



“Kirloskar Ferrous Industries Limited Q1 FY-25
Earnings Conference Call”

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MODERATOR: MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good day and welcome to the Kirloskar Ferrous Industries Limited Q1 FY25 Earnings Conference Call, hosted by Antique Stockbroking.

As a reminder, all the 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 Stockbroking Limited. Thank you, and over to you Mr. Pallav.

Pallav Agarwal: Yes, thank you Rhea. Good morning everyone and thank you for joining us on a Saturday morning for the Kirloskar Ferrous First Quarter Results Call. We have the senior Management with us today, represented by Mr. R. V. Gumaste – the Managing Director; and Mr. R. S. Srivatsan – the Executive Director (Finance) and the CFO. So, now I would like to hand over to Mr. Gumaste for his opening comments. Over to you sir.

R.V. Gumaste: Thank you very much, Pallav. And I would like to start with thanking everyone for joining on Saturday morning, though it's a holiday sorry for organizing it on a holiday. We will take care to keep it on a working day next time onwards. And thank you very much in spite of being Saturday joining this call in large numbers.

I would like to start with as all of you know that this would become the first quarterly call which is being conducted on an merged entity. We completed all the three steps of acquisition, turn around and merger of ISMT Limited into Kirloskar Ferrous Industries Limited and happy to have this conference call in such a short period of entire thing completed in three years. Having said that, all of you have been having a number of questions regarding KFIL in addition to that, ISMT and one of the question was, when we are going to have conference call for ISMT. With this merger, it would be a combined thing, and we are happy to host this as a combined first quarterly call.

As all of you know quarter-one results are out and all those numbers are with you. I would prefer not to give all those numbers once again, because you are completely up to date on these numbers which are already on the public domain. But, I would like to just say that the quarter one was the quarter wherein we had elections across India, and some effect on the projects and project related buying, and hence some effect coming out of that, also during this quarter we rather last year and this year we went live on ERP system and latest fusion system Oracle, ERP system, and we had some teething troubles and some effects on the sales and dispatches in the steel and tube business, and in general, also the market was quite subdued. In spite of that, the entire team still managed to achieve small growth of 4% on the top line compared to the last year first quarter. And also, I would say that sequentially, we could improve the bottom line. We could improve profitability, but margins in general in iron and steel industry are under pressure, and good part is that all our projects are on track. We have not deferred anything, and we will be

going ahead with all the projects which are basically in the nature of either cost reduction or in the nature of improving the productivity and the top line.

Also, during the quarter we commissioned the solar power plant 35 megawatt out of the 70 megawatt. But technically 70 megawatt is commissioned, and we are adding more modules to the grid, and we expect that by end of September, early October we should be on go with the entire 70 megawatts of solar.

Further, we are attempting to take the capacity at the same location Jalna to 100 megawatt, so that by the end of this financial year, we will reach level of 100 megawatt in solar, which will help us in further decarbonizing and cut down on our CO2 emissions at the same time, also help us in cutting down the power and fuel cost. As you all know, that we last year September, we acquired Oliver, and we have at an advanced stage of restoring the facility, and very recently we got the full power connection from the Punjab Electricity Board, and we are now ready for testing trials and commissioning of the foundry. We expect to commission the foundry in the month of September and also make the sample, submit the samples to the customer and go on regular production from the second half of this year.

These are some of the key highlights during the quarter and I would prefer to move ahead with the questions quickly so, that I can try and answer more and all the questions what you people have this morning. Thank you very much once again.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aashav Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel:

First of all, I would like to thank you for the opportunity, and also congratulate to the entire team on this successful merger, which was long due and lovely news to know, sir. I will start my questions with couple of suggestions first, we would like to know the update on NSE listing, because as we know now it has been almost a year and we have not been listed on National Stock Exchange, because of that it prevents multiple institutions to buy and trade actively in our stock. So, please give an update on the same. The second one is, kindly upload the PPT on the exchange because that is the practice for all of the companies out there. Third suggestion would be, segmental EBITDA per tonne, because now we have four different verticals with all different moving variables. Like our peers, also give EBITDA per tonne segment wise. So, if you could give that, that would be really helpful for us to actually understand which segment is placed how at any point in time. That's all from my side. I will start with the question, so why ramp up for all the segments have been quite slow compared to our expectation. All pig iron and casting both, they are still operating at FY24 run rate. So, if you could give the explanation on the same and same goes for tube. In fact, tube has de-growth?

