

Electrosteel Castings Limited
Q3 FY23 Earnings Conference Call
February 17, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of Electrosteel Castings Limited hosted by Valorem Advisors. 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 “*” then “0” on your touch tone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to sir.

Anuj Sonpal: Thank you. Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors, we represent the investor relations of Electrosteel Castings Limited. On behalf of the company, I'd like to thank you all for participating in the company's earnings call for the third quarter and nine months ended of Financial Year 2023.

Before we begin, let mention a short cautionary statement. Some of the statements made in today's earnings call may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. V.M. Sridharan, Senior General Manager of Finance. Mr. Neelesh Daga, General Manager Accounts & Finance, and Mr. Gaurav Somani, Joint General Manager of Finance. Without any further delay, I request Mr. Sridharan to start with his opening remarks. Thank you and over to you sir.

V.M. Sridharan: Thank you Anuj. Good evening everybody. I am Sridharan. I am the Senior General Manager, Finance of Electrosteel Castings Limited. It's a real pleasure to welcome you to the Earnings Conference Call for the third quarter of Financial Year 2023.

Let me first take you through the financial performance for the third quarter and then the nine months ended of our company on a standalone basis. The total income for the quarter stood at Rs. 1,751 crores, an increase of about 24.5% year-on-year. EBITDA reported was Rs. 184 crores a decrease of 7% year on year with the EBITDA margins at 10.50%. Net profit after tax reported was Rs. 65 crores, a decrease of approximately 31% on a year-on-year basis while PAT

margin stood at 3.73%. The revenue in nine months Financial Year '23 stood at Rs. 5,227 crores, an increase of 49% year on year EBITDA reported was Rs. 586 crores an increase of 21% year on year basis while EBITDA margin stood at 11.21%. Net profit after tax for nine months Financial Year '23 stood at Rs. 234 crores, which grew by 15% on year on year basis. PAT margins stood at 4.47%. On the operational front, we are happy to say that the company has achieved 100% of its capacity utilization in Ductile Iron Pipes. In the third quarter Ductile Iron Pipe sales volume has increased by approximately 18% to 792,000 year on year, while it grew 24% to 517,000 year on year in the nine months of 2023.

With this, we can now open the floor for question-and-answer session. Thanks a lot.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touch tone telephone. If you wish to withdraw yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. We request participants to avoid asking repeated questions and limit their questions to two per participant. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Ladies and gentlemen, you may enter "*" and "1" to ask a question. The first question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. If you could give us some color how the Q4 deliverables are lined up in terms of tonnage?

Management: Q4 Saket ji we expect it to be a good quarter and Q3 we did around 1,92,000 tonnes. Broadly, we expect Q4 to be in line with Q3 or better than Q3.

Saket Kapoor: Okay, so nine months was 517 and over and above 192. So, we'll be closing higher of 7 lakh for the entire year. That should be the broad number.

Management: Yes.

Saket Kapoor: If you could give us some color on how the raw material basket is shaping up. If we take sir the reason for the dip in profit, if my understanding is correct, it's the impact of the higher raw material and I think so the fixed contract which we have, where there is no pass on the higher RM prices. Currently, how is the raw material basket shaping up? Also give us some color on order booking and also the business environment and the dynamics that are working for the DI Pipe industry?

Management: So, you have asked multiple questions. Number one, raw material, our two key raw materials are coking coal and iron ore. We import coking coal and iron ore we procure from nearby states. As far as iron ore is concerned, the prices have cooled off compared to previous quarters. As far as Coking coal is concerned, the prices have been kind of in uptrend during the year.

