“Kirloskar Ferrous Industries Limited Q4 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Kirloskar Ferrous Industries Limited Q4 FY2022 Earnings Conference Call hosted by Antique Stock Broking. 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 Tanvi and good evening everyone and welcome to the Q4 results call of Kirloskar Ferrous Industries. We have the senior management team represented by Mr. Gumaste, who is the Managing Director and Mr Srivatsan, who is the CFO. I would now like to hand over the call now to Mr. Gumaste. Sir over to you!

Ravindranath Gumaste: Good evening everyone. First of all let me welcome all of you for the quarterly earnings call of Kirloskar Ferrous Industries Limited and thank you very much all of you for joining. Let me give a brief on the quarterly results and basically the full year results.

The pig iron production for the whole year was more than 5 lakh metric tons 533,920 metric tons and which is almost 55% increase over the last year and casting production has gone to 120,000 tons compared to last year 94,700 which is an increment of almost 26%. During the financial year we sold 495,555 metric tons of pig iron, which is a growth of 58% and during the entire year the casting sales for this year is 114,342 metric tons a growth of 23.6% the quantity last year was 92,507 metric tons. During the year all of you know it was a very volatile year in terms of commodity prices, during the year we saw substantial increase in the coal and coke prices and also later on increase in the pig iron prices. In short it was a very volatile year. Overall if we look at the results of the company the sales of the top line improved from 2,038 Crores last year to 3,615 Crores this year, which amounts to 77% increase in the topline.

Coming to the profitability side, as regards to power and fuel, which was 4% last year has come down to less than 3% this year. In terms of EBITDA compared to last year 464 Crores, which was 22.8%. In terms of quarter it has improved from 464 Crores to 658 Crores as percentage term has come down from 22.8% to 18.4% for the year. whereas, the return on capital employed has improved with higher profitability in terms of EBITDA. As regards the profit for the year has improved to 542.69 Crores and PAT has gone to 406 Crores compared to 302 Crores last year end and PBT from 363 Crores has improved to 542 Crores. The commodity price pressures continue to be there with the coal prices and on the casting business side we have been able to work with our customers and commodity price increases have been passed on to the customers, negotiated and finalized the price increases to most of the customers. The sales realization on an average casting from Rs.96 per kg has gone to Rs.123 per kg as a result of the commodity price increase and the passing on the impact to customers. On an average pig iron price realization has moved from Rs.34000 per metric ton to Rs.44400 per metric ton on an average, but however the commodity prices including the pig iron prices have moved substantially up in the last quarter and our pig iron prices are in line with the market prices. So, we are progressing as per schedule on all the projects in case of Koppal the upgradation of blast furnace II from 250-meter cube to 300-meter cube is in progress and we expect to start this furnace completing the upgradation in the early June whereas the other projects like coke oven and power plant phase II and Pulverized Coal Injection project are in progress and are progressing as per schedule. With respect to debottlenecking in Koppal foundry to increase the capacity utilization of line 2, the projects are almost complete and we are increasing the output and the sales. With respect to foundry project in Solapur line 2, the foundry project is progressing as per schedule and we expect to commission in the second quarter of this year. In addition to this, we have informed earlier we have completed the acquisition of ISMT and taken over the management control from March 10, 2022, and we are in the process of taking the necessary steps to improve capacity utilizations and improve the sales. With the acquisition of this asset, one time settlement with all the banks and the institutions is complete and as a result of that the networth of ISMT has moved to positive network giving opportunity to ISMT to participate in many tenders or the sales in certain customer zones and also we are working for repositioning of getting the banking facility for ISMT to take care of the working capital requirements as well as the increased working capital required for increasing the sale numbers in ISMT. We do not have any unexpected negatives over there in ISMT and we are optimistic that we will be able to successfully improve the performance of the company and thereby bring the contribution to KFIL as a company. With this short introduction, I would now request to open the question-and-answer session so that I can pick up the questions from now on. Thank you very much.

Moderator: Thank you very much Sir. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Raj Shah from Statheros Capital LLP. Please go ahead.

