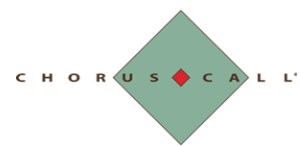




“Kirloskar Ferrous Industries Limited
Q2 FY26 Earnings Conference Call”

7 November 2025



MANAGEMENT: **MR. R.V. GUMASTE – MANAGING DIRECTOR –
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MODERATOR: **MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING
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Moderator: Ladies and gentlemen, good day and welcome to the Kirloskar Ferrous Industries Limited Q2 FY26 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero 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, sir.

Pallav Agarwal: Yes. Thank you, Anushka and good afternoon, everyone. A warm welcome to the Kirloskar Ferrous Second Quarter FY26 Results Conference Call. We have the senior management of the company represented by Mr. R.V. Gumaste, the Managing Director and Mr. R.S. Srivatsan, the Executive Director and CFO.

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

R.V. Gumaste: Thank you very much. First of all, my apologies for late joining this call. Thank you very much, everyone for joining the call. And I'll just start with a few details performance details, and then we can take up the question and answer. Production and sales of all our products was good during the quarter. We sold 131,508 metric tons of pig iron and operated all the 3 blast furnaces. And the sales quantity was 2% more than the last year quarter 2.

Casting sales for the quarter is 36,673 metric tons, slightly less than last year quarter 2. And demand for the casting from tractor sector continues to be strong, even auto continues quite good. And in case of tube sales, we could sell 49,588 tons against 39,866 tons, which is almost 24% more than last year. And for the H1 this year, we have a sale of almost 98,049 tons against 73,921 tons last year, a growth of 33%. Steel remains flat.

The sales this quarter is 19,616 tons against 18,793 tons, a growth of 4%. In value terms, we have sales value drop of pig iron by 9%, mainly because of drop in the pig iron prices. Pig iron prices have come down from INR 41,670 per metric ton to INR 37,098 per metric ton, which is a drop of 11%.

In casting, the sales during the quarter is INR 456 crores against INR 458 crores, a drop of 0.3%. And sales realization, there is a small growth INR 124.466 per kg against INR 123.653 per kg. Whereas the tube realization is down 7% whereas tube sales has gone up from INR 478 crores to INR 565 which is 18% growth against the volume growth of 24% because of the sales realization drop by 7% from INR 112,440 to INR 104,690 a drop of 7%.

Whereas the steel sales realization is also down from INR 76,362 to INR 71,055, whereas the steel sales value has dropped from INR 144 crores to INR 139 crores, drop of close to 3%. The margin pressure, especially in pig iron continues because of the no major drop in the iron ore prices and coal prices marginally dropped, whereas the pig iron prices have come down very, very substantially.

As a result of this, overall the EBITDA in spite of all this, our EBITDA has grown from INR 195 crores last year to INR 214 crores this year. Overall, for the 6 months, H1 EBITDA last year INR383 crores has improved to INR 427 crores. PBT for the period, quarter 2 of this year is INR 126 crores against last year's INR 115 crores, a growth of 9.4%.

Whereas for the 6 months last year, PBT was INR 219 crores, which has improved to INR 256 crores, which is 16.8% higher than last year. Otherwise, for the coming period as on date, the demand for casting continues to be good, and we have been able to also win some of the tenders in tube because of which we will continue to have loading up the mills full.

Pig iron demand continues to be reasonably good, whereas the price realization on pig iron is under pressure. Similar is the pressure on steel. Overall, in spite of margin pressure, both in iron and steel, we have been able to manage the profitability and continue to grow on sales volumes in spite of the product prices coming down, able to get some growth on the top line and the bottom line of the company.

For the quarter, our total sales is INR 1,736 crores against last year INR 1,683 crores. The growth would have been better provided the product prices were sustained, whereas the product prices continue to drop hope that it is bottomed out and we should see some improvement in the market pricing of both iron and steel product.

The projects which we have announced time to time, we continue to pursue them, whether it is solar and wind energy projects or project for bringing steelmaking and copper. We continue to pursue them, and we look forward to progress on the projects in coming quarters. So it should support us to continue with the growth aspirations of KFIL.