Because of this, our profitability in terms of margins had lowered a bit, but otherwise, if you see in absolute terms the quarter we did a very good EBITDA. We did around Rs. 184 crores compared to 177 crores in Q2. So, Q3 we were able to report a higher EBITDA. Going forward, the coking coal that we have in inventory, the prices are of lower cost. But as of now, the prevailing prices, if you see of Coking coal, it has again started rising and as we speak it is around \$385. Considering that the order book that we are intaking that is happening, the intake which is happening is happening according to that current prices only. This is about the order book and raw material prices. Order book we have around 7 months of order book right now. Business dynamics that you are seeing as of now, the demand is very good. It's mainly because of the Jal Jeevan Mission Scheme which was launched by the government in 2019 and the Amrut 2.0 which is happening. All this is leading to a lot of substantial demand coming up. We have been able to operate our plant at more than 100% capacity. We have been able to execute the delivery also. For Q3 it was for us, it was a very remarkable quarter because we did the highest production and highest sales in the company's history in Q3. So, the demand is very nice. Demand is robust and we are also prepared for it. We have our plants operating at more than 100%.

Saket Kapoor: As per your reply, we can see improvement in margin going ahead since the effect of the higher RM is already over and consumed in the order execution. So, going ahead, sir, can we see the improvement in the EBITDA margin?

Management: Absolutely. We expect the same and the endeavor is to focus and get the margins trying for improvement in margins.

Saket Kapoor: Okay. Another small point is about the update on the CAPEX part. What are we in terms of CAPEX in Srikalahasthi? Where are we in midst of the CAPEX that was announced?

Management: Okay. in Kalahasthi unit, the CAPEX was happening in two phases. The first phase of 1 lakh tonne was already completed in August 2021 and it has already been implemented. We are operating the plant at full capacity now. So, 1 lakh is on stream and another 1 lakh tonne, another 1.5 lakh tonne, which will take the plant to 5.5 lakh ton, the CAPEX is progressing well. There was some delay because of China issues. China slowed down. But yeah, it is progressing well and we are hoping that by the end of next financial year, the enhancement would be complete and our capacity would increase by around 1,50,000 tonnes there and by around 40,000 tonnes in eastern unit. Altogether we should be at around close to 9 lakh tonnes by the end of next financial year.

Saket Kapoor: You mentioned about China. Is it the equipment that we are importing from China that got delayed?

Management: Correct. Yes. All the equipments, mostly all the equipments are being imported from China. So, there was delay on that account.

Saket Kapoor: How much have we spent? What is the capital work in progress. What will be the CAPEX for the next year?

Management: By next year the complete CAPEX will be completed and as of now we have spent around Rs. 150 cores. So, balance would happen next year.

Saket Kapoor: Balance amount is?

Management: Balance amount would be around say, Rs. 400 crores, approximately.

Saket Kapoor: 400. What is the net debt number, sir as on 31st December?

Management: 31 December, net debt is around Rs. 2,650 crores including the long-term debt and the short term debt.

Saket Kapoor: Please give me a break up.

Management: Long term would be around Rs. 1,050 crores.

Saket Kapoor: Balance is short term and the cost of funds?

Management: Cost of funds would be close to 10%.

Saket Kapoor: Okay, sir again the finance cost is also a key line item that is lowering our PAT margins. What steps are in the anvil to lower the impact of this line item, sir? I think so now with the interest rate on the rising trend, what steps are we or the mitigation steps we are taking to lower the impact of higher interest costs from profitability or steps whether they are introducing in terms of efficiency? How are we going to take on this higher interest cost part? Lastly, also on this year maturity, what is payable for FY23?

Management: So, if you see Mr. Saket, the overall debt, if you compared to the figure that was on 31st March 22, the overall debt has not increased much, whereas the working capital requirement has gone up, which is on two accounts. You have to understand that, one that the capacity has increased. Number two, the prices have moved, because of which the working capital requirement has gone up. Considering that still we have been able to keep our debt level at the same level with what it was on 31st March 22, this is because we have used our own fund for working capital requirement after seeing that the cost has been rising. Now the interest cost has gone up for everyone because the Repo rates have increased and during the year it has increased by around I think 2.5%. All the banks have passed on that cost and the same has happened with us also. Still, we have been trying and putting in all efforts to keep our cost under check. Going forward, we expect that the working capital cycle has peaked out assuming that the raw material prices remain where they are. We feel that now the debt should start coming down. Next year we have a repayment of around Rs. 350 crores till FY 24 of long term

loan repayments. Next year we will be generating our own cash as well. All these funds will be used primarily for lowering debt and for funding CAPEX.

