"Kirloskar Ferrous Industries Limited Q2 FY'27 Earnings Conference Call"

2 November 2026

MANAGEMENT:	MR. R. V. GUMASTE - MANAGING DIRECTOR
	MR. AJAY PATIL - JOINT MANAGING DIRECTOR
	MR. R. S. SRIVATSAN - EXECUTIVE DIRECTOR (FINANCE) & CHIEF FINANCIAL OFFICER
MODERATOR:	MR. PALLAV AGARWAL - ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good day and welcome to Kirloskar Ferrous Industries Limited Q2 FY'27 Earnings Conference Call hosted by Antique Stock Broking Limited.

As a reminder, all participants' line 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 this conference call, please signal an operator by pressing '*' then '0' on your touch-tone 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, Ikra and good afternoon, everyone. Warm welcome to the Kirloskar Ferrous Industries Q2 FY'27 Earnings Call.

We have the Senior Management of the company represented by Mr. R. V. Gumaste, the Managing Director; Mr. Ajay Patil, the Joint Managing Director and Mr. R. S. Srivatsan, the Executive Director (Finance) and the CFO.

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

R. V. Gumaste: Yeah, thank you, Pallav. First of all, let me welcome all the Investors to the Call. So, thank you very much for joining this conference call.

Let me briefly touch upon the quarter performance and then we will keep it open for question answers:

The Quarter 2 this year, we completed the quarter with a topline of Rs. 2,057 crores against the last year same quarter Rs. 1,755 crores, a topline growth of 16% and the bottom-line PBT is Rs. 138 crores, going up from Rs. 120 crores last quarter, last year this quarter. And going to little bit details on the volume front and let me first of all go on to the sales volume. For the sales value coming from different sectors, we had a growth of 20% on the pig iron from Rs. 581 crores in this quarter against Rs. 483.9 crores, 20% on that. And castings have grown from Rs. 487.8 crores to Rs. 633 crores, almost 30% growth on that. Whereas steel and tube, we faced the big challenges in quarter 1 and Quarter 2 also it's recovered, but still growth is 0.5%. Whereas steel has done well against last year Rs. 139 crores, we have done Rs. 206 crores, a growth of 48% external sales on steel.

Pig iron production is going well with all the three furnaces running except maintenance stoppages what we have seen in the earlier months and we are running all the three furnaces as of now. And we are at pig iron hot metal production for the six months at 3,31,896 metric tons against 3,22,000 metric tons. So, we have productivity improvement of 3% over the last year, whereas casting has moved to 93,000 metric ton of production from 78,000 which is 20%

growth, whereas we have been down 7.5% in tubes and up almost 14% in steel, we have produced 1,33,000 against 1,17,000 last year.

And more specifically to this quarter, I would say that we have an external sales of pig iron of 1,34,000 against 1,28,000, increase of 3.5%. I think casting gross sales for the first time we crossed 50,000, net sales is 47,888 against 39,980, which is about 20% more than last year's second quarter. Whereas on the tubes, this year we did 48,547 against 49,588 which is down about 2%.

Coming to the sales realizations:

I think there has been a positive movement as all of you know that we had to face the challenges of higher coal prices, coking coal prices and also rupee dollar exchange rate was adverse for us all along the last three, four quarters. But we could pass on some of the cost increases because of this to customers.

Last year, pig iron price ex-works average realization was Rs. 38,000, which has moved to Rs. 43,054 which is 12.4% improvement in the pig iron prices, whereas casting prices have also moved up almost by 6.8% compared to last year. We are at Rs. 1,30,000 per ton against Rs. 1,21,000 last year, whereas the recovery in tube has been slower, we are at Rs. 1,16,953 against last year's Rs. 1,13,998 at 1.6%, whereas steel has moved from Rs. 70,700 to Rs. 77,500, which is an improvement of 7.6. So, it looks like we have come out of the low commodity cycle, gradually going up. We will naturally face some challenges in case of value-added product, whereas the basic product we get some advantage.