R.V. Gumaste:

Yes, thank you Aashav, for the questions and as we have earlier also stated, the NSE listing will be taken up after the merger of ISMT into KFIL we could handle them together because of the changing nature of merger process, so we will at the earliest take up to get listed on the NSE, we

will talk to our concern teams inside, and we will take up the next steps without fail. And on your suggestion of PPT on the exchange. Srivatsan and Mayuresh are on the call. Mayura is on the call, and he will take up appropriately, including the segment reporting EBITDA, as per the requirements and the guidelines and the best practices, we will align without any doubt. And I explained little bit on the slower growth, the contributing factors. I don't want to repeat the same thing, but going forward from quarter two of this year, we are definitely committed for the growth in all the segments, and we have a focus for that. We have created quality capacity to achieve that, but we are a part and parcel of the whole bigger market and can't avoid that. But operationally, we are not lagging anywhere to take it to the growth path. For example, I would like to say that we are running all the three blast furnaces and we expect we have already reached, and we expect our sales volumes will go to the range of 54,000, 55,000 metric tonne per month and only change which will come is ISMT sales will be internal transfers. But we are committed, as you know once we get into the oxygen enrichment, our productivity goes up and we are expecting to go with the oxygen enrichment in October itself, which will give the double edge benefit of reducing the cost because of replacing coke by coal to an extent of another 50 to 60 kg per tonne of hot metal in basic grade, maybe 30 to 40 kg, in case of the foundry. So, with the increased volumes, I expect that our net sales of pig iron should remain more than 1,50,000 per quarter. With respect to casting demand there was definitely a subdued demand position up to the 15th of May, but subsequently demand across the board, including the tractor, automotive and earth moving equipment has improved and we have the opportunity to produce full length sell. So, we are ramping up and current run rate, we are more than 12,000 tons per month, and we expect growth to start appearing from quarter two. Same story with the tube, and we have overcome all the teething problems related to ERP and project demands in tubes has also picked up. We have some more challenges in the area of steel, which we are working and we are confident to bring growth in steel sales also. So, we expect overall growth to return back from quarter two.

Aashav Patel: Got it, sir. So, sir just to summarize, given our earlier guidance of FY25 pig iron close to 6 lakh metric tonne, casting close to 1.6 lakh metric tonne and tube close to 1.5 lakh metric tonne so broadly speaking all this guidance will remain intact for FY25 right?

R.V. Gumaste: See typically, if we look at April and mid of May, we kept the Hiriyur closed for market not being good enough, especially on the pig iron margin. We could have sold tonnage but margin, that would become a net loss. But whether we can recover that much quantity, we are working on that, and there are possibilities. But you are right, the guidance volume should prevail.

Aashav Patel: Okay, got it sir. And sir regarding the blended cooking coal price, what would be our average for Q1 and what is our average coaking coal price on inventory?

R.V. Gumaste: I don't remember exactly, because we keep going month wise, but I would say that our blended coal prices in quarter one compared to the last year have dropped, and quarter two will drop further, but typically at any given point of time we have three months coal. Not necessarily everything in stock, but in transit, in contract and in stock. So, the effect of reduced price comes

only after three months and I expect it to really reflect in quarter three. But it is dropping, and as we know, if we are able to manage the margin in spite of pig iron prices falling, it's only because our cost on coal have come down and our efficiencies have improved, whereas the cost of iron ore has not come down. Rather, they have bit gone up in the Indian market context.

