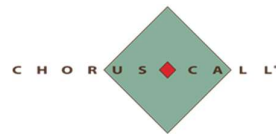




“Kirloskar Ferrous Industries Limited  
Q4 & FY'25 Results Conference Call”

13 May 2025



**MANAGEMENT: MR. R.V. GUMASTE – MANAGING DIRECTOR –  
KIRLOSKAR FERROUS INDUSTRIES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of Kirloskar Ferrous Industries Limited, 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, Puja, and good evening, everyone. A very warm welcome to the Kirloskar Ferrous Fourth Quarter Results Call. We have the senior management team represented by Mr. R.V. Gumaste, the Managing Director on the call with us.

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

**R.V. Gumaste:** Yes. Thank you, Pallav, for the introduction. Let me, first of all, take the opportunity to welcome all the analysts on this call, all the investors on this call, the fourth quarter's earnings call for Kirloskar Ferrous Industries Limited.

The quarter in general was an improved quarter for us. And just to cover the production quantities, we produced during the quarter, 162,000 tons of pig iron against 141,000, which was up, we can say about 14%. Casting, we produced 32,000 against 29,000, up 11%; tubes, 52,860 against 43,000, 22% up; steel 64,000 against 55,900, up 15%.

Coming to the sale of various products, I think if I have to take the year-on-year, sales of pig iron for the quarter was 1,35,727 against 1,19,848 fourth quarter last year, up 13%. And if you see year-on-year, we sold 5,11,787 tons against 4,18,600 tons, which is up 22% compared to the last year full year.

With respect to casting during the quarter, we sold 32,200 against 28,000, up 15% for the quarter. For the whole year, 1,32,242 against 1,20,000, which is up 10%. Tube we sold for the quarter 51,555 tons. For the whole year, 1,68,804 tons against 1,56,487 tons, which is up 8%. Steel also, we sold 73,000 against 69,000. For the quarter, 20,700 against 13,600 tons, up 52% for the quarter, overall 5% up for the whole year.

Coming to sales in terms of value. In case of pig iron, the sales realization for the quarter went down by 8%. For the whole year, it is down by 6%. With this background of value terms, we improved the pig iron sales to INR519 crores against INR501 crores, about 4% up. But for the year, INR2,078 crores against INR1,805 crores, which is 15% up.

Casting in terms of value INR412 crores against INR352 crores, 17% up for the quarter. For the whole year, INR1,654 crores against INR1,508 crores, 10% up; and tube INR613 crores from INR481 crores for the quarter 4, which is 27.5% up.

For the whole year, tube was INR2,100 crores against INR2,065 crores, it's 2% up. In tube also, we have reduced realization; realization overall is down by 7%. Against INR1,26,621, it's INR1,18,074 because of the commodity correction and also in general tube overall product mix realizing lower.

Steel remains marginally same. Tube sales realization came down also by almost 4%, INR74,000 instead of INR76,800 per ton. So overall, with the commodity corrections, our sales price realizations were lower, except in case of castings where we maintained the product mix and there is no drop in the sales realization.

Sales realization remained same. So, our limited growth in casting is 10% and also value growth is 10%, whereas in steel, pig iron and tube, our growth got muted because of the sales realization drop in these 3 products.

– We improved this year also a little bit on the power and fuel. Our power and fuel overall reduced from 8.6% last year to 6.7%, improvement of 1%. And in terms of EBITDA for quarter 4 this year, we are at INR199 crores against INR181 crores last year fourth quarter. For the year overall, the company level EBITDA has come down to INR758 crores against INR868 crores, mainly because of the drop in the sales realization and EBITDA, one of the reasons being the pig iron margins going down and pig iron realization not going in line with the raw material prices.

However, we can see that the pig iron margins and pig iron volumes, both have improved in quarter 4, supporting us improving the overall profitability for quarter 4. However, in spite of the improved quarter 4 performance, we could not make up for the whole year, and we have gone down compared to last year.

However, today, if we look at overall market scenario, I think we have improved on the margins in pig iron in spite of the pig iron prices going down because of the reduced coking coal prices as well as reduced effective iron ore prices because of in-house iron ore mining and consumption of iron ore from Kirloskar Bharat mines. We expect to increase our own iron ore consumption in this year and thereby get more benefits in terms of reduced iron ore cost.

