Electrosteel Castings Limited
Earnings Conference Call
November 10, 2023

Moderator: Ladies and gentlemen, Good day and welcome to the Q2 & H1 FY24 Earnings Conference call of Electrosteel Castings 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Vikash Verma from EY. Please go ahead, sir.

Vikas Verma: Thank you Rohit. Good morning, everyone. Welcome to the earnings call of Electrosteel Castings Limited for Q2 and H1 FY24 results. Today we have with us the management represented by Mr. Uddhav Kejriwal – Whole Time Director, Mr. Madhav Kejriwal – Whole Time Director, Mr. Ashutosh Agarwal – Whole Time Director & Chief Financial Officer and Gaurav Somani –General Manager - Finance.

Before we start, I would like to remind you that the remarks today might include forward-looking statements and actual results may differ materially from those contemplated by those forward-looking statements. Any statements we make on this call today is based on our assumptions as on date and we have no obligation to update the statement as a result of new information or future events. With this, I would like to invite Mr. Madhav Kejriwal to make the opening remarks. Over to you, Madhav.

Madhav Kejriwal: Thank you, Vikash. A very good morning everyone and warm welcome to the Company's Q2 and H1 FY24 earnings conference call. Firstly, I'd like to extend the festive greetings of Dhanteras and Diwali on behalf of the entire management team of Electrosteel to you and your family.

Highlighting the Companies Q2 FY24 operational performance, Electrosteel Castings total incomes stood at INR 1,888 crores, which has been a result of strong demand from both domestic as well as export markets. During Q2 FY24, the company registered its highest ever quarterly EBITDA of INR 331 crores and PAT of INR 184 crores with an EBITDA margin of 17.5% and a PAT margin of 9.7%. This has been fueled by lower raw material cost and better operational efficiency.

During the quarter, DI pipe volumes stood at 2 lakh metric tons. Export constituted around 18% of the volumes. The government's flagship project of Jal Jeevan Mission for connecting every rural household with tap water connections has achieved 70.2% of his nationwide target till date. Out of India's total 19 crore rural households, nearly 13.5 crore households now have access to safe drinking water.

Our order book stands at approximately 5 lakh metric tons which is around 8.5 months of order book. The company looks forward to maintaining its leadership position in ductile iron pipes and fittings with its integrated manufacturing facilities and optimum capacity utilization.

Electrosteel Castings rich domain knowledge thrust on research and development, quality right first time proposition and customer centric approach drives the company to be the most preferred partner of key water infrastructure projects in both the domestic and export markets. We are yet to connect nearly 5.7 crore households with drinking tap water connections under the JJM scheme.

Additionally, AMRUT 2.0 will continue to drive demand for the DI pipes and fittings in the coming years. There's also a growing need for better water infrastructure products in the global market for securing drinking water safety and waste-water management. Electrosteel is well placed to tap the growing domestic and global infrastructure opportunities with its ongoing capital expansion plans, the robust cash flows and focus on reducing debt with a strong balance sheet position.

We continue to focus on sustainability and implement various environment, social and governance initiatives in its value creation journey for its esteemed stakeholders. Now I would like to hand over the floor to Mr. Ashutosh Agarwal the whole Time Director and CFO for taking you through Electrosteel Castings Q2 FY24 financial highlights.

Ashutosh Agarwal: Thank you Madhav ji. Good morning everybody and best wishes for the Shubh Dhanteras and Diwali. I would like to brief you about the Q2 FY24 results consolidated performance of the company. The company’s total turnover grew by 7.6% YoY basis to INR 1,938 crores. EBITDA surged by 86% YoY to INR 319 crores. EBITDA margin stood at 16.4% led by lower material cost and better operating leverage. PAT grew to 229% to INR 175 crores in this quarter. PAT margin expanded by 607 bps YoY basis to 9% during this quarter.

Now, highlighting about the standalone performance of the company for this quarter. The Company sold 2 lakh tons of DI pipes during this quarter.

The Company’s total income grew to INR 1,888 crores. Electrosteel Castings achieved EBITDA of INR 331 crores. EBITDA margin stood at 17.5%, PAT grew to INR 184 crores and PAT margin 9.7%.

