal injection is getting completed in this Quarter. The long-term loans are at a control at around Rs. 800 crores for the Quarter.

I will hand over to Mr. Gumaste, for any other remarks to make.

R.V. Gumaste: Thank you Srivatsan, as Mr. Srivatsan has already informed, results are more flattish in this Quarter.

We have grown in volume in pig iron compared to last Quarter, but we have gone down marginally compared to Third Quarter last year to this year in pig iron.

A couple of Quarters we are affected because of the drop in the demand for casting mainly coming from the tractor industry. And we are running all the three blast furnaces normally, and the total liquid metal production can be for a Quarter can go now to 1,65,000 metric tonne or 56,000 metric tonne per Quarter. So, that is the liquid metal and there will be drop 3%, 3.5% less for arriving at the pig iron production and we also consume pig iron in both the foundries, both at Koppal and Solapur and also we sell pig iron to ISMT for the consumption in steelmaking.

And in general, if I have to comment, the iron and steel industry is under pressure with respect to margins. The coal prices have remained stable and high, iron ore prices have gone up substantially in the last one year, almost like Rs. 2000 per tonne of iron ore and has impact of 1.6 times, so 3,200 is the impact on the pig iron. The pig iron prices have consistently come down. So, almost like in one year they have come down by Rs. 6000 and that is the margin pressure we had during the last Quarter, and it continues during this Quarter as well.

So, also overall because of the global demand for iron and steel is under pressure, the supply chain from Ukraine and Russia in my view have got restored, whereas the demand has not restored. So, because of that, currently the there is over supply in the market entirely in the iron and steel industry.

Thank you very much for joining this call. And I would be happy to take more specific questions from all of you. Thank you very much.

Moderator: Thank you very much. We will now begin a question-and-answer session. The first question is from the line of Pankaj Parab from Molecule Ventures. Please go ahead.

Pankaj Parab: Sir, my first question is regarding the industry scenario particular for the tractor industry and MHCV segment as compared to Q3 how the Q4 is going for us?

R.V. Gumaste: Thank you very much, actually Q4 for the tractor sector is the preparation for the season, typically April, May are the season for the tractor, if I look at the kind of demand which used to go up, I don't see that kind of demand going up. But if you ask me, the schedule for the casting in January and then in February and March, they are better than December. But I am not sure whether we will really see the seeds will pick up from the tractors and if there might be a tractor casting unit come this year and how much will come but the schedules are slightly better compared to December.

Pankaj Parab: There is a slight improvement as compared to Q3 that you are saying?

R.V. Gumaste: Yes, compared to October, November, December, they are better.

Pankaj Parab: And sir how were other auto segments apart from the tractors like MHCV and all those?

R.V. Gumaste: In the case of KFIL, I would say all products. Other sectors supported quite well, I would say the –Auto as well as off highway, earthmoving equipment's, stationary engine, all have done well and that's why we still have ray of hope that we can reach overall the kind of custom volumes what we did last year, if not growth at least try and avoid de-growth. So, it's all because of the other sectors doing well.

Pankaj Parab: Okay. And my next question is regarding the pig iron segments, largely we are complete in terms of our mostly backward integration process for the pig iron segment. So, what is stopping us to achieve our 18% to 20% target market EBITDA margin, it is weak demand or weak realization or just anything else that we are missing on this?

R.V. Gumaste: I just mentioned we have done what is required to be done in case of pig iron manufacturing process to become cost competitive for achieve the level of productivity which supports better cost structure. If at all anything was left out I would say that full and proper utilization of power plants connected to the coke oven maybe there is still some delta improvement possibility. Plus, we are not missing PCI which is also an important in pig iron and steel making and we are getting ready in this month of February itself so we will start with the pulverized coal injection. And both the power plants connected to the coke oven are doing well. Having said this, basically the problem of margin is coming if you look at iron ore prices in the last one year, they have gone up by 2000 which have an impact of Rs.3200. Whereas, coal prices have not dropped to the extent pig iron has dropped, pig iron has dropped by almost Rs.6000 over the last one year prices and these two combine effect with generally when the commodity prices go down like pig iron or even steel then the coal prices should have fallen, but we don't see that and that has impacted at least if not more by about $40 which also happens to be Rs.3500 kind of impact on the pig iron. So, some of these set of conditions have to change for improving the pig iron margins.