We have, during the year, commissioned the pulverized coal injection and oxygen enrichment and one more pig casting machine, and we have improved the consumption of PCI in both the furnaces, and we have come to a level of close to 5,000 tons of pulverized coal injection that means we replace 5,000 tons of coke by pulverized coal injection. We have also improved the oxygen enrichment to full capacity of 3,000 normal meter cube per hour. With these 2, we are improving the production in both MBF 1 and 2.

Also, this will help us in reducing the overall cost of fuel in terms of coke. And the coking coal prices are holding on, and we expect to continue to get better benefit in the coming quarters with the reduced coking coal prices. However, pig iron prices are dynamic in market prices and subject to the market risks.

With respect to casting, demand for casting from the tractor industry has improved, and we look forward to improved capacity utilization in quarter 1 compared to even quarter 4. With respect to tubes, we have now improved the production and realizable capacity in Baramati to 150,000 tons salable tubes, which means 12,500. And together between Ahmednagar and Baramati, we expect a quarterly run rate of very close to 50,000 tons or for the year, 2 lakh metric tons of salable tubes. And with that, we also expect that it should help us in improving not only the top line and it should also help us in improving the bottom line.

As regards to the solar power plant, I'm sure all of you remember during the 3rd and fourth quarter last year, we completely commissioned the 70-megawatt power plant. And today, we are getting the full benefit of 70 megawatt. And we have also increased the solar capacity in Solapur marginally, and it is now full 12 megawatt.

And the benefit of solar power is getting reflected in the profit and loss in steel and tube division. And we have already operationalized the Oliver foundry. And last month, we sold more than 500 tons in 1 single month, and we are trying to ramp up, and we expect that this quarter after quarter, we will have increased volumes coming from Oliver foundry.

Overall, we can say that today, we are geared up for close to 40,000 tons of costing sales per quarter and look forward to gradually improve. Thank you very much once again for joining this conference call.

With this introduction, I will keep it open for question and answer. Thank you very much.

**Moderator:**

The first question is from the line of Pratik Kothari from Unique PMS.

**Pratik Kothari:**

Sir, my first question is on this macro comment which we have made that we are seeing some improvement in demand, be it tractors, steel tubes. If you can just highlight a bit more, I mean, how much of an improvement is this? Is there something more on this statement that we have put in the presentation?

**R.V. Gumaste:**

Yes. I think, first of all, I made the comment of improved demand for the castings from the tractor segment. And it also happens to be a seasonal effect. And not only that the signs of improvement during April, but also further into May, we are today loaded better in all the foundries and demand is like more than 15,000 per month.

And that is definitely an improved demand scenario giving us the opportunity. Whereas tube is slightly more diversified market conditions. Oil and gas remains one of the biggest. Tractor is partly there but overall, I would say that the demand for the tube is also stable, and we find an opportunity to improve the capacity utilization.

**Pratik Kothari:**

And sir, in tubes, the ISMT piece, I mean, we had embarked on a lot of efficiencies in terms of power, employee, the final finished product. So I mean, I believe when we acquired this, I think FY '25 or close to '26 was when we were expected to garner all those benefits out of that. So one, how along have we been in this journey? Have we gotten all the benefit that we had expected at the start of it and where we are in there?

**R.V. Gumaste:** No, I think the most important thing is today, we are talking about producing and selling 2 lakh tons of tubes. I think we are nowhere nearer to those numbers. And we look forward that this year, we go very close to 200,000 metric ton of tube sales. Also, in addition to that, we have already started producing and supplying premium couplings. And we have also done the debottlenecking in Baramati and Ahmednagar and which is allowing us to go to this level of sales.

And also this will permit us as we are still installing some of the debottlenecking machinery in terms of retreatment, non-destructive testing, hydro testing, tube multiple handlings, etcetera, which should give us -- and I just mentioned that we have done a few more debottleneckings in Nagar and Baramati, which is permitting us to go to 2 lakh tons of tube production and sale. And some of the projects which are getting completed should permit us to go beyond 2 lakh metric ton in the coming year.

**Pratik Kothari:** Sir, on the cost side of things, I mean, we wanted to go beyond 15%...

**R.V. Gumaste:** Yes. I think more important thing is we have just completed a few months back 70-megawatt power plant. We have already ordered 12.6 megawatts of windmill, which typically gives in terms of solar capacity double benefit. And we are already in the installation stages and expect it to be operational during this year.

And we are also in the process, yet not started, actual implementation is another 30 megawatts of solar. It's approved. We expect it to start shortly and also hopefully get commissioned during this year itself, which will be a solar equivalent of almost, you can say, 55- to 60-megawatt equivalent. So, we are, with this, looking for further improvement in the power cost reduction or the green power progress. I think this is very, very important for us, and we are progressing well on that.