Now I'm moving to the H1FY24 results on consolidated basis. The Company’s total income was at INR 3,650 crores H1FY24 and EBITDA grew by 29% YoY to INR 506 crore and EBITDA margin

13.9%. PAT grew to 68% to INR 250 crores with a PAT margin of 6.8%. EPS for the H1FY24 was at INR 4.2.

Moving to standalone performance for H1FY24. The Company sold 3,55,600 tons of pipes during the period and the company's total income was at INR 3,418 crores. EBITDA surged by 28% YoY to INR 515 crores and EBITDA margin was at 15.1%. PAT grew to 58% YoY to INR 265 crores and PAT margin 7.8%. EPS for the H1FY24 was INR 4.5. I would like to share the CAPEX update. The company has spent INR 260 crores out of INR 600 crores planned as on 30th September 2023 and ongoing capacity scheduled and we are likely to complete the project by September/ October FY2025.

This will take up the company to the capacity of approximately 9 lakhs tons per annum. Thus, we'll be maintaining the leadership position in the country in DI pipe. As on September 2023 the gross debt has come down to INR 2,190 crores and net debt stands to INR 1,540 crores. The Company's net debt and equity ratio is 0.34: 1 as on September 2023. The adjusted ROCE and ROE annualized stands to 17% and 16.6% respectively as on 30th September 2023.

With this now I am opening the floor for the question asking session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: My first question pertains to the improvement, which is obviously came partially from the cooking coal, so just wanted to understand what is the cooking coal cost we have built in 2Q and how much it was down on a QoQ basis and how do we look at 3Q FY24 in terms of coking coal cost escalation?

Gaurav Somani: Our coking coal price for Q2FY24 was close to $300 per ton and this was around 7% to 8% down compared to Q1FY24.

Vikas Singh: And next quarter what kind of cost escalation we are building it?

Uddhav Kejriwal: Just to answer your second part of the question, when we are talking about the coking coal cost, we are trying to also make some in house improvements in terms of blend of the coals that we use within our limitations without compromising on the quality of the end product. So, that is also a continuous process the market being what it is, we are just trying to do our best in terms of economizing cost and that is a continuous exercise. Right now, it would be difficult to quantify what it is going to be for the coming quarter, but definitely we do not see any unpleasant surprises there at least for the coming quarter.

Vikas Singh: My second question is basically we got a little bit benefit this quarter because of coking coal. What is our sustainable level of EBITDA margin which you think one should look over a longer period of time I understand that quarterly business keeps on fluctuating, but on an average yearly or 1.5 year perspective what is the sustainable level of EBITDA per ton one should look at?

Madhav Kejriwal: I think something with 14% to 15% would be a good sustainable EBITDA margin.

Vikas Singh: Sir, secondly you talked about your order book of being roughly about 5 lakh tons, can you please just have the better outlook which is currently basically the orders which can be bided in the next 6 months to 1 year timeframe as well as in this order what is the mix of the order where the price escalation clause are there or all these are fixed price contract?

Management: So, the available orders in the market is around 5.5 million tons. Of course, this is not that will be going within one year. The dispatch of this will go over a span of a year and a half to two years. In terms of price escalation, we personally don't go into orders with the price escalation clause. I think maybe 5% of our order book must be having that. We target going in for a fixed price contract.

Vikas Singh: And just one last question if I may ask, we are already running at on a quarterly basis almost this sales looks like 8 lakh ton kind of the thing and a peak capacity could be 9 lakh including the South plant expansion. So, can you just give us what would be one or two year down the line our peak sales capacity as well as the update on our expansion plans?

Madhav Kejriwal: Yes, you're absolutely correct on the numbers in terms of what we are targeting post our expansion, we will be reaching the capacity of 9 lakh tons. Post which I think with operational efficiency and some debottlenecking we might go up by another 20,000 to 30,000 tons additionally.

As I was mentioning in the opening remarks, there are two aspects where we see demand growing. The domestic demand is very robust for the foreseeable future. There is still reasonable amount of work left to do in Jal Jeevan Mission. AMRUT 2.0 has started and also there is a big pent up demand for the export markets that we are in. So, all these three will be the major driving forces for us to be able to reach full capacity almost immediately.