Pankaj Parab: So, basically the pig iron prices should improve going ahead, that's what I am guessing?

R.V. Gumaste: I couldn't get your question.

Pankaj Parab: So, pig iron prices would sustain at this level, so there should be some increase in pig iron prices going ahead?

R.V. Gumaste: Yes, a little bit improvement in the pig iron prices definitely or the drop in the coal prices, which can serve. For example, this year, typically the coastal based pig iron plant used to export pig iron and this year they exported less by more than 1 million tonne and that's a big number for a small industry and that definitely got dumped in the same market and definitely we are fishing the same market, and it impacts. And during this, if you see last nine months, there has been further problems in the European market and Turkey imported steel scrap and India imported more steel scrap and hence the lower prices and not supported by the steel industry consumption. So, it overall impact also comes from the steel scrap as well as the steel industry. So, many of the steel plants which have also some amount of surplus pig iron to sell instead of buying some pig iron. So, this scenario changed.

Pankaj Parab: Quarter four onwards we can save at least 60 tonnes of coking coal by implementing PCI.

R.V. Gumaste: Yes, the PCI will help us in bringing down the cost. That's first is starting the PCI in this month, the same year end. And by June and July, we will also be ready with oxygen enrichment. Together we get the full benefit till that time we get only the PCI benefit which is less than the full benefit.

Pankaj Parab: Lastly, my question is on ISMT. So, what is the volume ramp up in tube segment as well as in steel segment. Our target was to hit 1 lakh in steel segment particularly, how is that going?

R.V. Gumaste: We have progressed, and we will have growth on tubes both in terms of volume as well as in terms of value. Whereas in steel sales as I mentioned steel has gone down, I don't think we will have a major growth in steel and as tube we have grown.

Pankaj Parab: And sir last data keeping question, what is the volume of sales of pig iron into ISMT?

R.V. Gumaste: That has also come down, I don't have the exact figure, we will work out and let you know, Srivatsan if you can quickly work out we can give that figure later part of the conference.

R. S. Srivatsan: Sure.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Sir my question is, looking at another next two to three year looking at our government policy and macros and India becoming a little bit slowly, but manufacturing for CVs, bigger engines, or sowing equipment and all these. How you see and where you see the opportunity and what preparation we are making, what we are doing to capture those operative, is there is enough opportunity.

R.V. Gumaste: First of all, I believe I have also seen myself any curve is not a straight-line curve, we have ups and downs and conditions both conducive to our margins and volumes, as well as un-conducive to our margins and volumes emerge and we get affected. I still believe that our plans and programs will remain intact, there will be increased overall demand for casting as well as sustained demand for the pig iron though right now with this not that attractive, but it will be back and we are working hard to also develop customers have requirements for castings, the other castings if you look at our customer base itself, other than this, the top four, five customers remaining customers volumes are so low like 1%, less than 2% we have huge opportunity to develop more castings. We couldn't do well our capacities were limited. So, with the release of capacity with Oliver Punjab capacity coming, we will be in a position to offer and develop more castings for our existing customers. And that should once again help us in terms of growing on the castings. And pig iron as all of you know over the next two, two and a half years we would like to at least convert one blast furnace into steel to be used in Baramati for rolling into the tube.

So, we are working for capacity enhancement in Baramati and rolling capacity enhancement in Jejuri. So, that the 3.5 lakh tonne of steel which would be made in Koppal will get absorbed into ISMT tube making and gradually we continue to increase the sales of steel in the coming period. It's very important to note here, that we can sell much more steel but at certain price point. With the adverse condition of electricity consumption and the price in ISMT, our aggressive approach to sell more steel is limited because of the cost considerations. There's no point in selling below the with negative contribution, over the period our cost structure will change there and we would be in a position to sell more pig iron.