Demand for the castings from all sectors was going on very well in quarter one and subsequently in quarter two. The demand for castings was good from tractor, automotive and also the earth moving and stationary engine market.

As all of you know, some talk on the slowness coming into the tractor, but our foundries across all the three locations were fully loaded in quarter two as well as October. We have to be carefully watching, there can be small corrections in demand coming from the tractor industry, whereas auto and earth moving equipment continue strong demand for castings. So, whereas pig iron, I think there was interesting development during last quarter is that the international prices were good and many of the pig iron manufacturers went in for exports. We also exported one cargo of 31,000 metric tons and as we realized better in export than domestic. We continue to focus on domestic market with better realization and we will be keen to make export as the prices internationally are better than the domestic.

With these comments and opening comments, I would request for the questions and be happy to answer them. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Good afternoon. So, first on the project, when we see that you seem to have announced this phase two of our Solapur, the large casting. So, one is the phase one kind of sold out. I mean, do we have visibility there and hence this phase two or this is just in line of phase one getting done? And two, we still don't see the Jejuri Steel timelines there. So, we were to start that project, but we are yet to decide. So, where are we on that?

R. V. Gumaste: Yeah. First of all, let me take up the casting related question first. First of all, we are almost done with phase one and phase two of second foundry line in Solapur. What we are working on is ramping up the production and output and increasing the sales. That is the process in which we are there. And currently, we have come to a level of 5,200 metric ton of sale and production and sales and more than 15,000 every quarter. And our effort is to take it further higher so that capacity utilization from both the foundries at least crosses 6,000 metric ton per month or 18,000 metric ton per quarter. And with respect to the Rajpura foundry, I told earlier also that capacity is sold out, but by year end, financial year end, which is March, 31st March, we will bring up the phase two of the Rajpura project so that our capacity can go to close to 4,000 metric ton per month. And accordingly, all steps are being taken to increase the capacity there and clearance is there. And we can look for another 24,000 to come from Rajpura with phase two implementation. We feel that we should be ready with that at least by quarter one of next year so that we have the capacity to serve our north customers. With respect to steel and projects, I would like to say that, yes, there have been some delays because of looking at the market as well as technology finalization related challenges. We are ready with going ahead with rolling mill capacity expansion in Jejuri as well as the expander mill project in Baramati and also setting up of small piercing mills in Ahmednagar so that we improve on our product portfolio as well as capacities coming for smaller tubes as well as the large tube which go into oil and gas. So, we are continuing with our commitment for the projects and we are already entered the execution stage and you will see more updates coming in coming quarters. Thank you.

Pratik Kothari: Correct. Sir, just one clarification. Sorry. I actually meant the Koppal, the alloy steel plant that we intended to build out over two years.

R. V. Gumaste: Yes. So, there were a few challenges, one relating to local issues, second relating to ourselves being clear with respect to many technology challenges. I think we are more or less done with all that and we have already ordered for the technology design partners. We have already tied up with them. Now, we have come to a stage of commercial negotiation and ordering the equipment. We expect that we should next two to three months take up that project full blast and then we should expect around 20 months for project execution and implementation. Thank you very much, Kothari, for that clarification.

Pratik Kothari: Correct. And so, this phase one two-part foundry that has been sold out. So, if you can touch upon what market are we serving? Is this domestic, export, end customer, anything more on that?

R. V. Gumaste: Basically, I think we are taking another two to three months to commission that. We expect that by January, we should be ready to completely operate two-part foundry. Our focus, as we have already told, we were serving the cylinder block, cylinder head as well as other S.G. iron components up to 300 kg in our existing foundries. The Solapur two-part or No-Bake foundry will take our capacity, capability to service our customers up to two ton castings. It could be engine blocks. It can be any other casting. We will be able to manufacture and supply large castings. It would be definitely beyond the cylinder block because we are already working with one customer, booked the orders and 480 kg component, S.G. iron and non-automotive. So, it will be for all types of castings, including grey iron and S.G. iron. And what is important is large castings. Yes.