**Pratik Kothari:** Correct. So this plan that we wanted to put up solar in Beed in Maharashtra, so that is on hold for now?

**R.V. Gumaste:** No, that's not on hold. Land acquisitions are taking more than reasonable time. So that's why if you look at -- I just mentioned 35 megawatts of solar, which is likely to come in Jalna itself, where the land partly it is in place, and we expect it to get closed early than Beed. But Beed, we are going ahead acquiring close to 200 megawatts beyond 150 for sure, about 200 megawatts so that in phase 3, we can do another 50 megawatts of solar in Beed. That is not on hold. We are progressing on that. But land issues are ticklish and taking more time than expected.

**Pratik Kothari:** Correct. Fair enough. Sir, just one clarification in the presentation for last year's pig iron numbers, it was INR1,800 crores. But in last year's presentation, it was showing as INR2,100 crores. So this would be the sale to ISMT, which has gotten offsetted?

**R.V. Gumaste:** Got, I think, merged subsequently.

**Pratik Kothari:** Yes, correct.

**R.V. Gumaste:** It was merged with effect from 1st April 2023.

- Moderator:** We will take our next question from the line of Digant Haria from GreenEdge Wealth.
- Digant Haria:** My question is, you said that the tractor outlook looks good, but that's maybe for this quarter. So beyond that seasonal variation, is there anything else like have we made new products or larger products or anything like that? Or it is more of a seasonal thing in nature?
- R.V. Gumaste:** No, I think 2 things are very, very important. There were a lot of parts in development for Line 2 in Solapur, second foundry in Solapur. And we were struggling with respect to ramping up that. We see like now that some volume pickup will happen. A lot of components are under development and now ramp-up will happen, and we should get the benefit of that.
- Second thing, we reconstructed or done all the repairs in Oliver. And for the first month now, we did production and sale of close to 600 tons last month. And we expected that it should go to maybe 700, 750 tons this month. And gradually, we are trying to take it in the next few months going up to at least 1,500 tons per month.
- So Oliver foundry and Solapur second foundry is adding to the volumes. Having said this, in the other lines also, wherever tractor castings are there, of course, basically Line 1 in Koppal and Line 2 in Solapur and now Oliver are the tractor components and some improvement in the loading is what I mentioned with respect to tractor. Whereas, there are a large number of castings under development coming from auto, tractors, earthmoving equipment and non-auto, all components are there, which should support us in loading in all the 5 foundries.
- Digant Haria:** Perfect. No, thanks sir for this detailed outlook. Sir, would you like to give some revised guidance or any number that we can aspire for FY '26?
- R.V. Gumaste:** No, I think I did mention we are looking very close to 2 lakh tons of tube. And I mentioned about -- I'm very keen to see the, once again, run rate of 40,000 tons of casting per month back so that we achieve respectable growth in the casting this year in terms of volume going up in castings. And pig iron, as it is, we have said that last year, we had a decent growth in terms of the volumes.
- So further improvement is possible because of the pulverized coal injection and oxygen-enriched one more pig casting machine put in. I expect that there will be growth in pig iron as well. And with respect to steel, with the competitiveness improving on the cost part of it, we are looking forward to improve the sales beyond 1 lakh tons coming from Jejuri non-steel and tube sales. So we are definitely looking forward to the growth in all the 4 segments.
- Digant Haria:** And lastly, on the tubes part, I see that oil and gas is totally missing in this quarter. And now our guidance is almost 15%-18% volume growth for this year. So is it contingent on this oil and gas sector coming back? And why is it very low in the last quarter or probably even 0 in the last quarter?
- R.V. Gumaste:** No, we did something in the last quarter, but the tender volumes got exhausted, and it was supposed to come in January, February, it did not happen. And I think we expect it to come now by July. But in spite of that situation, our mills are loaded to take care of the volumes. And I'm

quite hopeful that the oil and gas tender will come, and we will have not only tender oil and gas, but also export oil and gas supporting us to complete these volumes.

**Moderator:** We will take our next question from the line of Aashav Patel from Molecule Ventures.

**Aashav Patel:** So my first question is regarding the compliance issue that we have not yet been able to successfully list at NSE. Now despite being a \$1 billion company, it's almost been a year now that we are not listed on NSE. So what is your say on that? And how do you see that happening?

**R.V. Gumaste:** Thank you very much for bringing this particular point. I need to take up with my CFO. I think we will put the effort to get it listed. We haven't able to sort out some ticklish issues to -- there is no legal hurdle, but we'll have to get it listed back.