Raj Shah: Hi, everybody and first of all I like to congratulate the team and the entire management of KFIL to deliver such a great set of numbers in the challenging times. Sir one question I understand that the merger of Kirloskar and ISMT is on cards, I just wanted to understand if the management could share the timeline for the same?

Ravindranath Gumaste: I think we have just taken over the management controls, we have just completed the process of acquisition and we are not yet ready with firm timeline, it will take us some time to crystalize the timeline for the merger.

Raj Shah: Sure Sir and I am going to bring something to the light so that I happened to speak to Mayuresh a couple of days back and response towards the shareholder was quite unpleasant and unwelcoming. I try to reach you at a Koppal plant, but I was not able to get through and so I have to take it up on the open conference call, so I just wanted to bring that to your notice first.

Ravindranath Gumaste: What was the issue or the problem?

Raj Shah: Sure, Sir, I had asked him about the Board meeting and the experience was quite unpleasant and was quite rude, so I thought I will just take it up with you.

Ravindranath Gumaste: We will take your feedback and we are committed to improving the communication and also the experience, extremely sorry about your not-so-great experience and we are committed and we will take care of it. Thank you for your support in the meantime.

Raj Shah: . Thanks a lot and all the best.

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

Pankaj Parab: Sir, thanks for the opportunity, I just wanted a bit clarity on the ISMT, so what will be our utilization in a couple of years coming for ISMT and what would be the margin profile for the ISMT?

Ravindranath Gumaste: Let me answer the first part of this. As I just now mentioned we are quite optimistic and we see a great interest by the customers, we had opportunity to meet only couple of customers and customers are keen on procuring the products from ISMT whether it is steel as well as the tube and that is a positive note, it gives us the opportunity to serve widest customers and also look for the share of business growth. Having said that in the meantime we are working how to put in place the working capital and the banking facility at ISMT quickly and look forward to get that into place as quickly as possible and we are working with the rating agency also and we feel that we should be in a position to put it in place to support the increased production and increased sales operations and with respect to margins as you know there are two components to that, first is how to get the right pricing for the market, the other one is how to manage the cost of manufacturing, we are working on both the fronts, but certain aspects like the cost of power and fuel in ISMT has been high and with increase in the production and the sales will help us to partially mitigate, but major projects, which need to be taken to mitigate the power cost will take some time, but in the meantime we are looking at improving overall capacity utilizations and working on procurement cost reductions and we expect that at least in the short term and medium term we should be able to improve the profitability and margins to reasonable profitability levels in short-term and medium term and on the long-term perspective we will have to work for improving on the power and fuel cost structure and which will take some time and we are very keen to take it forward to make it healthy.

Pankaj Parab: Thanks for the answers, so is it possible to make 2000 Crores topline at the 10% OPM level in couple of years?

Ravindranath Gumaste: On the topline I do not have any doubt, on the bottom line we will have to see how we progress on improving the cost structure. As I mentioned it will take some time for us to give you more specific members, but we are quite positive as on today that we will be able to improve the capacity utilization and you will see the quarterly results coming up quarter-after-quarter.

Pankaj Parab: Given the replacement cost, can you give a ballpark figure of the total ISMT and KFIL replacement cost for the assets?

Ravindranath Gumaste: Replacement cost for?

Pankaj Parab: On our assets for blast furnace and coke oven and total replacement of KFIL and ISMT?

Ravindranath Gumaste: No, we do not look into that replacement cost, we look into replacement cost while acquiring the ISMT and our assessment is in the range of 3,000 Crores to replace such assets as far as ISMT is concerned, but we do not do that at KFIL on regular basis.

Pankaj Parab: Can you give us a brief about how you are planning to reduce the power and fuel cost of that ISMT and will we using a wastage recovery system or the existing 40-megawatt power plant?