Pratik Kothari: Correct. And in the last six months, we had a few appointments at the management level. I mean, deputy MD coming in, CFO. So, just if you can talk about the transition plans, your role.

R. V. Gumaste: First of all, you know what declarations have been done. We have already done the declarations and all of you are aware of my age and some of you have been also asking certain times, what are the succession planning, what you are doing for succession planning and we are getting into that phase. And exact timelines are neither known to me nor known to all of us. So, please wait and watch and we will ensure that there will be smooth transition, smooth succession to the next leadership teams. And right now, I have clarity on this and it is in line with our long term plans, ensuring that the organizational interests are ahead of everything else. And the continuity of the KFIL journey, what you people have seen growing consistently 15% year-on-year for decades. We would like to see that dream carried forward coming years as well better than what we have done, but not less than what we have done. Thank you very much.

Moderator: Thank you. The next question is from the line of Vipul Mody from Growth Finance and Investments. Please go ahead.

Vipul Mody: So, the first thing is like I would like to say how I view the company. So, it's like we are making steel, we are making alloys, we are making castings. So, I think this is not the end, but this is just the beginning because every engineering part, it starts from the metals. We are making the metals and we are growing consistently. But then there's a lot of scope. If you see on the broader horizon, that we have a lot of things which can be done. Like, for example, we are into machining. So, there is a whole new, whole new line, you know, a different sort of, we can make machine parts, machine components. So, that becomes another vertical. So, we can even go for steel castings. Like we have a lot of experience and a lot of, so we can leverage that experience to make steel castings. We can make steel alloy castings. A lot of different things. So, I think we can invest like a small part in all these different verticals. So, KFIL can even expand horizontally, vertically, both the ways. So, I think, and there is a joint MD. So, I think we can bring in new

talent. We can bring in new scope. So, I think we should be going that way and not just restricted to the existing business. So, I think the management should look for that. Even if you see the global process. And also, one more thing is about the precision. I think we are a bit late entrant, we are just beginning for the precision. We can even go for precision engineering and all those things. So, I would suggest the management look into opportunities which are available and go for it.

R. V. Gumaste: Thank you very much. And thank you very much for the suggestions. These are very, very important, vital. And as you just now mentioned, Mr. Ajay Patil joining, he comes from totally different perspective. And he has worked many, many years with many MNCs. And my own experience along with my team over the last few months has been in most of these things what you talked about. Machine parts, accessories to be made, large steel castings, steel alloy castings and high value precision engineering. I fully agree with you that we have many opportunities. And the expansion need not be only in the areas where we are working today. Like we moved out from pig iron and casting into steel and tube. There are many opportunities beyond what these four products. Thank you very much for your suggestion. We will try to focus. And we will also keep in mind that it can come out not necessarily, only greenfield. It can also come with acquisitions. We keep in mind and we work for that. Thank you for great suggestion. Thank you.

Vipul Mody: Thank you very much. And also one more thing. Currently, there is a lot of precision going around in Europe and Germany and many, many other different countries. So, maybe we can even scout and look out for newer technologies in metallurgy or processes or methods or procedures. So, maybe we can even scout for those opportunities which can bring in more value addition in our products. And even newer products. So, maybe you can even look out for that.

R. V. Gumaste: Thank you. Thank you very much. Yes, understand.

Moderator: Thank you. The next question is from the line of Dhruvesh Kanakia from Antique Stock Broking Limited. Please go ahead.

Dhruvesh Kanakia: Sir, I was looking at your castings volume and realization, which have both gone up since first quarter. But your margin has contracted. Would you like to explain to us how we should look at it and what should be the margins going forward?