**Aashav Patel:** Only issue is because, many a times institutions cannot buy stocks which are only BSE listed. So that prohibits potential investors in our company.

**R.V. Gumaste:** Need is understood, and we'll put efforts to list in NSE.

**Aashav Patel:** Sure. And sir, regarding casting, what you have been guiding for this year, we are targeting close to, say, 1.6 lakh metric ton kind of a volume, a 20% growth compared to FY '25, so just wanted to understand if you can throw more color what exactly has changed in terms of demand because we have been struggling with time to ramp up the casting volumes over the last 2 years. So why exactly you are seeing some sort of green shoots? I understand Oliver foundry will contribute in terms of volumes. But apart from that, in terms of demand, what has changed?

**R.V. Gumaste:** I just said that if required, I think let me see if I can -- it's difficult for us to give the more details on the -- what all the castings which are under development. But I would say that interest for castings continues to be coming across all the customers. Some of the customers like earthmoving equipment, there has been a good growth.

And in addition to that, I would say that a lot of interest from Americas for the castings and whether it will go directly or through our valuable customer partners in India. I think that being a little bit medium-term volumes. But otherwise, I would say that we had lined up a lot of castings for development, both in Line 2, Solapur, and Oliver.

Those are falling in place and which will take us -- because see, when we have set up a foundry, we have set up the foundry based on the customer requirement, and it is still intact. But some of these castings' approval, validation and ramp-ups were taking a little bit more time, and they are falling in place. I expect that this should support us to go to that level 40,000 per quarter, yes.

**Aashav Patel:** And this INR40,000 metric ton per quarter also includes contribution from Oliver or Oliver would be additional?

**R.V. Gumaste:** Including Oliver, yes.

- Aashav Patel:** Including Oliver. Okay. And sir, second question, in terms of realization for pig iron, what we have observed this quarter, we have been quite low in terms of spending at close to 38,000 metric tons. So are you seeing any sort of improvement on ground level in terms of pig iron realization or the challenge would persist?
- R.V. Gumaste:** No. Right now, the challenge persists, but 2 weeks back, it was a bright spot. See, these things are going up and down, and I don't know all of a sudden some negative sentiment right now. But 2, 3 weeks back, it was a very bright spot. So let us keep the fingers crossed, but I expect that we have done our job with respect to pulverized coal injection, oxygen enrichment, mines operationalization, 40 megawatts of waste heat recovery power.
- Everything is in place. I think we are quite competitive in our manufacturing cost setup. I think I only expect that some pickup on the steel overall is a requirement to support the pig iron prices.
- Aashav Patel:** So sir, all the points which you correctly mentioned, you have been investing over the last 5 years, specifically in the pig iron to increase our efficiency. So if you can broadly guide us what was our operating cost per ton of pig iron, say, 2 years back, 3, 4 years back versus what it is right now?
- I understand in terms of realization, we are a price taker market, but we have improved our efficiency tremendously by doing all these investments. So how has our operating cost moved on a longer-term basis?
- R.V. Gumaste:** No. I think if you look at what is most important is pig iron cost is into only 3 categories. One is the coke cost, coke, and coal cost, other is iron ore cost and third is conversion cost. Conversion cost remains -- more or less, it's not a very big component, you can say 10% to 12% of the total selling price. Whereas what do we do to reduce the coke consumption?
- Today, we stand at about 535 kg of carbon rate. And how much is further provision I have in the mini blast furnace category is the best benchmark. I think maybe I have another 15-20 kg provision to improve, but we have improved a lot. How much we have improved? We have improved 60-70 kg. So it's big. I think that is the main thing. How much we have improved in terms of, for example, iron ore cost, maybe INR700-800 because of our own mines being used. I think these are the 2 major components which have changed.
- Another thing is we are generating 35 megawatts of power, which is almost consumed in-house and sold in the grid, but more in-house in making castings. So that's a big efficiency. That's like INR10 crores per month.
- Moderator:** Sir, we request you to rejoin the call.
- R.V. Gumaste:** Yes. Maybe we need to have one-to-one kind of thing.
- Moderator:** The next question is from the line of Sahil Sanghvi from Monarch Network Capital.