Ravindranath Gumaste: There are two to three ways to look at it, one of the things which we are examining is can we make steel in Koppal and those round blooms could be transferred to Baramati to tube wheel and that can bring down the power cost because in Koppal we generate the power using waste heat generated from the coke oven plant. As you know we are implementing coke oven phase II we will have more power and let us say ideal solution to get into making steel and copper and that definitely can make big sense and reduce the power cost. We will also look at how we can generate some green powers for ISMT for the coming quarters and some part of the electrical power what we consume can be replaced to an extent of almost 60% by green power, solar power and it can also mitigate the cost, so that is the direction which we will be taking up, in case if the arc furnace in future is the requirement to make use of green power and make the green steel, we will see in the long-term perspective that possibility also, hence there is a reason to believe that even arc furnace route could be kept alive, kept going so that we should be in a position to produce green steel as it comes in future using the recycled steel scrap and green power coming off the solar or the wind power.

Pankaj Parab: Thank you.

Moderator: Thank you. The next question is from the line of Aashav Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel: Sir, given the pig iron prices have some different correction over the last one month from 63,000 metric ton range to currently around 55,000 metric ton range due to Russia aggressively dumping in the global markets ?

Ravindranath Gumaste: Can you just hold the mike properly because it is a bit not audible clearly?

Aashav Patel: Sorry for that, my question was that pig iron prices are seeing different correction over last one month from Rs.63,000 metric ton to around Rs.55,000 metric ton currently due to Russia aggressively dumping in the global markets, so how do you expect the realizations to move going forward that was the first part of the question and second part is in terms of profitability and spreads, can we expect that we are already passed the low margin phase by Q4 and going forward margins are expected to be quite different than what we reported over the last couple of quarters?

Ravindranath Gumaste: The first part is first of all the pig iron prices improved from the middle of last quarter, so somewhere middle of February and they peaked towards the end of March and subsequently in the month of April and even part of May the prices were stable and some corrections in the pig iron prices had been seen over the last two to three weeks, and we expect the margin for pig iron prices going down is limited because of the pressures of the raw material cost; however, the lower prices or the price pressure on steel scarp and availability of steel scrap at lower prices could put pressure on the pig iron and I will take it as part of the pig iron price cycle and there could be a couple of months where there could be more pressure compared to the earlier months. It is in my view cyclic in nature. The real matter of concern of course is the coal prices and coke prices which is not allowing the reduction in the manufacturing cost of pig iron through blast furnace route that is the real main concern and with respect to availability of Russian I think there was severe shortage of pig iron in the market, which had eased out, but I still say that there is a good demand for pig iron both in Indian market and also quite an active export enquiries continue and my feel of the market is that it should improve as things improve cyclically that is what I feel as regards to the market condition and marketplace up here.

Aashav Patel: So you expect the prices to slightly increase as and when the Russia dumping reduces, is that correct understanding Sir?

Ravindranath Gumaste: I am not very up to date on the Russian dumping rather we found there was a disruption in the supply of Ukraine pig iron to the market, which used to be a clear major pig iron supplier. I do not see restoration of that in very short period, but availability of Russian pig iron has its own challenges I am not quite sure that it has gone to become dumping by this year, I am not sure about that.

Aashav Patel: Sure, that makes sense. The second part of the question was that profitability, can we expect in terms of spread that we have already seen the lowest by Q4 and going forward spreads are expected to improve because given the fact that coking coal and iron ore both are soften in prices?

Ravindranath Gumaste: Actually, the pig iron prices went to lower levels towards December-January and from middle of February they have improved, the question of whether and how much we can sustain the pig iron prices that depends on demand and supply position, but in general I expect with the rainy season coming up there could be consumption drops on secondary steel making and secondary steel making-related steel scrap prices that could have some effect on the pig iron prices for a couple of months, generally we expect improvement from the middle of July.

Aashav Patel: Got it, and Sir, in terms of debt, at what levels is our debt expected to peak out and how much expenses regarding our capex plans are still pending, which are not reflected in the balance sheet?