Moderator: Thank you. Participants, if you wish to ask any questions, please enter "*" and "1". The next question is from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: Sir, what is our current capacity?

Management: Our current capacity for DI pipes, which is our main product, is around 7 lakh tonnes.

Vipul Kumar Shah: So, that will increase to 9 lakh tonnes post expansion?

Management: Right.

Vipul Kumar Shah: So, per tonne of manufacturing DI pipe, how much iron ore and how much coke you require, and have any in-house manufacturing, in-house blocks for production of coking coal?

Management: Thumb rule is that for 1 tonne of liquid metal, you need around 1.6 tonnes to 1.7 tonnes of iron ore and 1 tonne of coking coal. We do not have coking coal mine or iron ore mine, but otherwise all our facilities are completely backward integrated. We have our coke oven batteries, we have a sinter plant. We import coal and convert it to coke.

Vipul Kumar Shah: We import coal and convert it to coke right?

Management: Right.

Vipul Kumar Shah: So, we import thermal coal.

Management: No, for steel making, you need Coking coal. So, we import coking coal from Australia.

Vipul Kumar Shah: Okay coking coal. So, that price is around 400 right now?

Management: Yes.

Vipul Kumar Shah: Okay. On your slide number 4, you have mentioned coke is 524, 000 TPA. That is your capacity of your coke oven battery, right?

Management: Correct. Yes.

Vipul Kumar Shah: Okay. This is the first time I am attending the call. There are a lot of long notes on our investment in that coal block which was taken over by the Supreme Court decrees. So, cumulatively, how much money we have lost in that block?

Management: It would not be right to say that we have lost money.

Vipul Kumar Shah: Right now, it is in non-productive asset for which how much money we have spent for development of that block, because we have got very miniscule amount from the government, I think?

Management: Allow me to give you a little background on that.

Vipul Kumar Shah: Yes, please.

Management: The Coking coal mine, which was allocated to us somewhere in 2006 and we had started development of that Coking coal mine. This was primarily an underground Coking coal mine. This got de-allocated towards the end of 2014 and early 2015. It was an operational underground Coking coal mine which is used for making steel and cancellation took effect from April 2015. After the cancellation, our claim amount was Rs. 1,500 crores. This amount was calculated, this is the act of the government and the new successful bidder is supposed to pay the compensation to the old owners. But somehow the calculation was misinterpreted and this led to litigation. In sometime in 2017, Delhi High Court had passed the order on the compensation matter and which was in our favour, post that the nominated authority under the Ministry of Coal, they had appointed a valuer and the valuation exercise has progressed. Now, as part of the valuation exercise, the nominated authority has further appointed an agency to verify the bills and the vouchers which are related to the coal mine CAPEX. Just to add, in case of other coal mine allocations for the purpose of the land valuation circle rate on the date of vesting has been considered. Going by the same principle, our claim amount becomes justified. Now the mines have been put under auction under the 16th tranche of auction under Coal Mines Act and JSW Steel and Vedanta they have shown interest and they have bid for the mine in January 2023. This mine has a very perfect location. This is located around 10 kms from the steel plant of Vedanta, which is in Jharkhand and 30 kms from Bokaro Steel plant. Once the new bidder comes in, we will receive the final compensation amount from the new successful bidder. What I'm trying to say is that all in all, a lot of positive movements are happening, as I mentioned and we are regularly following up and we are also hopeful of receiving the compensation, although timelines cannot be given. But this is a substantial amount. Once this Rs. 1,500 crores comes in, whenever it comes in, our long-term debt is only Rs. 1,000 crores. You can fairly assume where we will stand.

Vipul Kumar Shah: As and when this matter will come to its logical conclusion, you are very hopeful that you will receive almost entire amount of Rs. 1,500 crore. You said Delhi High Court had passed the order in 2017. What was the amount in that particular order?