With this brief remarks, I would now request to start the question and answer. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The take the first question from the line of Digant Haria from GreenEdge Wealth. Please proceed.

Digant Haria: I have three questions, sir. Sir, firstly, on this pig iron, is it that the demand is good, but the pricing is still down. So what is leading to this kind of situation? Like generally, this pricing falls so much only when the demand is weak. But right now, even with demand, the pricing is here. So -- and then at this prices, are we making profit competition who is dumping in the market? Are they making operating loss? Any insights here? That's my first question, sir?

- R.V. Gumaste:** Yes. I think there is more supply of pig iron in the market, though casting production is growing and though steel production is growing, I think supply of pig iron is oversupply. And also, there is no shortage of steel scrap. Due to this, there is definitely more competition to sell pig iron, and we have been able to sell pig iron. But I'm sure that there is loss-making by many of us in production and sales of pig iron.
- Digant Haria:** Sir, and for us, like for us, would the spreads have gone negative or they're still positive?
- R.V. Gumaste:** No, the effort to keep them positive is always there. But right now, I can tell you that - we don't cover our costs.
- Digant Haria:** Right, sir. Okay, sir. Sir, second question on the castings division. we had a target of, say, 170,000 tons this year. So in the first half, we have done roughly 70,000. So we have to do almost 1 lakh tons in the next 6 months. Is it possible? Like is the demand environment so good that we can do that or maybe we'll end up, let's say...
- R.V. Gumaste:** There is one more thing. I don't have exact number, but we have already started our Oliver foundry, and we have done a production and sale of close to 5,000 tons over there. And we expect that going forward, we will be doing around 15,000 to 16,000 tons at Oliver. And with that, we expect that -- and we are also in the process of merging Oliver with KFIL. I think we will be together would be very close to that number of 170,000 tons.
- Digant Haria:** Okay. Got it, sir. Sir, and lastly, just on this NSE listing last time also you said that it is very close that event could happen any time. Any updates there would be helpful?
- R.V. Gumaste:** Can you repeat the third question, please? Can you repeat?
- Digant Haria:** Sir, it is on listing our shares on the National Stock Exchange?
- R.V. Gumaste:** I will leave this to Mr. Srivatsan, I think who is on an update on the progress on NSE listing.
- Digant Haria:** Anytime later in the call is okay, sir.
- R.V. Gumaste:** We will update you.
- Moderator:** We take the next question from the line of Balasubramanian from Arihant Capital.
- Balasubramanian:** So my first question, the casting segment shown resilience with stable realization despite the broader commodity downturn. And what extent is this driven by favorable product mix towards high-value castings, for example, a auto tractors versus fuel pricing power And what is the gross margin per metric ton difference between tractor castings and general engineering castings. This is my first question, sir?

R.V. Gumaste: First of all, thank you very much, and we continue to work with our valuable customers. We are developing new products. Product mix is changing. We are doing more and more high value-added castings. Hence, we have been able to retain the sales realization in spite of commodity pricing going down. And going forward also, I expect more and more high value-added castings being developed and supplied to our customers, including more machining coming up and that should strengthen our casting business.

Balasubramanian: Okay sir. Sir on that tube side earlier the guidance EBITDA margins can reach to 14% to 16% kind of margin once this 2 lakh tons per annum per scale up from current single digits. And can you quantify what kind of margin contributions in terms of operating leverage, product mix to like OCTG high-value tubes, backward integration? And is there any resolution of Chinese dumping? So what are the most critical levers to achieve those kind of margins despite declining on the realizations?

R.V. Gumaste: No, I think we continue to do well not only castings, even in the tube sector in spite of whatever is happening in the market, dumping or competition, whatever it is. We are well placed both on casting as well as the tube. And as I mentioned, we are pursuing more value-added castings as well as more value addition through machining of the casting. So I think the margins are quite decent whether it can improve, all efforts are there.