Ravindranath Gumaste: See, basically as you know before all these acquisitions we were at debt level of about 200 Crores to 250 Crores and after that for the acquisition has various components of investments some funding for the public offers and actual payments towards the equity, capital infusion into ISMT and also the corporate loan. Currently at the end of March 31, 2022 our debt position all put together in the range of 1100 Crores, but end of Q1 we expect it to come down to 850 Crores and subsequently we expect once ISMT has its own banking and then payback our corporate loan within the next one or two quarters we expect that our loan position should come to around 650 to 700 Crores and as we continue to do well most of the capex at Koppal plant is being taken care more or less with the cash accruals; however, we are always open to consider some borrowing to take care of better progress on capex and the rate of borrowings have been very competitive and finance has done well and we are very keen on to complete the remaining project, which is coke oven power plant phase 2, upgradation is getting completed of blast furnace II and even Pulverized Coal Injection we are keen on to complete before end of this financial year. Foundry in Solapur as I mentioned should get ready for commission before end of Q2, so we will be able to take care with current borrowing and not really increase the borrowing rather we plan to reduce the total borrowing as we progress into next quarters and not increase.

Aashav Patel: So, we can say that at current levels of around 1143 Crores odd debt has already been picked out and going forward it is only expected to reduce from here?

Ravindranath Gumaste: Yes, you are right.

Aashav Patel: My last question until 2018 we were not backward integrated, but now we are broadly self-sufficient in terms of power, coke, so I understand the margins are very volatile for pig iron, but post this backward integration can we expect our base case for margins to increase from say around 10% to 12% level to 15% to 18% range?

Ravindranath Gumaste: We were at the EBITDA level of 9% and our planning process was to improve the EBITDA from 9% to 18% that was the objective, but as you yourself mentioned the volatility of the commodity prices they have their own effect, but I agree with you that the EBITDA levels would be higher than the historic levels.

Aashav Patel: Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Sanket Kapoor: Thank you for the opportunity. Sir, correct me firstly about the pig iron we heard from one of the other players that there is a strong pipeline of export order book of around 3 lakhs tons pending to be executed over the coming quarters because of this Russia-Ukraine conflict, so if any colour on the same and what portion of our sales are exported?

Ravindranath Gumaste: You know we are not exporting much pig iron rather we do not have, we have a client interior from the seashore, we will be happy if the pig iron plant from the seashore export and we continue to sell the pig iron domestically and we are not averse to export, we have examined many options, but it makes better sense for the plants on the seashore to export and that much of competition in domestic market comes down and we realize better being interior.

Saket Kapoor: But this pipeline of 3 lakhs metric tons that should be having some deficit impact for the domestic market when we will be in advantageous position because of that?

Ravindranath Gumaste: Yes, definitely you know we do not expect any desparate dumping of pig iron; the export pipeline will help in mitigating and retaining the demand for pig iron in the domestic market.

Saket Kapoor: This impact of the shutdown and as you have mentioned in the press release that the MBF will be up by the first week of June, what have been the impact on the volume and what has been the increased additional cost that we have because of this and also the average utilization level for this quarter?

Ravindranath Gumaste: We have also mentioned earlier also, as you see the Q4 results are already impacted by almost two months of shutdown into that, February first week we took the shutdown and the Q4 result two months only one furnace was running and that of course impacted earnings whereas the capex goes into capitalization. Another important aspect is we are completing by end of May, so April and May two months will be single furnace running in Koppal and of course Hiriyur is the other furnace running and after that we have 55 days coverage of blast furnace I subsequently to install bell less top and other maintenance activity, but furnace I and II both would be upgraded furnaces with higher output, I expect that even current year 2022-2023 we should be able to maintain production and sale of about half million ton of pig iron.

Saket Kapoor: Correct Sir and my question on the casting part, as mentioned that there was a significant increase in the realization of per kg for castings, what is the outlook you are getting from the OEMs there and you did mention about the steel scrap price is trending lower so that would be giving advantages to the scrap players who are into casting that is what you are trying to explain?

Ravindranath Gumaste: Let me explain on the casting front, as the commodity prices both steel scrap, and alloys prices increased last two or three quarters. Customers have done the price correction in line with price variant mechanism from most of the customers if at all any reduction in the commodity prices subsequent quarters it is obligatory on our part to give the price variance mechanism decrease if it comes, but otherwise the price increase on the commodity customers have corrected the prices and the second part of question as we stand today there is good demand for casting both from auto industry as well as the tractor sector, so the demand for casting is as of today quite robust.