- Sahil Sanghvi:** Sir, my first question is, while I understand we had weakness in the pig iron prices, but sir, when I look on a Y-o-Y basis, all the main raw materials were lower. And in fact, on the coking coal, it was a very large decline. And plus we had the iron ore buying benefit. So in terms of gross margins or in terms of raw material cost per ton, we are not seeing that kind of benefit in our Q4 numbers. So what's not working out for us over here as in is it...
- R.V. Gumaste:** No, I think 2 things have to be seen. One is last whole year, we have used 57,000 tons of our own iron ore consumed. And when we consume, we get the benefit. This is one. And we expect that this year, we will at least consume 250,000 tons. So more better benefit will come this year of the iron ore. And even for the quarter 4 also, it's not full, it's slightly less.
- With respect to solar power also, same thing. The full benefit will come this year. With respect to pulverized coal injection, oxygen enrichment, even in quarter 4, it is not full, we get the benefit subsequently. I think another very important aspect, Sahil, is that when the coal prices fall, we have typically 3 to 3.5 months coal either in order, on ship or in port or in plant. So it takes 3, 3.5 months for the effect to come. So rather I start getting benefit after 3, 3.5 months.
- Sahil Sanghvi:** Got it, sir. Sir, and my second question is twofold. One is that on the pig iron front, sir, what kind of production growth can we expect? This is just hoping that you give me some number on this because it's all a result of the debottlenecking on PCI.
- R.V. Gumaste:** Don't catch me too strong quarter-on-quarter, but attempt is to go towards 7 lakh tons of liquid metal production.
- Sahil Sanghvi:** Versus sir, this year, how much was the liquid metal production?
- R.V. Gumaste:** Last year was 634, something like that last year.
- Sahil Sanghvi:** FY '25?
- R.V. Gumaste:** FY '25 the number was, I think, 631.
- Sahil Sanghvi:** Okay, sir, understood.
- R.V. Gumaste:** Trying to take this to 7 lakh ton.
- Sahil Sanghvi:** Correct, sir. And my last question would be, sir, capex absolute number, sir, if you can give, like we have spent around INR500 crores in FY '25, so in FY '26, '27, what would be this number your, whatever your guess is, I mean, right now, because in 2, 3 months later, we'll start the capex for the steel plant also, right, sir?
- R.V. Gumaste:** Yes, let me answer this question. The major capex would be steel plant and solar and wind power and machine shop machine because we are setting up the machine shop in Oliver Rajpura also. And in addition to that, infrastructure development as well as debottlenecking investments are there for each location.

All depends on how strong the business will continue, but we can expect the capex of the order of INR500 crores to INR600 crores even this year. We have lined up for that in the area of cost reduction, in the area of productivity and production increase, in the area of debottlenecking. All areas prioritized projects have been taken.

**Moderator:** We will take our next question from the line of Manish Goyal from Thinqwise Wealth Managers.

**Manish Goyal:** Sir, a couple of questions. First, on the tubes, sir, probably what we see is not fair to see quarter-on-quarter, but just like if you look even on Y-o-Y maybe that despite very strong volume growth, the tubes profits in absolute has remained same at INR17 crores on the segmental where PBIT margins have gone below 3%.

So sir, just like probably I was looking that we have already operationalized our solar power plant in last quarter where we would have seen a significant benefit and even the raw material price, like pig iron prices were also lower. So ideally, it should have benefited us in terms of profitability.

So just wondering that why is it such weakness? Is it also due to that we have sold more through trade and re-drawer segment where probably still Chinese imports are hurting realization? Just if you can give us a perspective, how should we look at tubes, the challenges and how should we see improvement, sir? First question, sir.

**R.V. Gumaste:** Yes. I think whatever you have partly answered, I won't repeat. One thing is for sure that we are working towards product mix improvement. One is, once again, how to get into some more premium couplings, for example, and the oil and gas, hope that tender comes. And third one is, of course, high-value exports, all these 3 areas.

And if we make more of line tubes, margins would be lower. But whenever it is there, if we are compelled to produce and sell line tubes, we will always load the mills. It's better to load the mills than idle the mills. And that will affect the per ton realization, but it will keep the mill loaded and we get contribution positive.

So we will continue to load the mills. And I am quite hopeful that things are positive in terms of better quality exports, in terms of oil and gas coming back and also our capability to produce and sell premium couplings and also our commitment to not only depend on pricing. And of course, we are putting policy advocacy, following up with the government so that the Chinese low-cost imports are controlled and some relief comes to us.

But at the same time, we will continue to work for cost reduction. I mentioned about further additional solar power as well as efficiency improvement in terms of yield improvement, operational efficiency improvement. And I'm quite clear that we'll have to restore back 15% EBITDA in tube business. I think it is possible, and we will work towards that to achieve quickly.