R. V. Gumaste: Yes. Thank you very much. I would say that the customers, as you know, most of our casting customers have this quarter-to-quarter mechanism. Whatever is the increase in last quarter, we get this quarter. What is in this quarter gets next. I would say that some more price increase is yet to be realized because of the quarter-on-quarter mechanism, point number one. Point number two is that we have some more work to be done. One of the things you all know is on the green energy or the green power. We have not yet commissioned all the windmills. We have just commissioned 35 megawatts of Solapur. We have some work to be done on that. We also have some work to be done on productivity improvement and quality improvement where the cost

can come down, the margins can expand. It's not only just customers, but ourselves and our own cost drives will continue. Also, I would say that our capacity utilization and expansion aspirations on machining is still very strong. We expect that value additions can also come through the machining value addition. We are working on that. We have grown quite well, but should have been definitely better. You can definitely expect the better sales realizations in coming quarters as well. As the full benefit of commodity price increase comes into the casting. As well as, I would say that we also have some work to be done with high-value casting development, which is going on. But they have to get converted into orders, and that will also give the benefits. Thank you very much.

Moderator: Thank you. The next question is from the line of Deepak D from Sundaram Mutual Fund. Please go ahead.

Deepak D: The first question is on pig iron. If I look at your volume, you did highlight in the beginning that you exported some 31,000 metric tons. If we exclude that, we are looking at an Y-o-Y decline of 20% if I just consider the domestic volume. Was it a conscious decision since we get better margin over there, rather than catering to the domestic market, same volume you thought you can recoup through the export? How should we think about the quarterly run rate of this pig iron on the external sales, let's say going into Q3 and Q4?

R. V. Gumaste: Yes, I think I just mentioned that we got a small window where the export price realizations were higher than the domestic. And there was little headwind going on in the domestic market in the price increase. So, it was a sweet spot. We booked the cargo, and we reduced the domestic pressure. And with that, we could also implement the price increases. And we got a good realization. It was not to go into exports. There are port-based pig iron plants who will continuously do the exports. And we will cater to the domestic market. We'll continue to focus on. We went ahead and exporte. And on the volume front, I would say that we will be better compared to last year. I think we are looking at today maybe 6,60,000, 6,70,000. But we will see more increase in the output coming here with full implementation of oxygen enrichment and PCI, which will come by the year end in both blast furnaces, one and two in Koppal. And subsequently, of course, once we upgrade the Hiriyur plant, we will take all the three mini-blast furnaces, put together an output of 8.5 to 9 lakh metric tons and which will come down again once we start converting into steel after a year or so. Thank you very much. I think we are in line with the production and productivity volume increases in pig iron. Thank you.

Deepak D: No, sir. Very, very helpful. And, sir, one question on casting. So, this quarter, would it be fair to assume that Oliver also did ramp up quite meaningfully? Because we are looking at almost 15 to 16% QoQ growth at 48,000. It would be helpful that if you can split the volume between Oliver and our regular casting so that we know what is driving this QoQ growth in the casting.

R. V. Gumaste: I did mention, Koppal is contributing to about 9,000, Solapur 5,000, Oliver 2,000, 2,200. Somewhere around those numbers, they keep varying. But I would say that you are right in saying that Rajpura gave us a full sales volume like 6,000 plus in a quarter. But Solapur also improved. Now they are going beyond 15,000 in a quarter. I think the contribution came more from Oliver, but also came from Solapur. Solapur is value-added products, more intricate parts and more challenges are there, but more opportunities are there in Solapur to cut down the cost and improve the value addition. And we will continue to focus and continue to grow on the casting volumes in coming years because we have lined up new customer additions as well as the existing customers, many components being in the development stage, which will go to serial production. Thank you very much.

Deepak D: And sir lastly, on this new foundry line, this is part two. So, what kind of volume can we expect to clock in FY'27? Because I believe that in your presentation, you have highlighted that the commissioning of this phase one part two will happen in Q3 of this fiscal year. So, just wanted some flavor on what sort of volume can one work with for, assuming that it gets commissioned in Q3.