Saket Kapoor: Expected utilization levels going forward March quarter end?

Ravindranath Gumaste: We expect we should be successful in bringing another 15% of volumetric growth in casting sales, so as we are seeing last year to this year we could manage to get a growth of more than 23%, we could produce and sell that much quantity and further also our attempt is to commission line 2 in Solapur and start utilizing that line and also as I mentioned line 2 in Koppal should also further be able to improve the capacity utilization with capacity utilization debottlenecking project, which have got commissioned in core shop and finishing shop.

Saket Kapoor: Thank you for the answer and on the iron ore part if you have any update on the iron ore mining updates and that is all from my side?

Ravindranath Gumaste: Some progress is there, we have received the first level of forest clearance, but still there are some more steps to complete all the approvals before we really start mining, producing and utilizing our own iron ore. We remain optimistic that we should be able to start these mines as early as possible, but we do not have any shortcuts, we will have to go through with the government approvals and we are optimistic that we should be able to do it in three to four months and that is the position as on today on the iron ore mines.

Saket Kapoor: We do not have any output as of now from the iron ore mines?

Ravindranath Gumaste: See, we mined and kept but before we could really take out the iron ore and utilize again there was expiry of the forest clearance and we had to go in for the fresh forest clearance and that has taken almost now more than a year and we are still in the process to get those approvals and then start the mines once again.

Saket Kapoor: Sir, I will come in the queue I have more questions. Thank you.

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

Sahil Sanghvi: Sir, congratulations for this set of numbers even in difficult times. I had majorly two questions, the first what would be the aggregated cost of borrowing now, I understand from the entity it is around 6.7%, but on aggregate basis what would be the cost?

Ravindranath Gumaste: Overall our borrowing costs are far very competitive and I would put the ballpark to the average borrowing cost mitigated around 5% level.

Sahil Sanghvi: Secondly could you provide me the production number of tube and steel that ISMT, we have the sales number in the PPT, but if you can provide the production numbers so as to understand the utilization levels?

Ravindranath Gumaste: I do not have it right now readily; I think once we have some stability we will start having maybe if we can start the quarterly conference call so that you get all the numbers.

Sahil Sanghvi: Right and my third question would be what is the plan on the target for the capex in FY2023 when it comes to our projects?

Ravindranath Gumaste: Last year our capex spend was about 430 Crores and we have plan for 470 Crores of capex this year and I think we should be very close to that kind of spending around 400 Crores to 450 Crores of capex spending and after that we will be left with very less spending because most of the projects will get completed, only the spillover spend or payments will remain for subsequent years, about 900 Crores is the major spend in these two years, so by that time we complete coke oven in power plant phase II, Pulverized Coal Injection, we have two upgrades, the sinter plant already in Hiriyur in place and also Foundry II in Solapur unit, I think we will be covering the major just by end of this year.

Sahil Sanghvi: Just a followup on this one, coke oven and waste heat recovery should be commissioned by December?

Ravindranath Gumaste: Yes, you are right by end of December.

Sahil Sanghvi: Timeline on PCI?

Ravindranath Gumaste: PCI, it is not possible by end of this year it may go to end of first quarter next year.

Sahil Sanghvi: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sagar Parekh from Deep Financial Consultants Private Limited. Please go ahead.

Sagar Parekh: Thank you for taking my questions, Sir. Firstly what would be the coke consumption rate for Q4, coking coal?

Ravindranath Gumaste: You say coke consumption rate or coke price?

Sagar Parekh: Yes, coke consumption, coking coal, so I think last quarter on the call you had mentioned $307 was the consumption cost for Q3?

Ravindranath Gumaste: See currently what we are using the coal we are in the range of slightly more than $400 on a blend average basis and currently the blend average new purchase of coal could go even up to slightly more than $450, so currently we still have three to four months, but it is the blend of earlier coal as soon as the freshly procured coal and the blend average is slightly more than $400.