One of the way to do is we if we can bring up the sales volume to that level. So currently, we are operating at 13,000 to 14,000 metric ton sales per month, and we are adding, our effort is to add another 2,000 from Oliver Engineering. Together, we can go to 15,000 to 16,000 that can take us to 2 lakh tons very shortly.

And that should definitely help us in improving the margins. And it is difficult for the combined operations to exactly give you margin, but we are definitely above the 15% EBITDA margins in casting business and quite healthy, and we are catching up with the volume sales in castings.

Balasubramanian: Okay, sir. Sir, I just want to understand about the current strategy. Initially, we plan to ramp up to 7 lakh to 7 lakh tons per annum, then we deliberately reduced it to 5 lakh tons per annum sort of steel integration. And I think it seems a strategic shift from commoditized segment to value added side? And what is the expected EBITDA per ton difference between this integrated steel tubes compared to stand-alone pig iron and whether it is justified for volume reduction?

R.V. Gumaste: See one thing we continue to produce fully even today. We will have close to 7 to 8 lakh ton of pig iron production. Out of this, we are already planning, we will start the steel project. Down the line after 2 years, we expect 3.5 lakh ton of pig iron getting into steel making. But we also have the plans that we also upgrade the Hiriyur steel project so that in spite of one furnace going for steel We will continue to have 5 lakh ton of pig iron production, though sales may come down to 4 lakh tons subsequently because of internal consumption as well as conversion to steel. So this strategic shift is from 6 lakh tons or 5.5 lakh tons of pig iron sales, we may go towards 4 lakh tons of external sales and balance getting into the steel production.

And once we continue to change over to the steel successfully, we can definitely examine the possibility of more highly value added products like steel instead of pig iron, I agree with you. But in the immediate future, we will continue to have production and sale of pig iron. Only we look forward to cut down the costs, operationalize the mines. And hopefully, commodity price again should pick up a little bit to support the margins.

Moderator: We take the next question from the line of Pankaj Parab from Molecule Ventures.

Pankaj Parab: My first question is on the casting side. So looking at our end user industry, tractor industry has grown 30% Y-o-Y in terms of volume. And still we have our casting business in Oliver up and running with industry tailwind, but still our volume picture is more or less same compared to Y-o-Y. So when can we expect the ramp-up -- meaningful ramp-up in the casting volumes? What is holding us, sir?

R.V. Gumaste: No, I just mentioned that current run rate, we are at almost, you can say 15,000 metric ton per month level. Though there were headwinds, but currently, we have reached this level, but the figures which we are announcing on KFIL doesn't include the Oliver, but shortly, it will all be integrated. And I look forward that we will go towards 16,000 very shortly and which should facilitate 2 lakh ton of casting production and sales next year. And we should be able to go this year very close to 170,000, what is the number we are phasing to achieve in this year.

Pankaj Parab: Understood, sir. And next question is on the tube side of segment. So we have a very good volume traction on the tube side. And recently, we got order also from the ONGC but the concern is the realization part, I understand main realization is linked to the steel prices, but still can we hope for some realization bump or what are the factors affecting other than the steel prices like Chinese dumping and all the stuff?

R.V. Gumaste: No, I would say that the commodity pressure continues from pig iron to steel, steel to tube as well, whereas we have always -- we have been putting efforts and I would say that to a great extent, successful in retaining our margins. So the percentage value terms, it could be under pressure. But we are quite hopeful that we will continue to enhance the volumes and also maintain the realization.

Though there are many issues, including dumping, we are representing to government. But yes, in between, we suffer. For the first 6 months, we have already gone to a volume of almost 98,000 metric ton and look forward to seeing 200,000 volume very close to that in this year. And hopefully, another 10% attempt to go up in the next year before we add bigger size seamless tube manufacturing facility.

So we are geared up to expand on the tube business and margins, we are quite confident that it's commodity cycle ups and downs are there, but we have long-term commitment, and we believe that the margins will be restored in tubes coming days as well in spite of commodity cycle.

Pankaj Parab: And sir, last question on the pig iron side. For the last two, three quarters, we have been hopeful that this quarter would be last for the realization. I mean some of the players are making losses, including us. But please give us color on some realization?