Sunil Kothari: Sir, some more comment on the opportunities which is opening up from large size casting from India. Because we are also planning to setup at Solapur this facility. Caterpillar is very keen to come to India for manufacturing base. So, some comments on those lines will be very helpful.

R.V. Gumaste: No, the casting demand I agree, it is in almost all segments and large casting segment is one which has been growing very rapidly because of the wind doing well also, the windmill castings and also the off highway the foundries which happen to be less mechanized, and they are difficult to be made in Europe and America and they are looking for the sources from India. And also, even the smaller castings **HD** iron castings there is increased demand both from America as well as the Europe. I would say that there are all kinds of castings and all kinds of foundries, we can't create, or we can't make all types of casting. So, as you mentioned, we have decided that we will set up a large foundry, two-part foundry at Solapur and right now it's going bit slow to manage the investment but we are committed to bring that foundry capacity and that will give us requisite volume and the large casting space. We still own the windmill casting.

Sunil Kothari: Sir, do you see any change in your opportunity judgment that is a reason for dealing this large casting project or you feel there is enough opportunity?

R.V. Gumaste: I did mention we are not giving up the large casting project, we are going slow just to ensure to manage the cash flow and borrowing and loans, nothing else, it will pick up as we improve the conditions.

Sunil Kothari: And sir as always you really, remarkably we have turnaround ISMT so, what else and what next project and cost cutting are remaining and what we are doing if you can little bit qualitatively say about ISMTs steel and tube capability, cost cutting and all these things.

R.V. Gumaste: See all the challenges and problems in ISMT are the opportunity for us, very high power and fuel cost, we are still very high and that's the opportunity. We go green, we are going to go green energy, not only the solar power plants, but we are also shortly commissioning 17-megawatt power plant in Maharashtra which will give power to ISMT. We have finalized and going ahead with the second 70-megawatt power plant in line with our plant to go 210 megawatts of solar power plant and it will be done in phase one, two, three. And we also plan that at least 10 to 15 megawatts of wind, now windmills generate double of what they used to generate earlier. So, that will be to balance you can say, we will have about 75% of ISMT power consumption with the solar. And 13% of ISMT consumption would be wind, together you can say about 85% this is a big push from our side to cut down the cost to improve the contribution as well as go green. And I'm sure that it will help us in producing green steel for. And similarly we are working, we have a lot of work to do. There is how I can convert the fossil fuel for heating into electrical and then to bring power. That's another area where we have both, we go green and also we cut down the cost. In the meantime, we are working for de-bottlenecking all those projects, those small projects like additional building and tube handling facility to tube shipping facility, those are small to medium sized projects for debottlenecking, they are not yet commissioned, and they are in the process of commissioning. And we will continue this exercise in all the three locations: the steel plant, the tube plant Baramati and Nagar. In addition to that, we are also working how to start the project to roll more steel, so we typically sell the roll steel and not the blooms, blooms are used for making tubes. So, those are the opportunities still a long way to go and we are working, and you will see the effects and benefits of that coming from the increased production and sales of steel and tube. And also, the cost of manufacturing going down substantially, and you will also see, we will be becoming greener and greener for steel and tube both.

Sunil Kothari: Correct sir. Sir my last question is to our CFO, Mr. Srivatsan. Srivatsan sir, regarding ISMT now, we have during the March this shareholder meeting to approve the merger and as per old plan the 100 shares of ISMT will get 17 shares of Kirloskar Ferrous. So, with this meeting is there any scope to change this, the merger related any ratio or that is already done, and it cannot be?

R. S. Srivatsan: No, it cannot be changed, with that we got all regulatory approvals with the same ratio it will continue.

Sunil Kothari: Alright. And sir just small question on ISMT internally, we have standalone numbers and consolidate numbers. Consolidated profit in tube segment is substantially higher compared to any previous Quarters. So, any specific reason sir?

R. S. Srivatsan: Can you just repeat that question sir?

Sunil Kothari: Sir our standalone profit in tube segment at ISMT, segmental profit and in consolidated numbers there is a big jump almost 14, 15 crore higher. So, any specific reason for that consolidate numbers, profit being higher in ISMT?