Sagar Parekh: So, next four months you will still have $400 coking coal and then..?

Ravindranath Gumaste: Slightly 400 plus something, yes.

Sagar Parekh: Got it, so there could still be some pressure on the gross margins going forward or you think this has bottomed out in Q4?

Ravindranath Gumaste: No, I think the pressure has become part of the business commodity prices. I would only say that actually some relief on the coal prices with overdue and because of commodity cycle and subsequently because of the Ukraine war, the coal prices right from steel coal to Pulverized coal to prime coking coal have remained very high for a very long time, so that is the real matter of concern.

Sagar Parekh: My second question would be on the margins that you mentioned 9% EBITDA for pig iron, so that would be for Q4 right?

Ravindranath Gumaste: No, that was the level before we implemented the coke oven in this project, as you know coke oven phase I is already operational, so in the historical level one or two years back we were at 9% level like in 2021 or 2019-2020 they were the level and after that as you have seen we have improved, last year we had the EBITDA level like 22% this year, this year means last year 2021-2022 we are at 18% EBITDA and the question was whether such levels are sustainable my answer was that because of the commodity prices and commodity price pressure this would be under pressure and they will get affected because of the cyclical nature, but they would not go back to historic level, we expect better levels to prevail and we are also working to improve the productivity capacity utilization, which are to better topline numbers and we cannot expect commodity advantage what it was more than one year back to continue, so partly we mitigate with the productivity and increased volumes.

Sagar Parekh: Right, Sir, so you mentioned that once this capex is over about 18% margins would be sustainable, so 18% would be on the pig iron side and on the casting side?

Ravindranath Gumaste: No, overall I have spoken but casting businesses are not as cyclical as pig iron and they are more stable, but we can expect more decent margins of something like we have been regularly realizing 15% to 16% EBITDA.

Sagar Parekh: 15% to 16% on the casting side?

Ravindranath Gumaste: Yes, please.

Sagar Parekh: That is it from side. Thank you.

Moderator: Thank you. The next question is from the line of Nandish Shah from Moneycontrol Research. Please go ahead.

Nandish Shah: Sir, can you share with us the production numbers for FY2022 for castings and pig iron?

Ravindranath Gumaste: You are talking about 2021-2022 or 2022-2023?

Nandish Shah: I am talking about the internal targets FY2023 for both pig iron and casting.

Ravindranath Gumaste: I cannot give you internal targets, we do not have that practice, what I said is we definitely look forward for further expansion and capacity utilization improvement on the casting business. We also see customers doing better as we stand today and we are looking forward for further growth of the order of about 15% on the casting capacity.

Nandish Shah: 15% growth is like?

Ravindranath Gumaste: Over the last year.

Nandish Shah: Thank you.

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

Karthik Arya: Sir, first question is regarding the coal that you mentioned that the average cost was around $400 and the blend might increase to $450, but still in March the coal index reached significantly high, so what is the average, I would say when did we last purchase coal and are we seeing any increase, did you purchase anything in March?

Ravindranath Gumaste: I do not have the detail which coal was bought on which date, most of the time we are buying spot not on the index base as far as possible what I mentioned is our blend cost of whatever the coal we are using today is in the range of $400 to $450, but less than $450 and if we buy our blend today in the market it will be higher than $450.

Karthik Arya: I can also see a 10% sudden increase in other expenses, so what would be the major reason behind that?

Ravindranath Gumaste: Other expenses, Srivatsan can you support me on that?

R. S. Srivatsan: Yes, Srivatsan here. It basically contains power and fuel and other operating expenses, which comes in, in line with the production activities that is how it showed certain uptrend

Ravindranath Gumaste: Power and fuel is the main component, but overall if you compare last year to 2021-2022 the power and fuel component as a percentage come down to 2.7% at 99 Crores compared to 81 Crores and 4% in 2020-2021, so that is the power and fuel, but power and fuel is the major components.

R. S. Srivatsan and also in store space and consumables.

Karthik Arya: You mentioned realization is 48407 for Q4 so it is NSR or it is the revenue drop?