Aashav Patel: So, in seamless tube segments one of our peer and who is also a market leader, they reported a bad set of numbers for Q1 and they also guided for sustained margin pressure, largely on account of dumping primarily from China, but being dumped from elsewhere other geography. So, what is your take on that situation, despite having an active anti-dumping duty, do you feel the seamless tubes are still being dumped and what strategy do we have to overcome this challenge?

R.V. Gumaste: It's not a domestic market not getting affected in a big way. Definitely, the export market is affected because of the surplus condition with respect to China and their desperation in selling across the globe, and also certain pressures coming into India. Maybe we will try to protect India to the extent possible, but there are always time lags, and there are innovative ways of avoiding certain things. But I would like to say that the effect is likely to be more on our exports. Indian steel and tube exports are definitely affected and some dumping effect on India. But we are very actively in contact with government to protect the Indian manufacturers against the dumping and we are always available for the fair playing field competition. I would like to say that in India, demand conditions are going to revive, and we should be able to manage the volumes and definitely it's not expected full growth, but at least expectation of 10% to 12% growth could be 15% growth we look forward in this year.

Aashav Patel: So, just a follow up on that sir, our large clients like ONGC. Do they prioritize domestically produced seamless tube for their own requirement or they are independent?

R.V. Gumaste: No, they are highly committed to Make in India government policy. They are part of the public sector, and we are working with them to support in all aspects, whatever is our range of operation, and we are very happy to have such valuable customers, and we will be happy to work with them, to support them in all their projects and it is our duty.

Moderator: Thank you. The next question is from the line of Hina from DHC. Please go ahead.

Hina: Sir, I just want to know, is there any planned shutdown?

R.V. Gumaste: No planned shutdowns is pending as of my best knowledge, no.

Hina: No in the upcoming quarters?

R.V. Gumaste: No, I am talking about quarter two, quarter three. I don't have, but you can expect in steel and tube plants, which are in Maharashtra, typically we will have Diwali time stoppage, typically one week is a common thing.

Hina: Okay. And what are the strategies for the iron ore sourcing, is there any guidance on the iron ore cost that can you provide that to us?

R.V. Gumaste: Guidance, basically we are very clear that Indian iron and steel industry, especially the Southern or Eastern sector, we have to be dependent on Indian iron ore. It is definitely not a sensible thing to export Indian iron ore. I have been up this whole opinion all along. We are a populous country, we have to create jobs, and we are in the business of creating jobs. And we are committed to that. And India has enough iron ore to support the Indian iron and steel aspirations, but export is a problem, and I expect that Indian mining industry will support us in fulfilling the growth aspiration of iron and steel. Whereas coaking coal is a scape commodity in India, we don't have a good quality enough coaking coal. We have to import and we can still manage our manufacturing cost with imported coal, but indigenous iron ore and remain competitively priced in India as well as worldwide, that is why we continue to work on this and also talk to government quite often on these subjects. We will continue to source domestically.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: My question is mainly related to casting. So, how do we see say second half of the casting, volume wise if you can give and within that the segment, each segment and then the heavy casting side also, as well as the machining. So, overall casting, where do we see from say 25 or second half of the 25 and going ahead with 26. How do we really want to the kind of capacity we have created; you would like to deploy it?

R.V. Gumaste: I would like to say that I am quite upbeat and excited about opportunities in casting business side. Casting manufacturing or the foundry is a hardcore manufacturing activity, and it is unlike blast furnace, where we just start the furnace, we get the full volume production, or very close to full volume production. It doesn't happen in foundry. We have to stabilize the processes, ramp up the processes, and that's why we find certain hurdles in ramping up the volumes without increasing the or deteriorating the quality. We are working without any stoppage in creating the quarter million tonne casting capacity. We have our installed capacity is already more than 200,000 we will be at 2,50,000 and subsequently closer to 300,000 installed capacity. Having talked about the capacity creation and utilization of capacity we have our current run rate recently in this quarter is at 13,000 metric tonne per month. I expect to continue with that and build on that, and we should definitely look forward to see the growth numbers coming back into quarter two, and then how much more we can add into quarter three, I am sure that we will add some quantity into quarter three from Oliver, and more quantity from Oliver in quarter four. So, I would say that we still look forward to the numbers what you have mentioned, and we are definitely excited about the growth prospects and opportunities in the casting field where we are working. Our customers are very supportive. They have lot of interest in Kirloskar Ferrous Industries casting and foundries, and we are working very closely and we have on-boarded the new items from the existing customers, as well as some items from the new customers. And I