R. S. Srivatsan: You are telling in consolidated it is lower correct?

Sunil Kothari: Higher in consolidated.

R. S. Srivatsan: I will just check and revert.

Moderator: Thank you. And the next question is from the line of Suman Kumar from Antique Stock Broking Limited. Please go ahead.

Suman Kumar: Sir, I just have one question regarding in this Quarter, all major steel makers have said that they felt the pressure of high coking coal and I believe Kirloskar Ferrous also would agree on this. So, considering the fact that, in fourth Quarter we have the pulverized coal injection coming in. So, can you just throw some a little bit of light on what was the actual cooking coal cost in Q3 and considering the advantage of CCI coming in 4Q, where would the coking coal cost be for the next Quarter?

R.V. Gumaste: See, this coking coal prices what we consume or what we use is the blended, we make use of four types of coal and I just mentioned that over the last one year, this blended coal price has gone up anywhere between $30 to $40 per tonne of coal, and this is also a substantial impact dollar at Rs.83. So, actually looking at the iron and steel market condition, this should have at least gone back to the earlier levels dropped by $30, $40, $50 but it has not happened. So, reasons unknown. And this impact will still be there, we will continue to make coke and we will continue to consume coke. But we will consume less coke, so we'll get the benefit from PCI. But we also expect that once we start using PCI with oxygen enrichment, we will produce more hot metal. So, the coke what we make will get consumed and will continue to get consumed, but we will be consuming the PCI to an extent of we expect overall about 100 kg per tonne of hot metal in blast furnace one and two at Koppal will replace almost 90 or 100 kg of coke. To that extent we save the cost because PCI coal is half of the price of coke. And there will be some cost involved but we still save 40% of the 100 kg of per coal.

Suman Kumar: Okay, sir thank you. Let me just squeeze in just one more question that, considering the fact that most of the cost improvement projects be it installation of belless top and furnaces or let's say PCI or oxygen enrichment, considering that almost all of them are, can be said that they are on the verge of completion. So, what would be the tentative CAPEX number for next financial year?

R.V. Gumaste: The CAPEX depends on definitely our ability to innovatively develop new ideas for higher productivity, lower cost, and cost reduction projects. As we said on the pig iron, foundry side lot of projects have been already done. And if at all anything, they are related to Oliver foundry, operationalization and PCI completion. Whereas, if you look at, I just mentioned that we are looking at the big opportunities in the area for green power and green steel. And naturally we will have a big push with the cost coming down it's fairly attractive, we will have 210 megawatts of solar, and also expect at least 15 megawatts of wind. And for this purpose, we need almost about overall total CAPEX of about 1000 crores out of that 275 is coming to almost completion. And as we complete this, the foundry whatever we have invested we will have to do the balancing investment, especially in the foundry two in Solapur and Oliver but it will take some more time to do. And our next major project would be a steel plant, and we will have the environmental clearance shortly and we will be starting that investment.

Suman Kumar: Thank you sir. And if I just may just ask one more question to squeeze in. This is regarding the castings customer base, we are seeing that from FY19 onwards, the number of customers has increased, like in FY19 as I can see, it was 21, but if we see them from right from FY22 onwards, we are stagnated, kind of stagnated at 26. So, are we seeing the kind of flattening out of the total customer base and what is the possible thing there, can it increase because it hasn't increased over the last two years?

R.V. Gumaste: No, it is very important because we don't share that number. I don't know it's not a great idea to share publicly that numbers, because I just mentioned that most we have 26 customers OEMs out of that, leaving six, 20 customers we supply very little. Though customers have large requirements. So, it is time for us, our marketing team and our casting development teams to work with these customers and increase the numbers or increase the share of business with them. That is the need of hour, because we have almost covered most of the large OEMs which are relevant for us. We can add maybe two, three more, I don't say no, but maybe three, four more, but it's important to increase the share of business with them there is opportunity, and we are working on that.

Moderator: Thank you. The next question is from the line of Pankaj Parab from Molecule Ventures. Please go ahead.