R.V. Gumaste: No, I think all of you know, I know, the pig was start of the Ukraine war, the pig prices went to INR68,000 per ton, and it has almost come to half of that. And it's definitely a role play of the demand supply. Supplies are more than the demand right now. Only the positive thing is there is a movement and the pig iron, we have been able to sell full, but the price realization margin pressures are reality. And we'll continue to work on our efficiency improvement.

We will continue to work on productivity improvement. I'm sure that we will be very efficient on cost, and I'm sure that some positive movement on price of pig iron will again take us to decent profitability levels in pig iron. So I continue to be optimistic, though under pressure. So I'm sure things do change when we are in the down cycle, we don't see up cycle at all.

When we are on up cycle, we definitely forget the down cycle. So it's human nature. We continue to believe -- I think we will -- as I mentioned, we continue to pursue all our projects and not stopped any of them. And things will change, and we will be once again ready and time to get the best benefit out of whatever the cycle in the future.

Moderator: We take the next question from the line of Manish Goyal from Wealth Managers LLP.

Manish Goyal: I have a few questions. Sir, first on the power cost. This quarter, again, sequentially, we have seen a significant increase. In absolute number, it is up by almost INR45 crores. In Q1, we had seen a decline. So sir, if you can just provide clarity as to how much is this variability due to solar power plant getting operationalized in Q4 and getting benefit in Q1?

And then are we seeing lower power -- solar power generation due to monsoons? Like if you can give us clarity on that, why power cost has increased significantly, number one. And number two, related to this, sir, like sir, the solar power addition, capacity addition, whatever we are doing, how is it being allocated within the segments like within tubes, within pig iron or if you can also help us with that. That was the first set of questions, sir?

R.V. Gumaste: Yes. The solar power generation continues. There is no break to that. Second thing is seasonal effect, more rains, more clouds, less power generation, that effect is always there. We cannot ask the rain god to stop. He will play his role. But in spite of that, the annual average power generation continues. Third element in this is the government power tariff and the changes. In spite of that, the benefit on solar continues. And the energy cost is also a role play of production and productivity.

I just mentioned tube production and steel production have also gone up and tube production, especially is a big positive delta there almost 33% growth in the tube production. Because of that, there will be more power consumption. But our plans on power cost saving continues. We had doubts on the government policies, but some clarity has come.

Once again, we will be continuing with our project of this year wind mill. By end of this year, we are looking forward to commission close to 20 megawatts of wind, wind generate much more than solar, and that should get commissioned and we are investing close to INR200 crores on the wind mill and also there was some break on the solar power plant. We will continue to invest maybe another 25 to 30 megawatts for solar, which, of course, it will be realized in next year and not this year.

Manish Goyal: Okay, sir. So sir, my follow-up question was on like how -- where does it get allocated in the segmental business?

R.V. Gumaste: Yes. See, generally, we allocate, I think it is in proportion to the consumption. The maximum consumption is in steelmaking and then next is the tube making. We are allocating in the ratio of consumption. So the benefit comes in a proper ratio across steel and tube.

Manish Goyal: Okay. And sir, on the pig iron business, sir, in last couple of years, we have implemented capital efficiency improvement projects like last one was pulverized coal injection. And probably we have even started our first iron ore mine. So like I just want to get a sense that with all these projects and also we had earlier comments waste heat recovery. So all put together, even after these projects, we are probably not seeing profits at the PBIT level in pig iron business? Also related question would be how much improvement per kg we would have seen because of these projects in last two?

R.V. Gumaste: No, I think we continue to pursue these projects and done quite well. And PCI was not at all there. oxygen enrichment was not there. We have started -- we are using up to 125 kg of PCI per ton of hot metal. And we also continue to do oxygen enrichment to use power generated in the coke oven. But the margin pressures are phenomenally high. In last 2 years, 3 years, the INR 10,000 margin has come down to say, INR 3,000. I'm talking on contribution level, gross level.