Vikas Singh: And by when this the remaining 1 lakh could commission?

Madhav Kejriwal: On a pro rata basis, quarter 3 next year.

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

Saloni Himani: My first question is regarding the CAPEX. So, we had planned the capacity of 2 lakh tons, but in that breakup we have 50,000 for debottlenecking. So, I wanted to understand is the timeline for the debottlenecking same as the CAPEX or do we plan to do it ahead of it?

Uddhav Kejriwal: I think there could be some sort of a disconnect on this because we are very much on track as far as the capacity upgradation is concerned and we will be very much at production level of about 9 lakh tons by the second-half of financial year 24-25.

Now the debottlenecking that Mr. Madhav had mentioned was just about our internal continuous effort at improvement and different qualitative things that we keep doing even now are under which is a way of life Electrosteel and that always we feel that we could be able to achieve a little more production above that 9 lakh tons with that process.

Saloni Himani: Sir, just to clarify currently our capacity is 7 lakh tons and capacity expansion is for 1.5 or 2 lakh tons?

Uddhav Kejriwal: The Capacity expansion is aimed to reach 9 lakh tons, yes.

Saloni Himani: To reach 9 lakh tons including the debottlenecking?

Madhav Kejriwal: No, ma'am the 50,000 tons which might have been mentioned in the past is over and above this capacity expansion the debottlenecking number and 50,000 tons is at the upper end of it, we are looking at something between 30,000 and 50,000 tons.

Saloni Himani: Sir, a follow-up question, currently we are operating at more than 100% utilization. So, till the next four quarters till our CAPEX basically comes up, can we expect any sort of volume growth in the numbers?

Madhav Kejriwal: This above capacity situation is also a consequence of our debottlenecking. So, at this point we've reached the higher end of our debottlenecking on the capital that has already been invested. The additional capacities will come in once the effects of the capital that we are consistently investing comes into play. So, next two quarters should be similar numbers.

Saloni Himani: Sir, can you give us the average realization for the DI pipes and how is the trend shaping up?

Madhav Kejriwal: That will be a bit difficult answer to give because there are so many markets and permutation combinations that go into it. I think margins is a better number to talk about on that front.

Saloni Himani: So, you mentioned in your PPT that our margins increased due to operational efficiencies this quarter. So, there was a quite a big jump in our margins due to operating leverage kicking in, so till the time our volume growth remains the same can we expect some improvement in margin due to the operating leverage?

Madhav Kejriwal: As I was mentioning, ma'am, I think we've reached our optimum number as of now. The remainder of the improvement you will see will be after the implementation of the capital expenditure.

Uddhav Kejriwal: So, Madam, just to add another line to this, we are looking at closing this financial year at best sustaining this current level that is what we are now going to be on a on a treadmill cost kind of thing. So, we would like to sustain this level which we are currently at beyond that to go to another next milestone in this financial year it is not even within our targets for this financial year definitely.

Saloni Himani: Just wanted to get the breakup of production and sales volume this quarter, Sir.

Gaurav Somani: We have produced around 2 lakh tons of DI pipes and our sales was also similar numbers.

Saloni Himani: Any kind of inventory that we are holding in coking coal and some average cost of that going forward?

Uddhav Kejriwal: It would not be appropriate for me to get into the cost details of the coking coal because we work on a blend basis where we use different percentages of different coals to maintain the right specifications.

Having said that, we would be at like as per our policy and in keeping with the policy guidelines that we have in place we would be holding coking coal stock to the tune of one quarter or maybe we can say 3 months to 4 months stock on an average because if we are using coal X say W, X, Y, Z in our blend on an average it will be about 3 months to 4 months stock maybe it would not be so accurate when you look at each coal to coal, but yes this is the overall.

Saloni Himani: Sir, what was our pig iron sales volume this quarter because we mentioned we would not be doing it anymore?

Gaurav Somani: See pig iron sales was not significant because our concentration was towards DI types. Having said that we sold around 7,000 thousand tons of pig iron.