Pankaj Parab: Sir, my question is regarding the volume side. So, you just mentioned on the casting side, there will be no growth on the casting side but on the pig iron, we have full capacity available of 1.65 lakh metric tonne. So, what will be our margin for Q4 and for the whole year and next year guidance as well?

R.V. Gumaste: This year, we are likely to reach 5,30,000 or something liquid metal not the pig iron and we'll have to calculate the pig iron and our own consumptions are about 25,000 to 30,000 tonne. So, we will have hopefully 1,65,000 somewhere around that for Quarter four. So, we have already shown Quarter three at 3,88,722 tonnes. So, you can add to that 1,65,000. So, we will be between 5,00,000 to 5,50,000 tonne of liquid metal. And next year we plan to run all these three furnaces, market supporting market should support us from the margins basically. And fully running we will have hot metal production even beyond 6 lakh tonne and close to 1,80,000 in Hiriyur and close to 5 lakh in Hospet. So, between 6,50,000 to 7,00,000 tonne. So, there is a big volume push coming as we don't have any stoppages. And in the casting field, I expect that the market should support and at least next year we should once again be able to start the journey of ramping up a few volumes in casting business.

Pankaj Parab: Sir for the pig iron segment there will be no stoppage at all, all our three furnaces will be running for the entire year.

R.V. Gumaste: Yes, big volume growth coming there.

Pankaj Parab: Okay. And sir on the tube segment, do we have any orders coming in from the oil companies or any customer in pipeline for oil company?

R.V. Gumaste: No, we have been participating in tenders, we are winning tenders, both on the volume and the margin front in tubes is well supported by the oil and gas sector. And we have not only doing regular, but we have also started doing the premium couplings, which is at much higher price and margins and we are progressing well, the area we have the progress is how do we make more tubes with the same mills with the debottlenecking, that is the area which will be a new challenge for us and which we will have to crack and be successful in ramping up the tube volume for the next coming two, three years. That is the real challenge as well as the opportunity for us.

Pankaj Parab: Okay. And sir one last data keeping question from my side. Sir what is the average cost of coking coal for Q2 versus Q3?

R.V. Gumaste: No, I don't have, I have not looked the exactly, because quite often you people compare last year to this year, my focus was on that, and I mentioned. The prices Q2 to Q3, I don't have but $30 to $40 is the increase over the last one year, December to December, January to January like wise.

Moderator: Thank you. The next question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Sir two questions, one was on the casting side that let's see in the tractor industry, let's say remains slow next year also, do you see that from other sectors can make up for the slowdown that is there in the tractor segment, because the volume and the realization per tonne both have stagnated in our casting division?

R.V. Gumaste: I believe two things. So, one is that we will have to whichever segment where there is good demand we will have to push and send more casting, develop more parts for our customers. The interest for Kirloskar castings continues, and we will have to capitalize on that. And industry support is a requirement and we had seen a few Quarters back that all our capacities were absolutely shot. And demand was said like 50% more than what we could make. And from there, it has come the other way round, it is more balanced now whatever we are able to, it's rather gone negative. I expect one is the industry pick up should come back. And the other one is, we will continue to develop the castings for the customers where we were able to give only 1% or 2% as a share of business most of the customer wants to see at least 5% share of business of theirs with Kirloskar. So, that is a great opportunity, and we have to do hard work to sell more.

Digant Haria: Sir, then second question is on the ISMT bit. Let's see last six, seven Quarters now we have reached that revenue run rate of 650 to 700 crores a Quarter, is it because we have reached that 14,000 tonnes per month we are full on capacity and before the de-bottlenecking happens we cannot increase the sales here is that the case?

R.V. Gumaste: The first aspect is also quite important. I cannot push through more steel sales without pricing power. Premium pricing position sales in a bad market has limitation, in good market it can still work but not in bad market. So, our steel sales have come down and we are very clear, we typically refrain from selling with negative contribution for building for tomorrow. So, I expect that even if we pass on some cost advantage to customers we can correct as we progress green steel, and it will definitely give us some power to push sales and it is required. Other one is, we have to definitely do whatever we could do without doing much we have got the benefits of ISMT, but going further, whatever work we have done in the last one and a half years, two years, that should complete some of the debottlenecking projects. We were short on non-destructive testing, ultrasonic, et cetera. We were short on heat treatment capacities, we were short on space in the shop floors to handle the tubes, which was bottlenecking the rolling mill, we have done some of them and some are getting commissioned, may it will take one or two Quarters after that you can see the productivities and outputs going up which should support us for the growth of both steel as well as tube volumes.