And this has put a lot of pressure in terms of covering the cost. One is month-to-month another is whole year scenario. I'm not saying that we make a loss in the whole year scenario. We should still make some profits. And we are also further looking at how to increase the pulverized coal injection levels and oxygen enrichment levels and cut down the coke consumption, improve the productivity.

And we are also taking a couple of small measures to reduce the coke consumption, iron ore cost impact. So we will continue to work on that and cut down our costs and see that we remain in at least small profits in pig iron. And in the meantime, also take up the efficiency improvement in Hiriyur and also progress on steelmaking in Koppal so that quantity of pig iron being sold comes down.

And we don't have to sell more quantity of pig iron in low realization areas where we make the loss, and we sell more in high realization area so that we make profit what we sell wherever we sell. So we will continue to focus and work on that, and I'm sure that, that should mitigate the challenges to a great extent.

Manish Goyal: So sir, like right now, like the PCI and oxygen enrichment, are these plants working at full capacity or we are yet to achieve the full benefits from this project, sir?

R.V. Gumaste: No, I think there is still scope. I mentioned the figure 125 gross PCI in MBF 1 and 2. That can go up to 160, 170, but we need a little bit more capacity in the oxygen plant. We are working to add capacity. It takes 8 to 9 months to add capacity in the oxygen plant. So that's one opportunity there. We are also looking at some small one or two projects which can bring down the coke consumption.

So our MBF 1 and 2 in Koppal are efficient, whereas Hiriyur doesn't have PCI and the operation is inefficient. That is another set of improvement to be achieved, which is more than around INR 125 crores of investment to upgrade. So we'll look for an opportunity time to execute that, not in this scenario of pig and realization being very, very low.

Manish Goyal: Sure, sir. And in casting, sir, you mentioned that we achieved 5,000 tons production in Oliver. So this 70,000 tons. The casting sales of 70,000 tons in first half, does it include this over production or it doesn't include, sir?

R.V. Gumaste: It doesn't include.

Manish Goyal: Okay. So Oliver, the number the INR 70,000 EBITDA would be INR 75,000?

R.V. Gumaste: INR 70,000 H2, if we achieve INR 75,000 we get INR 140 -- maybe around INR140 from Koppal and Solapur. Oliver maybe INR 15, INR 16 would be additional.

Manish Goyal: Okay. Okay. Okay, sir. And sir, at Solapur, we had started production for one of our clients FORD, and we had mentioned that we probably expect to reach to 5,000 blocks. So sir, when do we expect to reach that? And in tonnage terms, how much would it be? We are doing only blocks or we'll be doing both heads and blocks? And what would be like per set volume, sir?

R.V. Gumaste: No, it's only blocks and 5,000 blocks means I think around 400 tons.

Moderator: Thank you. We take the next question from the line of Deepak from Sundaram Mutual Fund. Please proceed with your question.

Deepak: Sir, my first question on this new foundry line at Solapur Phase 2. So since a couple of presentations, you know this particular capacity has been postponed what was earlier Q4 FY '25 commissioning and it got postponed to Q2 of this fiscal year, now it is Q3. Just wanted to understand why there is a delay in commissioning this facility? What are the reasons?

R.V. Gumaste: So this facility has been commissioned and commissioned, I would say, fully, but capacity utilization is going slow. And as on date, we have come very close to we can say 3,000 metric tons per month from Line 1 and about to reach hopefully this month, next month about 2,000 metric ton from Line 2. And I would say that this level, 5,000 together can continue for 3, 4 months before we make one more ramp-up from there. So it's not the delay in commissioning, it is the delay in ramping up the volumes from the new foundry because of some teething problems.

Deepak: Okay. And sir, secondly, just to double click on this power cost. So this quarter, our power cost as a percentage of sales has gone up to 8.5%. And you had explained this also it is because of more tube production, right? So on an annual basis, what kind of number can one work with, let's say, in '26 and '27?

R.V. Gumaste: No, I'm still working that we got a benefit of -- mainly in steel and tube, we got a benefit of about INR 40 crores on the power cost last year. And this year, we may get it because of the change of the tariff structures. We may get anywhere between INR 70 crores to INR 80 crores total benefit for the year coming out of the power cost.