Management: Mr. Shah we are extremely hopeful that we will receive compensation. The order that was passed by the Delhi High Court was on the principle, it was on the matter that the compensation should be given to the prior allottee. It did not mention any amount. The amount was to be calculated by the Ministry of Coal, the nominated authority to which they have started the exercise. They have already done it and now things are progressing. That's why I'm

saying that we are now hopeful that we will receive compensation. Again, as I said, timelines cannot be given.

Vipul Kumar Shah: Okay. Plead for my ignorance, but compensation will be given by new allottee or it will be given by Ministry of Coal?

Management: Compensation will be given by the new allottee.

Moderator: Thank you participants we request you to please limit your questions to two per participants. Should you have any further questions, you may come back in the queue. We'll move to the next question from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Yeah, good afternoon and thank you for the opportunity. Sir, my question is just a follow-up to the last participant's question. I was just going through the list of the 16th round of bidders and JSW and Vedanta have bid for it. Sir, if at all it happens, what will be the flow of this transaction as the winner of the bid will give you the money directly or will it go to some central agency, then it will be routed to us. I mean, what is the exact process around this particular thing?

Management: Mr. Chetan the important part to focus is that the money will eventually come to the prior allottee. We should not, we will avoid getting into the process in this call, which is not important for us to discuss that. The most important part is that things are progressing well and we are quite hopeful because we have been waiting for some time now. This happened, it started in 2015. Now we are quite hopeful that things are moving and is progressing and the money will come in. It will come in from the new allottee. How it will come, what will be the process? We would prefer not prefer going into that details in this call.

Chetan Phalke: Okay, so usually such things take a lot of time. Let's say, even if the bid happens. I'm just trying to get some sense on the timeline whether it happens immediately or again it is a lengthy process of 2, 3 years.

Management: No, here I would like to disagree. It won't be a lengthy process because once the tenders is out for the bidding of mine, it will happen very quickly, because when the new allottee comes in, it will take over the mine. They will take over the mine and hand over the money. I don't think that there will be any delay once the process is complete.

Chetan Phalke: Okay, just in a hypothetical scenario, let's say the bid is at, let's say 500 crores. I'm just putting a ballpark number to it. If it happens way below than the claim that we have, then what will be our stance? Will we contest the bid in the courts or what are you planning to do in that scenario?

Management: So, Mr. Chetan, I would like to avoid commenting on hypothetical questions. You should leave this to the management. We have our team working on it. We also have legal support. I would request you to wait when you have already waited for so much time. Wait for some more time and let the clarity emerge.

Chetan Phalke: Thank you, sir. Just one last question on competitive intensity sir. The Welspun plant is now operational. How do you see this scenario of panning out with other players who are also around in their intention to come up with the DI pipes plant. What is your outlook on the supply side per se and how do we plan to cope with the increasing competitive intensity?

Management: First of all, demand is robust you have to understand that. And why it is robust, because of the population, there are huge there are many households still not having proper connection of drinking water. That is why the government's focus is on providing each and every household with at least a tap connection under which this is happening at the Jal Jeevan Mission Scheme and Amrut. Demand is robust and it has been growing and there are still many households to be connected. What I understand from the latest data is around 58% of the rural households have connectivity now and still 42% is yet to be connected. For everyone, for every manufacturer, there is enough on the table. Welspun coming in is not a concern and in fact, it is good for all the players. It shows that there's a lot of demand there. Further, see, Welspun is in the western part of the country whereas our plants are in the Eastern part and the southern part of the country. So, geographically, we are present in the eastern, northern market, southern market and central market whereas we are also into exports. Competition will only improve the market size and the pricing power. We are not at all concerned about the competition.

Moderator: Thank you. We'll move to the next question from the line of Ankit Puri an individual investor. Please go ahead.

Ankit Puri: Good evening gentlemen. My question is regarding the inventory levels. Can you throw some light on that? Secondly, if you can throw some light on the dividend, is there any dividend policy of Electrosteel Casting as such?

Management: Hello, Mr. Puri. So, in terms of inventory, we have built up our inventory this year. That is why our working capital requirement has gone up as I mentioned in my earlier query also. Our coking coal inventory is of around 5.5 months and iron ore inventory we have around 3 to 4 months. As far as dividend policy is concerned we have been regularly paying dividend. Last time it was 80%. Aim would be to maintain this, subject to Board's decision.