**Manish Goyal:** Sure, sir. And ideally, when one can see the improvement, sir? Like do you probably see in a couple of quarters? How should we look at it, sir?

- R.V. Gumaste:** No, no. I think 2 parts of it. One is what are the projects in place, for example, solar, et cetera, will take some time. We have done one phase, 70 megawatts. Another equivalent to 55 to 60 megawatts should happen in the second half of this year. But yield improvement, quality improvement or product mix improvement is ongoing.
- And also, there is always some effect of the also commodity pricing and tube market also. And I would say that we will be working towards improvement. And we have a firm belief that tube business is a business line overall to give us that kind of EBITDA margin and can see recovery quite quickly.
- Manish Goyal:** Sure. And sir, on the pig iron business, sir, like you did allude to backward integration projects, cost-saving projects. And so like how much further improvement can we see? We saw some improvement in Q4. So would you probably attribute that the large part of the improvement in Q4 was due to cost-saving projects and the benefit of low coking coal prices will also reflect in quarter 1 and quarter 2? How should we read into it, sir?
- R.V. Gumaste:** No, I think quarter 1 and quarter 2 will definitely give the benefit of coking coal prices coming down because what is booked at lower prices is not yet consumed. And that benefit will come in quarter 1 and 2. How the pig iron -- see, the efficiency in operations are in place, whereas the pig iron prices, how they will behave, that will determine the overall EBITDA improvement in pig iron.
- Manish Goyal:** And sir on...|
- Moderator:** We request you to rejoin the queue for follow-up questions. The next question is from the line of Dhruvesh from Antique Stockbroking Ltd.
- Dhruvesh:** I wanted to ask if you can give us some guidance on what kind of cost savings which we see from the captive iron ore and the solar plants?
- R.V. Gumaste:** I think the quick answer is solar power plant, we have got a benefit of about INR40 crores last year. This year, we expect it to give us benefit of total INR80 crores. So another INR40 crores more in this year. Iron ore, I mentioned that we got a benefit of usage of 57,000, you can say around 50,000. And this year, we want to use 250,000, 5 times of last year. So if we got INR8 crores, INR9 crores benefit last year, we should get INR40 crores- INR45 crores benefit this year for iron ore.
- Moderator:** The next question is from the line of Deepak from Sundaram Mutual Fund.
- Deepak:** Yes. Sir, my first question is with respect to casting. Sir, when do we expect to commercialize that 2-part foundry? And what is generally the EBITDA margin range of 2-part foundry versus, let's say, our existing casting business? And it would be helpful that if you can throw some light on the customer profile and the competition in this heavier casting, means how much is import dependent and how much is domestic dependent?

- R.V. Gumaste:** No, many of our customers who are buying castings with the weight range of 25 kg to 250 kg, many customers need some portion of large castings, which comes from 2 part, especially earthmoving equipment people and genset manufacturers, they do require bigger castings. And the productivities in these foundries are less, whereas the margins are better. So it is like any other foundry business, but pricings are better because of the lower productivity and higher cost of mold.
- Mold is also like a core. So I think that is the main -- and typically, we also look forward to these large castings to be supplied in machine condition. and low volume, high value-added heavier parts, expect that it should give us better margins.
- Deepak:** Okay. And sir, what would be the difference in the margin, let's say, in EBITDA terms, EBITDA margin versus our existing casting business?
- R.V. Gumaste:** I expect that ultimately, end of the day, it should give us a similar EBITDA margin of at least somewhere between 15% to 16%, 17%. And if we establish well and we make a name, we are a differentiator, you can expect to 20%.
- Deepak:** Okay. So sir, here, the efforts of finding and acquiring new customers is not that much. It is your existing base to whom you will be supplying these heavier castings?
- R.V. Gumaste:** Yes.. We are setting up based on our existing customers' needs and requirements, and we expect to get full support from our existing customers. And it could be more towards export because it's fully machined. And the destination could be different, though the customers could be same.
- Deepak:** Okay. And sir, second question is on seamless tube. So you have already indicated that 2 lakh tons of volume is what we aspire to do next year. Could you please indicate, means what are the drivers of this 2 lakh means? How much do you expect from OCTG product? Or how much do you expect from auto, I mean what sector would be more dependent for this 2 lakh volume growth?
- R.V. Gumaste:** No, I think I would like to just mention. I won't go into that detail. It would be more like a sales drive. But we have created quality capacity and our delivery periods were longer. And we were unable to participate high-volume OCTG business. Now with the increased capacity, we'll be able to participate in bigger tenders to be completed in a specific time period. And with that, I would feel that we should be able to -- we aspire to go to these numbers quickly.
- Deepak:** Okay. So you're very confident that 2 lakh is something which should be achievable by us?
- R.V. Gumaste:** I think so, yes, why not. Whether there could be challenges, hindrances, difficulties, these are hardcore manufacturing processes and all of them would be there. We have to overcome them. And there could be sometimes setbacks. I won't say that it is 100% guaranteed. In the value chain, we are into the hardcore manufacturing part of it, and that's our job.
- Deepak:** Okay. And sir, one question I just wanted to...