Madhav Kejriwal: As you can see, it's insignificant that is more of a metal balancing consequence.

Saloni Himani: So just last question from my side, can you just describe what is the traction in the export market currently and your views on the same going forward?

Madhav Kejriwal: So, Ma'am if you are tracking what's happening around the world, you would have realized that the European countries as well as parts of Africa are facing major issues in terms of water availability in their peak summer months. Fortunately, this is something that the governments over there have taken cognizance of and are now planning to find ways of connecting the water rich areas to the water poor areas.

And so we are seeing a potentially good growth on that front and from the Middle East owning to the infrastructure development in countries like Saudi Arabia, there is some traction over there as well.

Moderator: Thank you. The next question is from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

Avinash Nahata: So, given your business model as you mentioned that you do fixed price contracts mostly and the way you buy your coking coal, et cetera. So, is it fair to assume that the EBITDA margin like this quarter, 2 lakh ton volume, INR 300 crores almost INR 15,000 a ton, so on the lower side INR 9,000 to 10,000 on the higher side INR 15,000 to 16,000 and 12,000 to 13,000 on an average. So, our business model will give way to this?

Madhav Kejriwal: So, sir we would like to say that I think a target of INR 10,000 to 12,000 on a longer scale in timeline is a better number to keep in mind. Of course, you rightfully mentioned that there will be quarters with much better margins and there will be a few down quarters as well that's the nature of the business.

Avinash Nahata: And just one more question and so like if you look at our historic margins the way, I mean, from the anecdotal data available, due to now since the domestic and export side is fungible for you, so is this too few percent point better margin possible in the entire mix because of better export content, better export mix?

Madhav Kejriwal: The advantage of a good opportunity coming up in the export market is always an option that is in fact we like to believe that that is our USP in the ductile iron industry being omnipresent globally, we do tend to see advantages on that front.

Avinash Nahata: And how much on a tonnage basis we would have done on an export side, have we done more than 2 lakh ton over the last 3 years, 4 years on the export side?

Madhav Kejriwal: In totality yes, but on a year-on-year basis we've not reached 2 lakh tons on export.

Avinash Nahata: I mean in a single year, I'm asking?

Madhav Kejriwal: Our average is between 120,000 to 150,000 that’s what the average if you see the last 5 year to 10 year trend.

Avinash Nahata: Can you indicate if at all our export mix improves on a per ton basis or on a percentage basis, how much it would be better than just an indicative thing as compared to domestic?

Madhav Kejriwal: The complication in this that because every country has a very different margin. It will be difficult to put a specific number to it. It really depends on which country the additional capacity is going to which region, which country.

Avinash Nahata: No, so I understand that I'm just asking on an average. So, since we are talking about only export markets, so domestic versus rest of the world, I mean, if at all the mix improves, what kind of improvement directionally we see even if you can give a band, it is okay?

Madhav Kejriwal: Well, let's say that maybe an improvement of 5% to 10% basis an average and of course this is considering the demand that is there in the domestic market. What we do is that we take a decision basis the fact that we are getting a better margin. There's always scope to improve exports, but at this point the domestic market is quite strong results. So, we opt out of those opportunities where we don't see a better margins.

Avinash Nahata: And one question on procurement, do we take a call on market as far as coking coal or coke is concerned or it's a quarterly pricing we get or we do on a spot basis also on a monthly basis?

Uddhav Kejriwal: Sir, we are not buying all our coal on contract basis as such and even if we have some contracts on the supply side, it is only to guarantee tonnage. Price that we are currently operating on even for the partial tonnage that is locked under contract is the average index of the month or in which the ship sails out from the exporting country for India. So, basically it doesn't tantamount to a fixed price.

Avinash Nahata: So, basically these are a monthly average price at the best, right?

Uddhav Kejriwal: Yes. its under the contract, we definitely try to play as per the market. And in our understanding try to take the decision in the best interest of the company.

Avinash Nahata: I didn't get the last part of it. Can you please repeat?