Ravindranath Gumaste: Net sales realization.

Karthik Arya: Also our raw material cost has decreased by 1%, so whereas for the peers it has increased considerably and if we think for us how do we manage that?

Ravindranath Gumaste: As I see the report RMSP raw material to sales price realization, if I compare 2020-2021 it was around 61% and 2021-2022, it is 71%, so it has actually gone up RMSP and not come down.

Karthik Arya: Sir, I was referring quarter-on-quarter?

Ravindranath Gumaste: That difference is coming because of the sales realization improving in recent months. it was under the pressure during November, December, and January months, since realizations were not improving in line with the commodity, input cost prices, because of that you see that difference, which has improved further.

Karthik Arya: I was looking at our direct competitors which is Tata Metaliks for them it was increased by $40, for us it has just increased by $5 quarter-on-quarter?

Ravindranath Gumaste: I do not have that comparison with me, it would be difficult for me to comment on that, I do not have those figures; it will take time to have that comparison.

Karthik Arya: The inventory levels for pig iron?

Ravindranath Gumaste: In our philosophy, we do not stock pig iron, we are required to stock coal, which is our input raw material and we do not stock pig iron, we sell day-to-day.

Karthik Arya: So, we target zero inventory basically and that is what we are looking forward?

Ravindranath Gumaste: Our target is one- or two-days inventory because it could be hard, we cannot load in trucks.

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

Yash Chandak: Congratulations on a very good set of numbers and I just wanted to know this 15% to 16% EBITDA from castings we are saying, is it constant or it has varied with coking coal?

Ravindranath Gumaste: It cannot be constant.

Yash Chandak: I just wanted to know how our contracts priced with OEMs are there very, very long-term contracts for all the casting sale or part of it is going on spot basis, and how do we take that into your coal prices for casting sale?

Ravindranath Gumaste: Casting sales all of them are long-term understanding and long-term contracts, though there are no long-term contracts per se, but we get schedules and they are long-term commitment and with respect to pricing generally we have commodity price increase escalation or variance mechanism, there is increase we give us increase, if there decrease we have to pass on the reduction today.

Yash Chandak: For Q4 out of my total pig iron sales what share were foundry grade sales and what share was steel grade or basic grade sales?

Ravindranath Gumaste: Last two to three quarters, our share of steel grade has slightly improved, increased I think it is of the order of about 20% to 25%, otherwise it used to be more like 10%, in the last few quarters the steel grade is of the order of around 20% to 25%.

Yash Chandak: Got it and one last question, on the impact, how much of our volume will be impacted once this entire shut down is finished, I am sorry I was disconnected in between, if you had answered that question?

Ravindranath Gumaste: Yes, I think I answered that question, no problem, we still feel that blast furnace II would be shut for two months in this year, we could also complete the MBF I bell less top changing shutdown and still be with the production and quantity of about 0.5 million ton same as last year, so we could be very close to that number with the benefit of continuous operation of the Hiriyur plant and upgraded blast furnace operation from MBF I and II.

Yash Chandak: Sir, just one last question, I had in the previous question which you answered, you said that most of our coal purchasing on spot with no index linking in pricing, am I my correct in understanding it?

Ravindranath Gumaste: Yes, that is what we have been doing.

Yash Chandak: So, how does it relate when we say castings?

Ravindranath Gumaste: No, there is no relation to casting it is only to pig iron.

Yash Chandak: So, we have to buy coking coal..

Ravindranath Gumaste: No relation to coal price and coke price.

Yash Chandak: Got it. Thank you Sir.

Moderator: Thank you. In the interest of time that was the last question for today. I would now like to hand the conference over to management for closing comments. Sir you may but proceed with the closing comments.

Ravindranath Gumaste: It was not clearly audible, have we completed all the questions?

Moderator: Yes, actually in the interest of time we have stopped the queue right now.

Ravindranath Gumaste: Thank you very much. I would like to thank all the participants, all the investors who have taken interest to join this call. Thank you very much one and all for your interest in KFIL. Thank you so much.

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