am sure those are robust enough to support the growth for coming years 25-26 as well as 26-27 as the item developments have been lined up sufficient to take care of the growth.

Bharat Sheth: And sir if you can add some more on the machining side as well as give more color, as well as on heavy duty casting, and could we reach across 2 lakh tonne per annum?

R.V. Gumaste: No, I couldn't get the last part.

Bharat Sheth: Your aspiration for 26 is above 2 lakh tonne or if you can give some color your ballpark number on heavy duty casting?

R.V. Gumaste: Mr. Bharat Sheth everything doesn't go by my aspiration. I am an optimist, I always look for great numbers, like all of you look for great numbers, but as I mentioned we have to really ramp up on certain activities. As I said that, let me come back to the first point of yours on machining. The interest from the customers continues, and we continue to order machines. Recently, we ordered 30 machines with our machine suppliers, and we expect them to be delivered within next eight months' time, and they will all be commissioned and we expect to enhance our machine shops in the similar way. Customer expectations are definitely very strong, and we will see the growth. But I know that the growth has been slow in the past, but I expect to catch up well in the coming months and quarters. With respect to large castings, phenomenal demand situation there, but we have already started small way making large castings. And we are going ahead with the two-part large foundry in Solapur, and we expect it to take 15 months' time to install and commission, and that will definitely enhance our capacity. And we are working with our customers, and we will deliver large parts up to at least two tonne single piece in coming days, and we are not there beyond two or three tonnes casting.

Bharat Sheth: And last two questions. Sir on solar side by the year end what would be the capacity that we are expecting

R.V. Gumaste: I did mention that on the solar we have already commissioned 35 megawatts, and we are getting the benefit, started getting the benefit of that, and we will complete our entire year 70 megawatt by October. It's a monsoon season some days are getting lost and the project implementation because of rains but it is part of the business we need rains as well. And Jalna location itself, we are working and we have signed the MOU to make it 100 megawatt instead of 70, which will happen in this year itself commissioning. And beyond that, we are going to other location where we are working to add another 70 megawatt, which would be the next year project. In the meantime, in this year itself, we are ordering some balancing windmill power plants, because peak hour 6 to 10, we can't use solar. So, we need wind power there, and we are adding that immediately, with an investment of about 100 crores and beyond this, we will have more clearer statutes in the next year, but we have fully committed to green power coming out of solar and wind, to the extent what we can utilize fully in combined entity KFIL.