Uddhav Kejriwal: And the quantity which is not locked under tonnage, we try to time it as per the market dynamics and the requirement of the plant and try to come to a common decision keeping all the dynamics in mind in the best interest of the company.

Moderator: Thank you. The next question is on the line of Surabhi Saraogi from SMIFS Capital Markets. Please go ahead.

Surabhi Saraogi: Sir, just needed one clarification, is there any planned maintenance shutdown of plants in H2?

Madhav Kejriwal: We do have regular maintenance shutdowns, but nothing big in the H2FY24.

Surabhi Saraogi: Okay nothing big and there was no such thing in quarter 2, right?

Madhav Kejriwal: No, please.

Moderator: Thank you so much. The next question is from the line of Marsal. Please go ahead.

Marsal: During the Q2 how much was our production and sales and what is the current order backlog for domestic as well as export market?

Madhav Kejriwal: So, we've produced 2 lakh tons and we've sold 2,00,500 tons so just about a little more. Our total order book is close to 5 lakh tons at this moment, both export and domestic markets put together.

Marsal: And currently what is the capacity utilization and are you planning for an extension?

Madhav Kejriwal: Going forward there is a CAPEX in the foray. We are going to be investing money out of the internal accruals that will come into effect in the second-half of the next financial year.

Marsal: So, like our current capacity is how much annual?

Madhav Kejriwal: Annual capacity is 7 lakh tons. We've bottlenecked a little and improved on that.

Marsal: And then like this the performance, the financial performance like during Q2 is it like one off or are we going to sustain this in this quarter or the next quarter and so on considering that Jal Jeevan and so much, instead of CAPEX coming like so much expense coming by the government or like if yes, if you're going to sustain it so like what kind of, for example, you see the growth in terms of turnover and EBITDA during the current quarter and the next quarter?

Madhav Kejriwal: So, the capacity as we mentioned is now this is the standard by which we would like to operate in terms of tonnages. Coming to EBITDA, I think this was a very good quarter, but going forward we do see good quarters. So, maybe a little a few percentage points here and there, but yes, I think as I mentioned earlier a 14% to 15% EBITDA margin is quite sustainable.

Marsal: And Sir you mentioned regarding this export, so you also mentioned about Saudi Arabia. We have been attending the conference call of some other similar kind of company. So, they were saying that in Saudi they are like very specific and they don't want to promote this like foreign government expenditure like they don't want to import something like they want to buy domestically. So, are we supplying to Saudi Arabia number one. Number two which other country we are now going to open during this H2?

Madhav Kejriwal: Sir, we do supply to Saudi Arabia, it is not misplaced what you have the information you've been given, but as with many other countries, there are different types of projects, some which come with this rider that they would like to buy products made within the country itself and some projects don't have that.

Another aspect that is important to note is that Electrosteel is one of the oldest brands in the Saudi Arabian market. So, we do have a slightly higher lead at a kind of up on our competitors from the Indian market. So, we are able to capitalize on that front as well.

Marsal: And sir with new country we are going to open like where this like work in advanced stage during this H2 for example for export?

Madhav Kejriwal: I mean it will be difficult to give you a specific name.

Marsal: No numbers I'm asking how many countries?

Madhav Kejriwal: How many countries.

Marsal: Because as you mentioned like Africa and Europe, they are like they have the trust on this water supply and all those things. So I'm sure that like Electrosteel Castings is a very renowned name in this field. So. that's what like it will be like good information?

Madhav Kejriwal: We have been operating in these countries for 20 years now, so there won't really be any new country per say that we will be targeting. We've been here and we've covered the entire geography of that area. So, it won't be new.

Marsal: As we have observed that there is a good buoyancy in the DI like pipe and DI sector product across India, for example, as we have heard from you, as we have heard from the other manufacturer also. So, if there is a big demand or if the demand increasing, so naturally PAT will also increase. So, did we make any price increase during Q2 or any price increase from Q1 like from first October till now any price increase?

Madhav Kejriwal: As we were mentioning that our rates are more on fixed term basis for 6 months to 8 months. The new orders will be taken on the basis of the movement of the major raw materials which have been relatively stable in Q2FY24.