Deepak: Okay. And you're talking about FY '26, right?

R.V. Gumaste: Yes, yes.

Deepak: Okay. And sir, lastly, would it be possible for you to just spell out what is the general, let's say, EBITDA per ton or, let's say, gross profit per ton we generally make in pig iron, tubes, casting and steel, let's say, on a steady-state basis when the commodity prices are more stable in nature?

R.V. Gumaste: Right now, we are at an operating level of casting and steel tubes in the range of about 15%, 16% EBITDA, whereas pig iron, I think it has been quite under pressure. And I don't have the exact numbers, but it's under pressure. So I won't say negative EBITDA, but they are positive EBITDA, but numbers under pressure like 6%, 7% kind of thing.

And steel and tube put together also 15%, 16% EBITDA levels have been the operational levels, whether they can improve. Yes, there are so many things we want to do. But in spite of the pressure situation, we continue to operate at that level because of a number of cost measures, which we have taken over the period in the last one decade.

Deepak: Okay. So on a steady-state basis, 6% to 7% is what one can aspire in pig iron, correct?

R.V. Gumaste: No, I expect it to recover. How can it be steady state at 4%, 6%, 7%. Typically, you have seen unless the whole market changes hands forth. But otherwise, I think we should expect to get about 10% back into pig iron. So it's -- we have done so much work on integrating right from pig iron, coke oven, coke oven power generation and efficiency improvement, productivity improvement, I look forward to recover 10% plus EBITDA even on pig iron though right now, it is not there.

Deepak: Okay. And sir, finally, are we looking to debottleneck or expand the capacity in our seamless tube segment?

R.V. Gumaste: Yes. We are looking for not only -- one is, as you know, we have ramped up to 2 lakh operating level already. So I talked about 98,000. So we do slightly better. We are towards annual run rate of 2 lakh metric ton of seamless tubes. And I expect whatever the debottlenecking measures we have already taken or we are taking.

We should be able to achieve another 10% to 12% next year. And after that, we are looking forward to produce bigger seamless tubes I hope that we will continue to work on these. And once they get commissioned, we are looking towards ramping up our capacity and realization of capacity to 3 lakh metric tons in the coming year.

Moderator: We take the next question from the line of Sahil Sanghvi from Monarch Network Capital.

Sahil Sanghvi: Very well done by the KFIL team on Oliver engineering. My first question is, sir, if you can help me understand the time line as to the commissioning of -- so you said that 20 megawatt gets commissioned wind mill this year. So what could be the savings from that? And solar is what you said 25 to 30 megawatts gets commissioned next year. So would it be first quarter next year? And what could be the savings from there?

R.V. Gumaste: The first thing is the wind mill very close to 20 megawatts, but that requires at least 9 wind mills to get commissioned. It could be 8 this year and another 4 next year, which can happen in first or second quarter. Whereas the solar, we are yet to start that 30 megawatt. We have just got the connectivity permission.

There are some riders, and it could be something like second or third quarter of next year, whether something can be done earlier, making use of these 4 months is what we are looking at. But clarity is on 8 wind mills this year and 4 next year and solar yet to fully crystallize, and we are working on that. We should be able to come back in the next call.

Sahil Sanghvi: Sir, the savings, if you can quantify just for the modelling purpose, this year, what could we get from the windmill cost savings and next year, what will be...

R.V. Gumaste: Yes. I mentioned about the savings from solar last year, we got INR40 crores. And this year, we look forward to INR70 crores to INR80 crores. And on the wind mill something like INR40 crores, but that benefit will mainly come next year because even if it is commissioned, it is towards the end of this year.

Sahil Sanghvi: Got it, sir. Got it. So this is a little change in the schedule with respect to the schedules -- I mean, with respect to the target that we had previously targeting 70 megawatt of solar...

R.V. Gumaste: Two major changes, Sahil. One is the government of Maharashtra change in the time slots and a little bit setback on support for solar because now we have come to conclusion only 52% of the power consumption can be from solar. So we had to change our gear from solar to wind. So we are proceeding now 8 winds mills, which is 2.1 into 8 this year and half of that 4 winds next year, around 16.8 megawatts this year and the 4 wind mills is 8.4 megawatts of wind next year.