- Moderator:** Sorry to interrupt, sir, but we request you to rejoin the queue for follow-up questions. The next question is from the line of Kumar M. from Bellwether Capital.
- Kumar M.:** Sir, actually, the company has undertaken several capex measures like pulverized coal injection plant, oxygen enrichment plant, iron ore mining and solar and coming wind power projects. In FY '25, actually, the company did about 11.5% EBITDA margin. My question is when all this capex commences, including the solar plant, by FY '27, what is the EBITDA margin target?
- R.V. Gumaste:** See, I just mentioned that I definitely feel that both in the casting and tube, they could be stable 15% to 16% EBITDA margin, 14% to 16% EBITDA margins in tube and castings both because we have done so much in this area. What remains under pressure in steel and tube “ steel, because if you see the sales realization of tubes are quite low last year because steel is under pressure.
- Similarly, in pig iron and pig iron realization is under pressure. And we continue to work on 2 fronts. One is what more can be done to cut down our manufacturing cost and do better and better. And second thing is how we can go to the value-added product. In case of steel, we are making them into tubes and less selling up steel.
- But in case of -- if you see -- look at pig iron, we are looking that one of the blast furnace will go to the value-added steel so that we cut down on the volume of pig iron to be sold and all the too far away distance sales is cut down so that our profitability can improve. I think with that, we can overall expect overall profitability of 15% EBITDA for the company level.
- Kumar M.:** Okay. My second question is, what will be the renewable energy capacity addition for this year and for next year?
- R.V. Gumaste:** I just mentioned that this year, we are looking for 12.6 megawatt of wind and it produces at least double of solar and 35 megawatts of solar.
- Kumar M.:** For FY '27, sir?
- R.V. Gumaste:** Next year could be another 50 to 60 megawatts of solar. It also depends on government policies. Right now, these are the plans based on the government policies. I should be allowed to use. That is the key requirement.
- Kumar M.:** How much of the outsourced power cost will be replaced place once we hit the 200 megawatt renewable energy capacity?
- R.V. Gumaste:** No, I think we are currently -- I think last year, if you say company level, we have not only 70 megawatts of -- rather we have 82 megawatts of wind and 52 megawatts of waste heat recovery. We are power-intensive company. In spite of that, we have now brought quarter 4 '24-25, our power and fuel cost is like 6.7%. I aspire that this can be brought to 4% level.
- Kumar M.:** My final question is...
- Moderator:** Sorry to interrupt, but we request you to rejoin the queue for follow-up questions as there are participants waiting for the turn. The next question is from the line of Shivan Sarvaiya from Humiviction Investment Advisors.