The impact of the raw materials that was there due to which our performance was not at this level, say in quarter 1 of this financial year that has been countered. There is good robust demand, yes and I think we are optimized on the pricing front as against the movement of the raw materials.

Moderator: Thank you. The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: I just wanted to know how much percentage of our sale came from export for this quarter so I missed it earlier?

Madhav Kejriwal: Around 18%, yes.

Moderator: Thank you. The next question is from the line of Parv from Niveshaay Investments. Please go ahead.

Parv: So, I just wanted to understand on a broader view, what is our margin difference if we look at export markets particularly these Middle East markets, then there is this African market and then there is a domestic market, how does the margin profile look like across these geographical areas?

Madhav Kejriwal: Of course, for example, the Western world and we talk about the European countries they require a much higher value added product. So, the margins there are more substantially more than the domestic. When you talk about the Middle Eastern market from country to country, the margins fluctuate depending on the quality of the material that is required and also within the country, depending on the projects that come up the margin fluctuate, a particular project might require a very niche product where the margins are more and we want to capitalize on those as much as possible, but as I told you before the weighted average is between is around 7% to 10%.

Parv: And sir just one more follow up on this how would our geographical breakup look like in terms of Middle East market, Europe market and the domestic market?

Madhav Kejriwal: Of the 1,30,000 tons, 1,40,000 tons that we export around 45%-50% in tonnages goes to the European market, 30% also goes to the Middle Eastern market and the remainder is distributed amongst the other various markets that were present in and, of course, between the domestic and export we are operating at a capacity of approximately 7 lakh tons a little more. So, you can say that everything apart from the 130,000, 1,40,000 tons that we are selling in the export market goes to the domestic.

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

Saket Kapoor: When you were guiding for this 15% bracket for EBITDA margin, which number should we look the standalone or the consolidate numbers?

Madhav Kejriwal: You can look at the consolidated numbers as well, you'll see a similar reflection.

Saket Kapoor: Because EBITDA margin percentage for there is a difference of 100 basis points between the standalone and the consolidated. Consolidated margins are 16.4 whereas standalone is 17.5. So, if we take the console number 15 or the standalone?

Madhav Kejriwal: Sir you can take the consolidated number to be as I was saying it will be between 18% and 15% so that is one percentage point consolidated or standalone will it will change quarter-to-quarter. So, there are too many moving parts over there to be very precise on low percentage points on that.

Saket Kapoor: And sir as you have mentioned just I am repeating our deliverables are likely to be in the vicinity of 2 lakh per quarter for H2 also?

Madhav Kejriwal: We would like to target that, yes.

Saket Kapoor: Sir, there is also one mention about one CAPEX of Rs. 44 crore, if you could just explain the nature of the same. We are doing this current 12 CPD rubber gasket plant at Indore at Chittor district if I would explain?

Madhav Kejriwal: So, that is a kind of let's say that this is a backward integration because this is a product that is required to be sold along with our pipes, which we are procuring from outside agencies, but we would now like to integrate that for ensuring supply chain and quality.

Saket Kapoor: This is pertaining to the fitting segment?

Madhav Kejriwal: At every joint this product is used. So every pipe that we sell is required.

Saket Kapoor: And sir when we look at our cash flow there we find that we have booked a loss on sale of fixed asset to the tune of INR 14 crores. So, if you could explain the nature of the same?

Gaurav Somani: Saket ji these are some of regular CAPEX items which are required in the course of manufacturing and on regular intervals they are charged off. So, this is on account of that.

Saket Kapoor: Come again Gaurav ji I missed your point?

Gaurav Somani: These are some of the regular nature of items which are required for the course of manufacturing and after a certain point they are charged off to the profit and loss.

Saket Kapoor: And sir for the CAPEX part, I think so Ashutosh ji mentioned that we have a INR 600 crore CAPEX out of which we have already spent INR 360?

Ashutosh Agarwal: We have spent INR 260 crores.

Saket Kapoor: Okay Sir, sorry INR 260 Crores, we have spent and what will be the spend for H2, sir?

Gaurav Somani: H2 would be close to around INR 200 crores.