Digant Haria: Thank you very much. Sir last question is that, are we going to commission the first phase of the solar plant in ISMT this Quarter, and would your cost saving start from this Quarter itself?

R.V. Gumaste: Yes. We will be commissioning in the month of March and the benefit may start from typically it takes one month to get the benefit. You don't get one month benefit, though we will be pumping.

Moderator: Thank you. The next question is from the line of Shreyansh from SG Securities. Please go ahead.

Shreyansh: So, my question was on ISMT actually, so initially when we did the acquisition we mentioned that the power cost we can increase margins up to 15%, 16% by saving on the power cost, but even without that we are already there. So, once we have these projects in place, should we expect another 5%, 6% increase in the margins, like just trying to understand how much benefit we would see in margins due to the renewable energy projects that you are putting for electricity?

R.V. Gumaste: In the steel field we will have to give some benefit to the customer to increase the volumes, in tubes we will get the benefit on March. But most of the power goes into steel so, all the customers are saying that they are paying this premium steel pricing Rs.2, Rs.3 and if we want more volumes we would not like to give that premium. So, we have to pass on something to get into higher volumes of steel sales.

Shreyansh: Got it, that was my question.

R.V. Gumaste: Overall we will still be benefited, even if we pass on something we get the volume benefit and we still retain some margin improvement coming out of the green power.

Shreyansh: Got it, okay. And my second question was regarding the iron ore mine if there's any update on that?

R.V. Gumaste: We are quite hopeful. I can't say anything beyond being hopeful that we will still commission before the close of this financial year. Many more approvals have come but something is still left but it will happen.

Shreyansh: Okay. So, that would potentially bring up our margins because that's one of the, if iron ore prices just be here.

R.V. Gumaste: That should give us with one mine 50 crore.

Moderator: Thank you. The next question is from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: I just have one question and that's regarding actually Oliver Engineering, if you can just give us some understanding in FY25 what we can expect from this asset, we are looking at this asset as an expansion of our sales and also some customer base. So, what can we expect from this asset going ahead?

R.V. Gumaste: See, first of all there are potentially 12 to 14 customers in the North. For the blockhead, and housing this kind of casting, and there are hardly any suppliers. But what we are trying to see is, how do I get Oliver volume, as delta x increase in my volume is what we are working, and we will try to get it as an additional benefit and not replace the capacity here to there. The second thing is out of 12 to 14 at least get on board 5 to 6 customers in the next year. And maybe, if you ask me if it is aspirational in nature and not the plan immediately, try to get the 10,000 to 15,000 tonnes of volumes and start the plant in the month of June.

Moderator: Thank you. The next question is from the line of the Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda: So, I just wanted an update on merger which ISMT, unfortunately I couldn't find much details online. So, what is the status sir?

R.V. Gumaste: We are at the end with all the shareholders meeting, dates have been announced. Tushar, we are in the process, to the best of my knowledge April, May we should be a merged entity.

Moderator: Thank you. The next question is from the line of Chetan Phalke from Alpha Info. Please go ahead.

Chetan Phalke: My question is with respect to alloy steel plant. Let's assume we get a EC clearance soon. So, from whenever we start the CAPEX, so from zero day to commissioning of the plant and from commissioning to the ramp, can you just give some sense on the timeline, how much time it will take?

R.V. Gumaste: Two years, plus one year.

Chetan Phalke: Okay. And sir whenever the ramp up happens and let's say we achieve the full capacity utilization, what will be the impact on our external sales of pig iron because today we are selling more than four lakh tonnes as external sale. So, will it drop below two lakh tonnes and half lakh tonnes, what kind of trajectory we are looking at when we hit the peak?