- Bharat Sheth:** And sir one question for Mr. Srivatsan. Still on combined entity, where do we see effective tax rate because still in console number, we are showing a 30% above tax rate. So, if you can give some color where do we expect in this we are on consolidated basis tax rate?
- R. Srivatsan:** Can you repeat the question sir?
- Bharat Sheth:** See, currently in consolidated results published in June ending, we are showing tax rate is above 30% so, once fully merge the entity, since NCLT approval is in the place, what will be the tax rate for full FY25?
- R. Srivatsan:** Still, I did not get a full question now.
- Bharat Sheth:** So, what will be the effective tax rate, say current tax rate adjusted to.
- R. Srivatsan:** Tax rate you are talking, income tax rate?
- Bharat Sheth:** Yes.
- R. Srivatsan:** We have got 25% sir.
- Bharat Sheth:** So, still it is in current quarter, it is showing consolidated numbers above 30%?
- R. Srivatsan:** No, it doesn't come like that, because there are some disallowance all those which comes, especially CSR, donations, that's why it won't reflect exactly 25%.
- Bharat Sheth:** So, that I was asking the reported number will be what at the year-end for the full year?
- R. Srivatsan:** I will calculate and let you know sir.
- Moderator:** Thank you. The next question will be from the line of Aditya Nahar from Alpana Enterprises. Please go ahead.
- Aditya Nahar:** Sir, I have no question, just to sort of congratulate you on the successful merger of ISMT to you, Mr. Srivatsan, and Mr. Ektare. Wish you all the very best.
- R.V. Gumaste:** Thank you for your kind words and best wishes Aditya. Thank you.
- Moderator:** Thank you very much. The next question will be from the line of Degan Hariya from Green Edge Wealth. Please go ahead.
- Degan Hariya:** Sir my question is, firstly on the casting sector, that in the last 12 to 18 months the tractor has slowed down. So, our contribution from tractor has gone down from 44% to 34% and at the same time, the auto sector has picked up meaningfully for us. So, first question was, now we are just seeing that even the auto sector may slow down the premium end, there is lot of inventory

and also, so do you think that these proportions will reverse now, or we have made some significant inroads in auto sector that our volumes in auto won't fall?

R.V. Gumaste:

Thank you very much for this question. I would like to say that first of all about 30% of our auto sales are deemed export, so they don't really fully depend on India market. To some extent, it's a different market segment we are serving. Another thing is currently, typically our top customers have been having different kind of volumes, and we are well supported on that at least in the last many years. So, I expect that current projections and current indications of our leading customers from the auto sector is the going as per plan, and I don't still expect any major drop in volumes. Third thing is, we also have good amount of penetration in earth moving equipment, stationary engines, large castings, where the interest and demands are higher to balance the volumes, this is my understanding as on today, we need to be careful and watchful with respect to market demands in coming days. Another thing is also what I am looking is, the monsoon has been very good so far and expect to cover the spread in the coming or remaining part of the monsoon season. And we expect that to help the agriculture and once again the growth for tractor should come back. Quite hopeful and I am sure that even the tractor industry quite hopeful to pick up after the monsoon season in a very decent way.

Degan Hariya:

And our engines in off highway, has consistently been around 12% of the total casting volumes. Is there any scope to increase that, because you have been mentioning that we are working hard on that, these two segments especially that off highway and large vehicle?

R.V. Gumaste:

Earlier it's 12%, was not 12% we are still lower. We have picked up, I am very sure that we will pick up further because of the customers, interest and requirement, but the increased percentage would be on the increased base as well, and there is definitely opportunity for further growth in off highway and earth moving equipment sector, and we are working with the customers we had more volume there.

Degan Hariya:

So, if all these things pick up together like tractor also picks up, auto does not slow down for us, and then we should see a good year for casting at least maybe somewhere in the next 12, 18 months?

R.V. Gumaste:

I have stated that quite optimistically.

Degan Hariya:

And second question was on this tube business. Sir this was the first time we got such a large order from ONGC, and our contribution from oil country tubular is around 28%, tap on this because otherwise we become overly dependent on this one particular sector?

R.V. Gumaste:

No, as we are looking forward to debottlenecking, expanding, we will definitely look at value adding sectors, value adding opportunity areas and we will focus on them. There is still good provision to expand, even in oil and gas along with projects and other auto and engineering areas, we are focused on all the areas to load and acquire more orders and more customers to make our servicing board more robust.