R. V. Gumaste: I will not consider any meaningful volume in this year. I am working for meaningful volume in next year because some of the components we are already doing in some makeshift arrangement, we will formalize them and we have to keep, we are already developing certain parts. I think I will get some volume in this year, but meaningfully next year.

Moderator: Thank you. The next question is from the line of Vedant Rane from Unifi Capital IMA. Please go ahead.

Vedant Rane: I would just like to ask and understand, like we have seen our COMS going up 22% Y-o-Y for Q2. So, could you just help me understand the split between coking coal, iron ore or other raw materials in COMS? Also, how much of it can you pass on to the customer? And I think previously you mentioned there is a time lag of quarter-on-quarter basis. Is that correct?

R. V. Gumaste: No, I think important to understand this part of the business. First of all, this quarter-on-quarter mechanism is for the castings. And in case of pig iron, we don't have any such arrangement with customers. In case of pig iron, it is spot market. If the price goes up, but we don't tinker with that everyday, but it's on monthly basis. Whatever is the demand supply as well as the cost calculations, we try to mitigate in coming month. So, it's in case of pig iron. And as I mentioned, last year was a very challenging year for pig iron, one of the lowest in our entire history. The pig iron prices went as low as 21,000 in one of the 31,000 exports for steel grade in one of the month. And from there, we have moved a lot in this year. We have received some good support in spite of the cost increases and major raw materials exchange being disadvantaged. The customers and the market has supported us and we have slightly been able to improve the margins in pig iron compared to last year. Whether it will further support and I won't really speculate on pig iron

market. You know, it is as good as what one can speculate. So, I would say that so far, it has gone well in this year compared to last year. And whether I look forward, as the casting demand continues better, I expect pig iron demand should continue. It also depends on steel scrap prices as well as steel demand also. It has been a long, long time. I think a good cycle of steel demand should start. We are not still seeing that kind of strongness in pickup in the steel market, though prices have improved. Thank you very much.

Vedant Rane: Thank you for that. And also, sir, can you help me understand like split between COMS, like how much would be coking coal of it, how much would be iron ore and any other raw materials?

R. V. Gumaste: No, I think if you have studied this pig iron manufacturing, but right now, if you look at iron ore in spite of the international prices going up and down, our costs have been more or less same few hundred rupees here and there going up and down. But the major cost component is mainly coming because of the coking coal prices. I think that is only two aspects. One is coking coal price impact and the other one is, of course, the pig iron prices and other metallic cost structures. These are the main two which are playing the margin in pig iron.

Vedant Rane: Understood, sir. Thank you. And one last question on tubes volume. Like we have seen that over the last eight quarters, tube volumes has been around 40,000 to 50,000 tons a quarter. So, is it because of demand slowdown or is this because of Chinese imports? And also of our current order book, what would be like export? How much contribution would be export and high margin on this? Thank you.

R. V. Gumaste: Thank you. First of all, I think we're in the tube market. We had a bad first quarter because of delayed projects, because of oil and gas projects not triggering. But there has been a recovery in the second quarter. We have come up to 48,000 kind of numbers. But I think we should keep our fingers crossed. A lot of work has been done. Anti-dumping duty has been extended for another five years and we expect Chinese dumping should come down. The war situation and exports to USA have got hampered. In spite of that, we are looking for better than 100,000 metric ton in the second half of this year. So, that we end up achieving some growth over last year and not go down what we are today like almost 7.5% lower. We have recovery to be done in these two quarters. I'm still optimistic that we will achieve some growth even in the tube, not only just in steel. Thank you.

Moderator: Thank you. The next question is from the line of Manish Goyal from Thinqwise Wealth Managers LLP. Please go ahead.

Manish Goyal: Thank you so much, sir. Sir, within casting, in our project schedule, we always see that we continue to add machining capacity. So, sir, now where are we in terms of machining capacity? What is the kind of utilization we are seeing? And how much is the CAPEX we are incurring? And related to this, sir, in our two-part foundry, would we probably be selling the machine casting or it will be raw casting? So, this was first question.