And this became necessary because 65% utilization can be possible only with combination of wind and solar. So that's why the solar took a back track and we wanted complete clarity of utilization before we invest more on solar. Some clarity has come. That's what we are saying that another 30 megawatts we'll bring it -- start the project as early as possible, but it would be realized from middle of next year. Time line, yes. Another reason for time line or delay is the -- all the challenges related to grid connectivity and land acquisition. They have really put us back on the time line, yes.

Sahil Sanghvi: Got it, sir. So would there be more renewable capacities, which would keep coming in the following years? Or this is all for now because we had a 210-megawatt total plan. Will we keep adding more? Or last year, we did about 7...

- R.V. Gumaste:** I would say that we will keep adding more because our capacities are going up. And even today, we are very clear that 65% of our power can come from renewable energy. So we are very low compared to that. So capacity additions will continue in coming at least 2 to 3 years time line. So we will be more or less there in line with our original goals, but only time line is shifting slightly. So we'll continue to invest more to get the solar benefit and wind benefit. So can renewable energy benefit.
- Sahil Sanghvi:** Sir, lastly, we have had maintenance shutdown at Hiriyur and Baramati both. So if you can help us with any kind of guidance on if there will be some loss on production and then also on sales with respect to pig iron and tubes for the year?
- R.V. Gumaste:** With respect to pig iron, no major impact with respect to value addition. With respect to sale, yes, we have over, I think, about 40 days stoppage. And to that extent, I think there is some inventory and sale will happen from inventory, but production loss for 40 days, which is around 21,000, 22,000 tons.
- And Baramati stoppage is routine in nature, its maintenance stoppage to improve the efficiency of one of the furnaces, heating furnaces. And it should not majorly affect any of our production and sales volumes, though there is production loss during the stoppage. So we are trying to keep our volumes up, but it can slightly affect the Q2 volumes in terms of production going down and slightly going down on the sales as well.
- Sahil Sanghvi:** And lastly, the Oliver run rate is right now, the run rate per month is close to 1,500 or close to 2,000 or are we doing more with respect to production?
- R.V. Gumaste:** No, it's close to 2,000. I think 1,850, 1,900 kind of number. And we believe that we can take it to 2,000 or slightly more than 2,000 very shortly.
- Sahil Sanghvi:** And do we then go for some capacity addition over there because I think we'll be quickly coming to...
- R.V. Gumaste:** We have already taken the approval to go ahead with investment of about INR 100 crores over the next 1 year to take the capacity to 48,000 metric ton per annum, but it will be subject to enhancing the environmental clearance there. But we are first focused on realizing 28,000, 30,000 capacity utilization in Oliver. So we are initiating both project and clearance enhancement to go up from current level to up to 48,000 metric ton per annum.
- Moderator:** We take the next question from the line of Prolin Nandu from Edelweiss Public Alternatives.
- Prolin Nandu:** So my first question is on pig iron industry, right? While you have answered the previous participants questions. My question is that how do we get -- how do we solve these low margins in pig iron? Is it purely a demand function where demand needs to go up? Because we are barely making any profit at an EBITDA level despite doing so much of efficiency work that we have done in the past, right?

I am not sure what is the state of the industry, right, or some of the players in the industry. So why are we not seeing closure of capacity? Why do some of the competition continue to sell at a negative margins? And so I mean, typically, when such thing happens in other industry, you will see some exits, right, of capacity, which will happen from any particular segment. Do you foresee that happening? And is that how we will arrive at a solution to the problem at hand?

R.V. Gumaste:

No, I think it's very clear that we will have to move on to high value-adding product, not just pig iron, point number one. Point number two is most of the people who start steel plant till they scale up to steel, they continue to sell some pig iron. I think that's one of the reasons which is badly affected.