- Degan Hariya:** Right sir. Sir, in the tubes business, what is our highest or what one or two products are we most bullish on because maybe we have an edge there or we have a very good margin there or less?
- R.V. Gumaste:** I don't think it has remained stable earlier ISMT was very well known for bearing quality steel and bearing quality tubes, and we continue to hold on to that. And I found that it got suffered because of more entrance at some level, it went up to one dozen. People there got crowded, margins got compressed, and we were thinking of why do we do this business but I am very focused in this segment, we will create a differentiator and we will work on our cost of manufacturing, our productivity, our offerings to customers. We will be very happy once again to have a dominant position in the bearing which has been the traditionally strong area for ISMT. In addition to that, as you know we have started and we got into premium couplings, oil and gas, and that is a growth opportunity for us. And at the same time we will be also have a good niche, good market to have a precision tube making facility which should place us well on the power sector, boiler tubes, these three, four areas are the key focus areas to build the volumes to achieve growth.
- Moderator:** Thank you. The next question will be from the line of Sahil Rohit Sanghvi from Monarch Network Capital. Please go ahead.
- Sahil Rohit Sanghvi:** My first question was, what was the transfer of pig iron to ISMT in this quarter or maybe now that you are saying 55,000 tonnes can be per service per quarter production number. So, what is the transfer per quarter?
- R.V. Gumaste:** Around 5,000 to 6,000 per tonne, 60,000 to 70,000 max per year.
- Sahil Rohit Sanghvi:** So, roughly, we should be able to sell say, 1,40,000, 1,50,000 pig iron per quarter, if everything works fine?
- R.V. Gumaste:** Yes, what I mentioned is in the month of currently, July month, for example, without the transfer consideration we had sales of say, 54,000, 55,000 tonnes. And out of that, 5000 goes with steel, we still will be left with 48,000, 49,000 but we expect decent increase in the productivity with the oxygen enrichment coming in October. And that should more than compensate this loss of deal sales, and we should be once again above 50,000 sales in the market, even after considering ISMT internal transfer.
- Sahil Rohit Sanghvi:** Secondly, which are the customers that we have with Oliver engineering and if you can give us maybe a utilization level on the sales volume that we are targeting for FY25 at Oliver, this is more of from the modeling purpose sir.
- R.V. Gumaste:** I couldn't get your question Sahil.

Sahil Rohit Sanghvi: So, my question is sir, which are the customers that we have at Oliver engineering, and what is the utilization level of the same volume that we are targeting for FY25 more from the modeling purpose sir.

R.V. Gumaste: See basically there are almost potential of one dozen customers in the Northern part of India, and currently we are working with five of them, and all of them happen to be our existing customers, and we supplied from the South. And we have made arrangement how we can supply more quantity by supplies going up from Oliver. And currently we are developing about 15 parts which can easily give us 1,500 to 2,000 tonnes per month kind of volume once we ramp up and stabilize these supplies, and we expect it to bring us a delta x additional capacity utilization and additional sales volume coming out of our presence in North.

Sahil Rohit Sanghvi: Sir my third question would be, the wind energy plan that you have kind of preponed because first we had a different kind of program on that. So, just wanted to understand the timeline on that, you have told us that by March you should reach say roughly 100 megawatt. So, that will be so long and wind energy, what will be the timeline and when do we start?

R.V. Gumaste: See, if you look at timeline, I just mentioned that solar by the end of this year we should commission 100 megawatts. And ordering maybe 11 to 12 megawatts of wind, which has almost two and a half times generation. When we say 10 to 12, it generates maybe 30, 35 megawatt equivalent power, because efficiencies of modern windmills are much higher compared to earlier one. And I talked about this commissioning will happen in next year, and similarly we plan to add another 70 megawatts of solar, unless we change our mind or change this number, but that way commissioning would be next year.

Sahil Rohit Sanghvi: Got it. And the last question, is there any update on the EC for the specialty steel plant at portal?

R.V. Gumaste: I would like to answer this question, thank you very much for asking this. Important step in environmental clearance is the public hearing, and we conducted, or rather district administration conducted the public hearing on 6th of August, and it went very well to the best of my understanding, full support from all the neighbors, all stakeholders, NGOs participated in big way and supported the project in very big way. It's the testimony of Kirloskar's commitment to environment, green movement, and we will next two to three months, we should have the EC in our hand to start the steel project. And other projects which are part of that.