R. V. Gumaste: First question first. Let me take up the first part of the question. As you know, we have set up machine shop in all the three locations. And the machining value per month or per year is growing continuously. But our investments are higher than the revenue growth in machines and machine shops. One of the reasons being infrastructure creation like building and other things. We have reached a level of about 50 crores-60 crores of annual machining value, about Rs. 5 crores per month kind of thing. Long way to go. We are expanding in all the three locations. More and more customers are keen to expand machining with us. As you know, when we started Rajpura, we also started immediately the machine shop. They have done like Rs. 1.5 crores of machining in a month. But we have long way to go. Every location should do much more meaningful, substantial machining. And we are committed to investing to take care of that machining. And we look forward that within a year or two, we should cross Rs. 100 crores of machining and expect 60% of that to be the contribution coming which becomes meaningful and becomes a very important value addition to the casting business. As earlier question also, we are looking at also interesting high value-added machining opportunities whether through acquisition or to doing it ourselves. For example, in case of tubes, we are talking about thread cutting for special or premium coupling. So, we are in casting also looking at more aggressively on machining than just making and supplying casting.

Manish Goyal: So, sir, what I recollect in past, we roughly invested already Rs. 240 crores. So, still the run rate of machining revenue is still very low at Rs. 50 crores-Rs. 60 crores. So, where is the challenge, sir, in terms of scaling this up?

R. V. Gumaste: I agree with you, sir. Number is around Rs. 200 crores, not 240, as per my best memory. And it should generate around Rs. 90 crores-Rs. 100 crores to make good decent return on investment. And one of the challenge we are facing is the industry between auto tractor and many tractor components we imagine today. Second one is the model changes invariably. Most of the customers, whatever the volume for which we create machining capability, they end up buying 50%-60% of it. So, with more expertise on machining, senior people joining our teams, we are working out how to mitigate this. One of them being customer participation in investment. And second is more special purpose machines also part of this setup. I think we have a roadmap. I mentioned that within a year or two, without major investment, we should go towards Rs. 100 crores of machining, which will mean very good capacity utilization. But we continue to set up more specific, more customers, different component machining facility, which will have also better return on investment.

Manish Goyal: Okay, sir. And on casting, sir, now we have done quite well in Quarter 2. So, can we now maintain this Quarter 2 run rate of 48,000 tons sales going forward? And how much will it get supported with some of the new programs from new customers and old customers? Like on the CNBC, sir, you mentioned that we can do 2 lakh tons of sales in this year. So, is it possible to do 1,10,000 tons in second half, sir? Thank you.

R. V. Gumaste: I think I am looking for stabilization to 1 lakh metric ton sales in next two quarters, like what we have done. See, we are looking at two different numbers. One is the gross sales, another is the net sales. Last quarter also we did a gross sales of 50,000 and net sales is 48,000. So, because of the customer and rejections getting deducted. One is that if you look at the castings under development and the castings which are about to get into the development, our commitment to our customer is much higher than 2 lakh metric ton per annum. It goes even beyond 3 lakh metric ton per annum. So, one is we will have to improve our capacity utilization in Solapur so that they go towards 70,000 metric ton per annum. Rajpura phase 2 and phase 3 has to be completed to go to 70,000 metric ton. Together we will say that we will go to 2,50,000. But we are also working that this is not enough for our customers. We will have to create quality capacity, whether we create in which location or we look for the acquisition. Those are the opportunities and those are the options in front of us. But we are seeing strong demand for castings, especially from Kirloskar Ferrous. Markets going little bit high and low are always there. But we have a long term commitment to our customers. If our customers are growing, we will grow with them. If our customers are growing, we support their programs. And with that, definitely we look forward to 15% volumetric growth year on year from the casting business. I would say that the casting business and the tube business and then the alloy steel business are going to be the focus growth drivers for KFIL. Whereas pig iron hot metal output will grow, but we will convert part of it into steel. And we will be happy with 0.5 million ton of pig iron sales in the long term. I hope Manish I answered your question. Thank you very much.