And as they pick up on the steel making, they exit pig iron naturally. The purely pig iron players in the market is Kirloskar Ferrous Industries as well as Vedanta. We are the 2 people who are there. And I'm sure that both of us are also looking at options to move on to the high value-added product and not just low value-added pig iron as a product. That is the way out to change this scenario. And in the short term, midterm, we look forward also to improve margins, if at all the market supports.

Prolin Nandu:

Okay. Understood. Just double-clicking on this answer that you gave, right? So see, steel capacity will keep on getting added, right? So flow from -- as you mentioned, till they reach optimal size, they will sell pig iron. So is my understanding correct that maybe supply side, things are not going to change and we only will have to move to a higher value add? Is that how -- is that understanding correct?

R.V. Gumaste:

I think I will take that analogy because as you mentioned, the steel capacities will keep coming. Some players will keep dumping pig iron. So it's a great idea to move on ourselves to high value-added product. We are very clear that we will make steel from at least one of the blast furnace and dependency on pig iron to be reduced.

And subsequently, if we can make a spun pipe or we can make steel from another blast furnace further reduce the dependency on pig iron. I think it's a very clear line of strategy that we should go towards high value-added products rather than just pig iron.

Prolin Nandu:

Sure, sure. Which sir, will take time, right, in a way. So maybe we have a...

R.V. Gumaste:

No, I think we have done basic work. We should move fast and move on to the steelmaking.

Prolin Nandu:

Okay. So we are -- I mean what...

R.V. Gumaste:

Takes a couple of years, but it takes a couple of years, nothing can be done. Yes.

Prolin Nandu: Got it. And one last question on the casting side, right, and especially on volumes, right? So one of the largest segments that you supply casting is the tractor segment, right? And it so it has reported a very healthy growth in first half, right, as a category, right, domestic volumes I'm talking about, while our volumes were negative, right? So were there any other segments which were dragging us down? I mean, is that the right volume?

R.V. Gumaste: No, not really. Yes, first quarter, we had some drag on the industry itself. tractor picked up from maybe May, June. So also, there is some effect of the extended monsoon, not moving equipment going minus 6%. But also, please remember, we also moved some quantity to Oliver which is I mentioned about 5,000 ton production and sales, which has happened.

But subsequently, we are -- today, as we stand today in October or November, we have been able to load all the lines and look forward to increasing the volumes. And thereby, I just said that 2,000 coming from Oliver and another 13,000 coming from earlier. So we can look forward towards 15,000 in the per month.

And that can take us very close to 160,000 -- yes, somewhere between 160,000 to 170,000 as we planned for this year. slightly on the lower side, but yes, we are reaching that level today compared to 132,000 last year. And we are working towards a further slight improvement so that we can look towards close to 2 lakh tons next year and casting as well in addition to tube going beyond 2 lakh tons per annum.

Moderator: Thank you. We take the next question from the line of Heena Kumawat from DHC. Please proceed.

Moderator: Sorry to interrupt Ms. Heena, your voice is not clear. Please come closer to your device and then speak.

Heena Kumawat: Hello. Audible now?

Moderator: Please speak a bit louder.

Heena Kumawat: Hello. Audible now?

Moderator: Yes a bit better here.

Heena Kumawat: Yes. We have reported the pig iron sales of 264 Kt in the H1. I just want to know is this wholly external sales or include any else...

R.V. Gumaste: No, sales what we have reported. I just told in this quarter -- 131,508 metric ton, it is the external sales, yes.

Heena Kumawat: Okay. But I want to know hot metal production, is it how much it is allocated to pig iron steel and other products also in the entire hot metal production bifurcation?

R.V. Gumaste: For this quarter, hot metal production is 1,65,179 metric tons, out of which 131,508 is external sales. The balance is internal stock transfer for casting and steel manufacturing at Jejuri.

Heena Kumawat: Okay. Thank you, sir. Thank you for answer.

R V. Gumaste: Thank you very much.

Moderator: Thank you. Due to time constraints, that was the last question for the day. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

R.V. Gumaste: Yes. Thank you very much for your interest in joining this call. It's always a pleasure interacting with all of you. Look forward to meeting you again next quarter. Thank you so much for joining this call. 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 lines.