Moderator: Thank you very much. The next question will be from the line of Suman Kumar from Antique Stockbroking Limited. Please go ahead.

Suman Kumar: I have a couple of questions. So, the first question that I had is, what is the status of the commencement of captive iron ore mining and also, could you please throw a little bit of light on the CAPEX guidance for FY25 and FY26 and post the merger what would be our net debt level currently?

- R.V. Gumaste:** After mergers, what would be?
- Suman Kumar:** What would be the net debt?
- R.V. Gumaste:** Okay, thank you very much. Status of iron ore mine remains same as what it has been in the last quarter, except that some more progress has happened to the best of my belief, now we have all the approvals, all the approvals necessary for the mine, and we also have the approval for the road, as well as temporary road permit for the road. But now we have to complete the getting the necessary documentation done and start the mine. So, I expect mine to start any time. And, every time I speak, there are some steps which are taking unduly long time. I am hopeful that it will end and we start the mines very shortly. And with respect to CAPEX, I would like to say that all our planned programs are online, though timing wise there has been delays in certain, important projects which are in progress one is, I talked about the increased pulverized coal injection with oxygen plant that is coming up. Oliver is getting ready, we got the power last week, and we will be taking four to six weeks to complete all the equipment trials and start the foundry in September, then we will submit samples and start ramping up. I expect foundry to start operational in a small way from October, and we should be able to cover some volumes in the second half of this year. So, the Oliver project, we are progressing well on the solar power plant, I talked about it already in detail. We have progressed well on foundry line two, phase two in Solapur getting geared up to produce full quantity in Solapur should be able to as early as possible, go to 5,000 tonnes per month. So, now I talked about the environmental clearance and public hearing completion, and we will be getting into the steel project, and we continue to invest and expand the machine shops. There is no change in that position. However, our total debt is in the range of 800 to 1,000 crores before merger. After merger, no major increase in the debt. Our investments are in line with our cash generations more or less, except plus minus 100, 200 crores here and there. My looking forward is that, we improve on the margins and profitability in coming months and quarters, and we should still be able to hold on to the debt levels in spite of the ongoing projects. The biggest upcoming projects are the solar and wind power and the steel project, whether that will make a difference yes, it can. But also coming here, profitability can be better, and then we should remain or go down in the debts, and not really increase the debt in the coming years. That is my view, but we will keep updating you on that, and what happens next year onwards. Thank you very much for the question. I covered all the three parts of this question. Thank you.
- Moderator:** Thank you very much. The next question will be from the line of Chetan Falge from Alpha Invesco. Please go ahead.
- Chetan Falge:** Most of my questions are answered. I just have a couple of questions. What kind of capacity and CAPEX we are looking at for our alloy steel project?
- R.V. Gumaste:** 360,000 metric tonnes per annum and we already have iron baking, it would be addition of steel baking, and we expect the CAPEX of about 750 crores.

Chetan Falge: Okay. And sir, with respect to our capacity ramp up on castings and machining. If you can just help me understand, how will both of these capacities will look by the end of FY25, 26 and 27 I am just want to understand the ramp up on both the sides, on castings investments since you mentioned that you have ordered the 30 more machines and so just want to understand how many machines we have right now, where are we heading on machines, machining capacity?

R.V. Gumaste: We have got 100 machines; we are adding another 30 you can see the scale of orders. And the interest of getting machine casting and also expanding the machining from our valuable customers continues and we will be required to invest on machining. The more machining value reflecting in our account should start, because still we are marginal values of machining as well as machining value addition on the books. But it is going to pick up. And in addition to that, I would say that we are well invested on the foundries, as you know we are also investing on line two, phase two in Solapur, Oliver would be the next one. The current capacity is 28,000 metric tonne per annum, and current facility is only for producing something, but we are working fast to also start making their block and head, there is no good block and head foundry in the North, and we will bring one there and expand the capacity at the Oliver foundry to close to anywhere between 60,000 to 70,000 metric tonne per annum, so that some meaningful capacity is available there to service the North customers, that's demand more than what capacity we can create. And with that, I will say that our installed capacity will go beyond the 2,50,000 metric tonne per annum and we are also committed to completing the large casting, two part foundry in Solapur, with the capacity of at least 15,000, 16,000 metric tonne per annum. All this put together, our capacity would be in between 250,000 to 3,00,000 metric tonne and it is usable capacity and realizable capacity. And though we are at currently, like I mentioned, about 13,000 metric tonne per month, but Oliver adding Solapur expanding, I look forward to go to at least 20,000 metric tonne of casting per month within next one or two years. I hope I have answered all the questions relating to casting capacity and capacity utilization. Thank you very much.