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

Bharat Sheth: Just to understand, I mean, on this tube side, our margin is substantially down. So, what could be the reason and how we are seeing in second half the margin of the tube business?

R. V. Gumaste: Basically, I did touch upon that. One is Quarter 1 volumes were down. And of course, the Quarter 2 margins are still under pressure. One of the things which we are looking is the settlement with the customers and booking orders with the higher prices with the new commodity prices, steel prices. We are seeing the movement quite positive. As I mentioned, the realization improvements in case of different products. In case of pig iron, it is 12.5%. In case of castings, it is 6.8%. And in case of tubes, it is only 1.6%. I am quite hopeful, confident that this change will come and we will see further improvement in the tube. And what we have booked with the confirmed pricing, we will have to service. But subsequent orders should come with the better pricing and we should be able to improve the margin. We also have one more thing in the quarter, the orders relating to oil and gas and orders relating to export orders were also down. One of the large consignment went towards the end of the month and hence the realization will come in the month of October. So, hence into Quarter 3. But overall, I would say that further improvement in the tube sales realization and margin is a requirement and I look forward to improving that.

Bharat Sheth: Thank you very much. Sir, one more question. The new foundry, I mean large-size casting, the total capacity, how much are we looking for with the second foundry coming in, say, end of '29? So, how much capacity are we looking for?

R. V. Gumaste: Total foundry capacity would be 15,000 metric tons per annum.

Bharat Sheth: And as you rightly said, some of our customers changed the model and then machining it. But simultaneously, how we also have to develop a new core and rejection rate may be higher. So, would you like to give some color? It is there because of one is the capacity expansion, second thing means new capacity coming in or rejection has gone high ?

R. V. Gumaste: No, I think rejection and machining, there is no relationship. One of the things what I mentioned, we got into certain challenges with the thin-walled castings, more critical components being developed in Solapur. And that we are setting it right and I expect that already we have achieved progress and our rejections in Solapur will substantially come down. I expect that next quarter the rejection level to come between 7% to 8% against 10% to 11%. So, that is very, very important progress and it will happen and we have seen the initial heat code wise trend already in place. Rajpura, we have stabilized the entire operations, stabilized to the tune of 2,200 metric tons per month production as well as the rejection levels going down. We are quite hopeful that we will achieve less than 5% rejection in Rajpura, which will support us in improving the margin as well as the customer satisfaction. So, the machining related nothing to do with the quality of castings, we have no relation directly with that.

Bharat Sheth: So, last question with your permission. Sir, in our strategy priorities for '27, we have stated that to grow deemed and direct export casting. So, where in this direct export casting, where are we at this stage and when we will start seeing some kind of a traction on that number?

R. V. Gumaste: We have lot of work to do that. We have just booked a few orders where we are developing the castings for direct export and not deemed export. But having a dedicated export segment managers and attempting for better export volumes in coming quarters or coming years rather is the work in progress. And we also recognize the importance of bringing some direct exports, including the possibility of acquisition if there is anything available. So, point well taken sir, we will update you as there is a process.

Bharat Sheth: Sir, this is the customer is for CV, PV or if you can give some color?

R. V. Gumaste: I think it is earth moving equipment customers.

Moderator: Thank you. The next question is from the line of Pranav Jain from Ageless Capital Finance. Please go ahead.

Pranav Jain: Sir, as you mentioned, we are seeing a strong trend of Indian pig iron exports to the western markets, especially US. With more industry capacity, domestic capacity moving towards exports. Sir, why are we having problems on price increases in the domestic markets? And just an additional question to that sir, why are we not open to exports, especially when we are getting higher realizations and Brazil is also not increasing its capacity. And US is in short for pig iron. So, why can't we ramp up our exports and get better realizations there?