- Shivan Sarvaiya:** Sir, my question is on the casting segment. This quarter, we've done a very high realization of INR1,27,995. So sir, my question is you spoke about one part being the mix that has helped us. So moving ahead, are we expected to do a similar realization? And the second part is that on the cost side, the prices of pig iron have corrected. So are we expected to pass on some of these benefits to our partners?
- R.V. Gumaste:** No, if you are talking about the casting, I expect a stable realization in the coming quarters as well. I don't think it will substantially come down. INR1 or INR2 may change. But important thing is if there is more loading of casting and foundries with tractor castings, tractor castings are less intricate, low-priced castings.
- Auto earthmoving equipment is more complicated and more intricate and high-cost items. So this product mix can change. But I still expect range of INR125,000, INR126,000 in that range and not really come down substantially. So it will continue maybe as we develop new parts and more trickier castings, more difficult casting, it also tends to go up. Overall, I expect it to sustain this pricing.
- Moderator:** We will take our next question from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Sir you alluded to the -- in the casting segment, tractor being the major contributor. So what is the outlook for the CV segment, sir? And also taking into account the tariff implications, how are we especially in the export market in terms of the America geography, which you alluded to earlier being an area of growth? So if you could just throw some light on that same?
- R.V. Gumaste:** Yes. Thank you very much. Tractor is one of the sectors, but not the largest. Commercial vehicles, auto is the biggest in our portfolio. And the post-tariff April onwards, there is some increased inquiry, interest to develop as more castings from India, and I expect that some benefit should definitely come to us. And we are working with all valuable customers to get some benefit out of that, and that should also help us in loading all our foundries early.
- Saket Kapoor:** Right. So things should look better going ahead.
- R.V. Gumaste:** Yes, absolutely. Absolutely. Some of the customers wanted like yesterday. So it can't be. Unfortunately, developing the castings, machining, validation, running up the engines or whatever equipment, it takes time. It can't be changed overnight. But though there are efforts like it was required yesterday basis. But we have started responding quickly and hope that we will book some orders and develop some more castings.
- Saket Kapoor:** And sir, our utilization levels for casting, sir, what are they currently? And what are we eyeing for this year? And sir, for the domestic market, how are the commercial vehicle demand and there, the OEM order book currently shaping up for the quarter and the year ahead, especially for the quarter only?
- R.V. Gumaste:** No, I think reasonably good, both deemed export as well as the India commercial customers with whom we are working, it's going stable. And I just mentioned that we have to put efforts to ramp up to supply the full requirement. So the pressure is on us. We have to really work hard and ramp up to meet some of the customers' full requirement. So the pressure is on us. I think we

should ramp up production and supply. So there is opportunity from deemed export commercial vehicles as well as India commercial vehicles. Loading is reasonably good.

**Saket Kapoor:** Okay, sir. And utilization level, sir, can you give some color? I'll join the queue.

**R.V. Gumaste:** No, I think I have just mentioned that we did 132 last year, and we are looking beyond 160 this year. I hope that we will really hit those numbers. We have to really succeed in productivity increase and completing approvals, validations. I think that's the number we are looking aspirationally that we should do beyond 40,000 per quarter kind of numbers for this year.

**Saket Kapoor:** Okay. And that translates into what is our -- I don't have the numbers. Sir, only answering the - - yes, I will not ask any further question. Only the percentage I was speaking.

**R.V. Gumaste:** I couldn't get the last part.

**Saket Kapoor:** Sir, I was just speaking the percentage, INR40,000 per quarter translates to what percentage of utilization level?

**R.V. Gumaste:** Percentage of utilization. Okay. I would say 160 by 240 at least. I think it's 65%. It's achievable. Absolutely achievable. Yes.

**Moderator:** We'll take a follow-up question from Aashav Patel from Molecule Ventures PMS.

**Aashav Patel:** My question is that what was our coking coal in Q4 what we moved? And what is our inventory coking coal cost right now?

**R.V. Gumaste:** No, I think these are a little bit operational in nature. I don't know whether I should answer this or I should not answer this. I think please take the point that at any given point of time, we are covered for 3 months.

**Aashav Patel:** Okay. And sir, regarding our new Koppal steel furnace capex, what is the update there in terms of approvals?

**R.V. Gumaste:** We have received the MOEF clearance. We are waiting for state government consent to establish. I hope to get quickly and we start the project early.

**Aashav Patel:** Got it, sir. And earlier in -- you don't envisage to start the capex in FY '26 itself, right?

**R.V. Gumaste:** No. Typically, what happens, 2 things start. One is the land development and civil work starts. And second is we finalize the orders and give some 10%, 15%, 20% advance and equipment manufacturers start manufacturing the equipment. So that's what happens. This much happens in the first year and second and third year is the bigger capex outlays.

**Aashav Patel:** Got it, sir. And earlier, we were in 2 minds, whether to start a new -- add to our liquid metal capacity by this new furnace or to replace the existing pig iron sales by using it captively for the tubes and castings. So have we decided on that front?

**R.V. Gumaste:** I think we have more or less made up our mind that one of the furnace we'll convert into steel. We will not add the fourth blast furnace, whereas we will upgrade the Hiriyur blast furnace like Koppal MBF 1 and 2

**Moderator:** Ladies and gentlemen, in the interest of time, we will take this as our last question. I would now like to hand the conference over to the management for closing comments.

**R.V. Gumaste:** Thank you very much. I think a lot of interest and a lot of questions. I'm sure this is the kind of scenarios and we have the challenging times to break through and achieve better results again. I think look forward to meeting all of you for the next quarterly call. In the meantime, thank you very much. Take care. Thank you. Bye-bye.

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