Saket Kapoor: And the net debt number Ashutosh ji what we will be closing the year, this is for INR 1,540 Crores now?

Ashutosh Agarwal: It would be somewhere around INR 1,500 crores approximately.

Moderator: Thank you. The next question is from the line of Tarak Mehta from Kotak Securities. Please go ahead.

Tarak Mehta: Just want to understand where are we heading it we have a very clean balance sheet, very low leverage now and we are going very slow on the CAPEX. So maybe in case you can highlight what are we looking at, maybe down the line 5 years or 10 years, what are we looking at sir?

Madhav Kejriwal: And in terms of our capacity enhancement, I think when we get to the level that we have, we will be looking at debottlenecking as I'd mentioned. We are also studying ways by which we can improve on our margins by value added products, but nothing concrete at this moment. We would like to remain within our core business though.

Tarak Mehta: So, maybe any aspiration to reach to maybe INR 5,000 or 10,000 crore of revenue within two years, three years or some color or what are we looking at, sir?

Uddhav Kejriwal: Sir, just to add to what we have already tried to put on the table, we already have an expansion plan in place to reach 9 lakh tons by the second-half of financial year 24-25. We have also mentioned that as a process of continuous improvements initiatives and debottlenecking we will be working to see and definitely we are confident that we will be able to make pipes a bit beyond that.

Beyond that also we are continuously evaluating initiatives whereby within our core area of business, we can add value and at the same time do certain decent margins and improve the bottom line and top line now.

Now, having said that, we also have to keep in mind going forward in whatever decisions we take that we have to be conscious of this entire carbon emission drive that is going to be taking be taken up in our country and outside our country. So, we would like to invest our capital wisely trying to balance both the channels, that is our own business dynamics our core area of business as well as our capital involvement with carbon reducing capital projects.

Also, as has already been explained, we have also taken up a small project per se, but nevertheless important in the form of taking up the drive to setting up a rubber gasket manufacturing plant in another location in the South, where we will be manufacturing gaskets which will be 90% consumed within our internal usage, but this also throws up some opportunity for us to look at value added products going forward which is also at the evaluation stage. So, once we are clear on this front, we could be adding supplementing this with that as well.

Tarak Mehta: So, just I was pointing that our balance sheet is maybe in comforting zone. We are going slow a bit on the CAPEX, so that's why I just want to know are we looking at the larger picture our products are well accepted globally. So, are we still going slow or just some more color here?

Madhav Kejriwal: So, we have our eyes wide open and ears close to the ground in terms of opportunities that pop up as we were mentioning that sometimes I think it's important to wait for a good opportunity to come your way with adequate capital reserves to make use of that opportunity. So, that is the space that we are in at this point.

Moderator: Thank you. The next question is from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: I just wanted to know is there any update on our Parbatpur plant to JSW?

Madhav Kejriwal: Sir, no update from the last quarter call.

Moderator: Thank you. The next question is from the line of Rajesh Agarwal from Moneyore. Please go ahead.

Rajesh Agarwal: Indian Metal Ferro Alloy received money from Coal India, so any update regarding ours?

Madhav Kejriwal: Sir, there is no further development as from the last conference call.

Moderator: Thank you. The next question is from the line of Vikas Singh from PhilipCapital. Please go ahead.

Vikas Singh: I just wanted your thought process since Europe is a quite big market for us and now CBM is gradually going to get implemented. So, how do we stand there would it how is going to impact us or we would be able to bypass it so your thought process on those?

Madhav Kejriwal: As Mr. Kejriwal had mentioned we are looking at infusing capital going forward as we go ahead for emissions, for activities to reduce our carbon emissions that is one of the thought processes that we have. We will also try and see if we can make use of our better operations to generate some capital through the trading markets. This is just a thought process at this at this point.

Vikas Singh: So, a part of your production can be converted into green production. Is that the way you are trying to communicate or is there something else?

Madhav Kejriwal: I wouldn't say entirely green at this point, but greener more definitely.

Vikas Singh: And just secondly on our debt reduction, while we are much ahead of our repayment schedule, giving the current business plan, how do you see that debt moving into the next 6 months to 1 year timeframe?