R. V. Gumaste: No, I think as I mentioned once again the export prices today with respect to coking coal prices and the variable cost of pig iron. Dynamics have quickly changed. I don't think internal plants like us are beneficially able to export. But we will continue to look at it and if there is an opportunity we will try to do. We had even said that why not do one load every quarter. This is one part. Second part, what is happening is, it is beneficial for the people who import coke to avoid ending the pig duty and export pig iron. That's what is happening. Somebody who is importing coke and paying $80 of anti-dumping duty, if he exports pig iron, he need not pay and that is the priority of those people and they will book orders. And other next priorities for the people who are sitting on the shores and they can export. And of course, we will keep looking at opportunity and do that. And we will continue in the meantime ensure that we improve the selling prices and get the best benefit out of domestic with once in a while export opportunity. I think we have done well but beyond this availability of pig iron, supply demand will pitch in and the price will be determined by the market and not just by us. Thank you very much.

Pranav Jain: Understood sir. And secondly sir, on the casting side of things. Sir, with respect to your total capacity of castings, how much volume can we expect from the large castings? And what is the difference between the EBITDA per ton for the larger castings versus the current ones that we have? I am assuming the current ones are approximately around 14,000-15,000 EBITDA per ton.

R. V. Gumaste: Typically, large casting foundries produce volume wise half of the high-pressure moulding lines. So, typically, every two-part foundry manufacturer expects double the margin in large castings. Otherwise, it does not work out because volume outputs are lower. So, per ton value addition is much higher in two-part foundry.

Pranav Jain: So, sir, for volumes for us with respect to large castings, how much can we expect sir, going forward?

R. V. Gumaste: See, the main difference comes that the mold cost in case of two-part foundry is like Rs. 25-Rs. 30. So, the prices of two-part foundry have to be like Rs. 40-Rs. 50 higher. Otherwise, it does not make sense.

Pranav Jain: No sir, I mean what kind of volumes can we expect, sales volumes, from large castings?

R. V. Gumaste: I mentioned about our capacity, what we installed is 15,000 metric ton per annum, 1,250 metric ton per month.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Hi, thank you for taking my question. You mentioned in the second half, you will do the 1 lakh volumes in casting. Was that the production number or was that the sales number?

R. V. Gumaste: Yes, I just talked about gross sales number without deduction of rejection. So, you deduct maybe 2,000-3,000 per quarter would be say something like you can say around 3%-4% customer rejection. So, it is gross sales value, volume.

Prolin Nandu: Okay, understood. And sir, on the steel tube segment, the ONGC execution has started, right? That order that you had borne from ONGC, if I am not wrong, that I believe is slightly higher margin than the existing sales. But in the ex of that order, do you see profitability improving there as well? Especially, we are talking about the duties or the anti-dumping has been extended for 5 years. So, do you see the profitability ex of these OTG orders in tubes also improving?

R. V. Gumaste: No, basically what is most important is our prime products. One is oil and gas related tubing and pipe orders. The other one is the boiler sector where we have high alloyed, high pressure boiler tubes. See many of these projects got delayed and we were forced to manufacture the line tubes and the tubes which typically our partners, traders stock it and sell where the margins are very low. So, I look forward that Quarter 3 and Quarter 4 we move, achieve the market movement and the project progress is coming. And we should be able to move to more value-added tubes than the just line pipes and thereby improve the both volume as well as improve the margins and perform better than Quarter 1 and 2 in Quarter 3 and 4. So, but I would say that just like we are talking about the tractor industry showing signs of going soft, even the tube market is right now not very strong and we have to see the improvement to achieve those numbers. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comment. Over to you, sir.

R. V. Gumaste: Thank you very much. I would once again like to thank all the participants for keen interest in Kirloskar Ferrous Industries Limited and it is always a pleasure interacting with all of you. Thank you once again for all the participants joining this and for all the questions on KFIL. Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.