R.V. Gumaste: No, there are some strategies the Hiriyur plant also can be upgraded to produce say 2.5 lakh tonne. So, all this is possible, but it all depends on the overall pig iron market scenario. Sometimes we feel that it's continued requirements, we must serve the foundry, give them the foundry grade pig iron, but they are also cost focused they don't mind taking steel grade adding Ferrous silicon, Ferrous silicon is cheaper. So, many things are there, we are closely watching but four to five lakh tonne we will continue to sell pig iron and in the short or medium term we won't be exiting that business unless we come up with some type or some other value adding or phase two of steel plant, we are there with 5 to 5 lakh tonne of pig iron till that time.

Chetan Phalke: Okay, got it. And my second question sir with respect to the solar plant that we're putting in. So, whenever the full plant is commissioned, what kind of O&M or operational maintenance expense we are looking at for the plant just want to understand on a full year basis?

R.V. Gumaste: Very small, there is no major because the cleaning of the panels we are putting the robots. And, I would say it basically it has a security staff and two electricians per shift. Nothing other than that, no major maintenance at all. That's what I've seen operating the plant over the last four years, but it still has some cost, a few lakhs per month. The more the area, the more the security, camera now that is also becoming cameras and all that but it still has some state management costs, sometimes some grass removal, some manage but very small in terms of paisa, it's Rs.0.10, Rs.0.05 per unit.

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

Anchal: Sir one of the questions is, due to the PCI injection can you quantify what will be the benefit in the cost, with the PCI coming in and the oxygen enrichment that we are expecting from June-July ownwards?

R.V. Gumaste: What I mentioned is, to start without oxygen enrichment we may be using 50 to 60 kg per tonne of hot metal and the benefit is 40% of that on coke. And once we get into oxygen enrichment, then we can go up to 100 to 120 kg and then the benefit will double. So, we expect this a very potential cost saving area and in today's conditions because PCI is relatively cheaper compared to the prime coking coal and it's very conducive for PCI and benefit is very, very attractive, paybacks are very low. So, we expect that it should to some extent help us in managing the margins, yes.

Anchal: Okay. And sir one another question is with respect to pig iron. So, as we see the NSR and pig iron, the increase in NSR of pig iron is lower than the PAT increase in NSR of casting. And volume wise, if we look at the results, we are focusing more on the pig iron sales. So, how do we make out, what is the margin increase that we look at when we look at the pig iron and castings margin?

R.V. Gumaste: Currently, the pig iron margin is tremendously under pressure and we have reached the kind of breakeven levels very, very under pressure. Casting, only the impact is volume drop whereas we have a mechanism of passing on the price and variance. So, with that we maintain the margin in casting. So, if we of course produce more, sell more, we get more, but the margin remain the same, we may get some benefit with the higher volumes that's all. Whereas the pig iron business is open market. So, the price is, what is the price for pig iron today in the market. What is my cost nobody is concerned. So, the pig iron margins are under pressure because of that.

Anchal: Okay. Just if you can also share some insights on the margins between the pig iron and castings as a product?

R.V. Gumaste: See we consider this as an integrated and typically we don't, internally we have it, but typically we don't publish that. But all of you know how to calculate and you can arrive at it. Because today, the margins are under pressure, we have come to a stage of like, the gross margin of Rs.2000, Rs.3000, which is like our fixed cost. I think that answers, I don't have the exact members to tell you, and it is little changing every month. Thank you.

Moderator: Thank you. As that was the last question, I would now like to hand the conference over to management for closing comments.

R.V. Gumaste: Perfect timing, we are one minute before 5pm, thank you very much for your interest and support, it gives me also a lot of confidence and lots of support in terms of all of your continued interest in KFIL. And we once again look forward, I look forward that maybe after a couple of Quarters, things should improve, and we will have interesting numbers to present as soon as the growth coming back once again. And currently, I would only like to add that, we are continuing with most of the or almost all the project which are essential for driving the cost down as well as driving the productivity and production increase and with that comment and note, I would like to close by thanking all of you for joining. Thank you very much.

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