Moderator: Thank you very much. The next question will be from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir couple of questions on ISMT, one on the steel part you did mention in your opening remarks that there are some operational issues that we are facing, so if you can highlight what are those, and what are we doing to solve those?

R.V. Gumaste: I didn't mention any operational issues as such, but if I have to just add based on this line, if I had to say. We acquired this company two and a half years back, and we took up immediately the improvement on maintenance, maintenance spare parts and essential infrastructure creation and all that is necessary with respect to safety, continued operations, stable operations. We have done enough, and nothing is enough we continue to do more. Second thing we took up in the last one year is debottlenecking projects, both in steel and tube, to realize at least to the extent of very close to three lakh tonne of steel and maybe two lakh tonne of tube. Those debottlenecking projects, many of them have progressed well, and many of them are getting completed in the month of July, August, September and I expect improved volumes coming out

of tube, as well as some increased volume coming out of steel in the second half of this year. And that should really support us in operating these capacities in a stable, decent way. And subsequently, we have plans to expand the rolling capacity in Jejuri to 300,000 metric tonne. And if that happens, then we will be able to roll the entire quantity in Jejuri, what is produced and the Hospet steel plant, or Koppal Steel Plant, when it comes the blooms will go to Baramati and get rolled. Thereby, the net sales outside steel sales would be mainly from Jejuri and not from Koppal. That is the strategic approach we are taking for the steel business.

Pratik Kothari: Correct, fair enough. And sir one of the tubes part, one your comment on the margins that we are doing right now, and second like you mentioned it's a continuous journey to improve overtime and we are solving the power and fuel cost via the wind, solar that we are doing with, anything else on the fixed cost, our employee expense, et cetera that we were intending to improve. So, where are we in that journey over the last two years and how far have we come?

R.V. Gumaste: Thank you very much, the key focus definitely has been number one is stable, expanded business volumes, the volumes in tube and steel what we are talking today were not there two or three years back. We are bringing stability; we are bringing stability in the markets. Continued order support from the customers, both for steel and tube and subsequently, once we have stability and productivity levels, all these higher productivity levels will also support us to bring down the costs. For example, the power and fuel will not remain at 18% will drop to maybe 15% once we have the enhanced volumes. What we are realizing recently, having said that, still the power and fuel are very high, we are working to reduce I talked enough on that. Coming to also improving the efficiencies, especially in the steel plant, we are working on number of initiatives on power for example, the energy conservation, power factor improvement, then also on the consumption level reduction, yield improvement, quality improvement. I am sure that those aspects will also contribute in bringing down the fixed cost. With respect to employee cost, our strategy is very clear that we don't look forward to do any manpower reduction, but rather strengthen the people competencies work on developing the competencies and people produce better results and increase the output and increase productivity, will bring down the ERE to sales in tube and steel business to the level of starting point was 10% currently we are at 6%, 7%, it will come to 4% to 5% and that is the value we want to give it to the people who contribute, and we don't believe in bringing it down to 1% or 2%.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Gumaste for closing comments.

R.V. Gumaste: Thank you very much, each and everyone who have joined for the call, and also organizers today being a holiday on Saturday you all cooperated with us. Thank you so much and look forward to next quarterly call and till then, goodbye thank you very much.

R. Srivatsan: Thank you.

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