Ashutosh Agarwal: I think next financial year, we will be long term debt free as per our plan.

Moderator: Thank you. The next question is on the line of Saloni Himani. Please go ahead.

Saloni Himani: Sir just some follow up question sir I don’t know if I am repeating this question this year can we do 7 lakh volumes at least?

Madhav Kejriwal: Yes please.

Ashutosh Agarwal: We are hoping for that.

Saloni Himani: Last year we did 7.15 lakh tons, so can we expect an improvement in this year?

Madhav Kejriwal: Ma'am, I would like to keep it to same number at the minimum. We are working towards seeing what best we can do beyond that.

Saloni Himani: I think in the last question you mentioned we want to be long term debt free in the next financial year, am I right?

Madhav Kejriwal: Yes madam.

Saloni Himani: So, going forward any internal targets from the total net debt in the next financial year?

Ashutosh Agarwal: Around INR 1,200 crores to 1,400 crores.

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

Chirag Jain: Sir, you just wanted an update regarding the Elavur land case which is going on, what is the current status, have we any update SARFAESI with regards to the same?

Madhav Kejriwal: No, please it is status quo at the moment.

Chirag Jain: No update with regards to the SARFAESI proceedings which were filed against us, they are still the same?

Madhav Kejriwal: Yes, please.

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

Saket Kapoor: Ashutosh ji what is our long-term debt as on 30th September?

Ashutosh Agarwal: 30th September INR 700 crores.

Saket Kapoor: Sir that net debt I'm only asking the long term debt which you are saying that we will be long term debt free?

Ashutosh Agarwal: I'm talking about long term debt only.

Saket Kapoor: That is INR 1,200 Crores.

Ashutosh Agarwal: No. It is INR 700 Crores.

Saket Kapoor: So, we will be retiring this long term debt by the end of next financial year and we will be having a working capital debt to the tune of INR 1,200 crore this is what we are understanding?

Ashutosh Agarwal: INR 1,200 to 1,400.

Saket Kapoor: Sir, with the improvement in our rating, what is our current cost of funds?

Ashutosh Agarwal: The Cost of fund for long-term debt is around 8.5% and working capital is 7.6% on an average as on today.

Saket Kapoor: Sir, in terms of Uddhavji and Madhavji as we mentioned about the increasing the product profile, we have seen in one of the cases that we are also finding OPVC pipe as a complementary to DI pipe and there are although there is only a 30,000 ton overall capacity in the country, but many plastic manufacturer, I think Supreme Industries is coming up with a CAPEX wherein they mentioned that these pipes should be supplementing as a supplement to the DI pipe. So, taking into account does going ahead does this OPVC pipe match works? Have you worked out anything in this aspect?

Madhav Kejriwal: Sir, we are of the strong belief that for water supply and wastewater there is nothing better than the ductile iron pipes. So, we would not want to go into another product for the same purpose, saying that within the water infrastructure gambit there are a lot more products where we can look to value add, those are the opportunities we're looking at.

Saket Kapoor: And sir couple of bookkeeping questions which I can I will take offline, but I'm just mentioning them. Sir we find that the other noncurrent liability has moved up sharply from INR 4 crore closing balance on 31st March to INR 254 crore as well as the other current liabilities have moved up from INR 300 crore to INR 505 crore, so if the nature of the same could be explained what has led to this, it maybe the regrouping also, but if that can be explained later on also Gaurav ji I can take it offline.

Madhav Kejriwal: I will request Mr. Somani to take it up with you offline.

Moderator: Thank you. As there are no further questions from the participant, I now hand the conference over to the management for closing comments.

Madhav Kejriwal: I would like to thank everybody for taking out their valuable time for attending the call and hearing us patiently and for your continued interest in our company. With the support of all the stakeholders, the company has been doing very well, growing consistently and at the same time strengthening the balance sheet.

We are well positioned to benefit from the growing water infrastructure spending both in the domestic market and in the export market and maintain our leadership position. I would like to wish everybody a very Happy Dhanteras and a Happy Diwali. If in case you have any further queries, kindly reach out to our EY IR team. Thank you very much.

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