Ankit Puri: All right. Thanks so much for that. Lastly, I'd like to also, if you can, throw some light on the debt numbers going forward as well if you can, do we plan to reduce, if yes, by how much and how do we see the next year panning out With regards to the debt?

Management: In terms of debt up to FY24 we have around Rs. 350 crores of long-term repayments lined up, and FY 25 again we have repayment of around Rs. 250 to Rs. 260 crores. So, gradually the debt would come down.

Moderator: Thank you, sir. Participants if you wish to ask any further questions, you may join the queue back. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir I have the question firstly, on the Kalahasthi and Electrocast merger, the rationale for that was to create a single entity bring in this energy, create value. What we have seen that operationally things have really worked well and we have been able to put forward the enhanced capacity of Kalahasthi, selling the same into the system and the market supporting us. But on the point of value creation for investors we find two years also down the line things are not working in favor of your investors. I'm talking about the minority as well as the majority shareholders. What's the thought process of the management that in spite of getting all the support from the investors in terms of the merger and in spite of doing all the right things, somehow market is unable to give the right valuation, that was the reason that we were looking for somebody from the promoter entity to address or to answer the queries of investors, so that was I know the operational people won't be in a position to comment anything but again we would be waiting for the management to comment on the same sir. Next point is about the ICD sir. What are the inter-corporate deposits due as on 31st December? What was the opening and what's the closing balance?

Management: In earlier calls the feedback was given by the shareholders, by you also regarding ICD, we had placed that feedback to the management and so now the reversal has started happening. We have already received around Rs. 25 cores of ICD and in another maybe one, two months the full amount is expected to be coming into the company. ICD will come in and ICD will become zero.

Saket Kapoor: I was telling that going ahead will not participate in these ICD transactions. Can that also be confirmed for management or we will continue with this process of disbursing fund under ICD?

Management: As I said, we have already conveyed this to the management and post that only the decision has taken to recall the ICDs.

Saket Kapoor: Okay, so what is the closing balance sir as on 31 December, how much is the money due?

Management: Near about Rs. 200 crores.

Saket Kapoor: 200 crores and this will be expected.

Management: Another 1, 2 months it will come back.

Saket Kapoor: On the value creation aspect sir, I think the trust and branding aspects are lacking. Being the largest player in the sector, the kind of enterprise value Electrocast currently commanding does not suffice the reason why is that happening. Management needs to create that trust and brand and needs to speak to investors. So, that was the point I am reiterating on the same, that should be conveyed to them and a message from the promoters to the investing community should be given on either this platform or in any other medium, whichever is correct on the part and that's all from my side, sir. Thank you.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: So, what will be your CAPEX that if I heard you correctly, your next year CAPEX is

Management: Your voice is not very clear. Can you just repeat your question again?

Vipul Kumar Shah: So, if I heard you correctly your next year CAPEX is Rs. 400 crores, for that you will have to raise the further debt. So, what will be our peak debt?

Management: Debt is already tied up and as I mentioned we have repayments also lined up, term loan repayments. You can fairly assume that as of now the long-term debt is what the levels that we are at the moment is the peak level.

Vipul Kumar Shah: Okay. In spite of CAPEX there will not be any material increase in long term debt.

Management: No sir, no.

Vipul Kumar Shah: And sir on your slide 4 your various business mix and capacities have been given. If you don't mind, can you explain in brief the manufacturing process how in centering what is done, we require ferro silicon also. If you don't mind, can you briefly explain your manufacturing process for DI pipes?

Management: Surely, I'll give you an overview about it. First of all, our plants are fully backward integrated. There are two main raw materials which is required for DI pipe making. Till the manufacturing of liquid metal, the process is similar to a steel company. We need iron ore and we need coking coal. From coking coal, we convert it to coke. We have our own coke oven batteries, the capacity which is given in the presentation for the coke oven battery. From coke oven battery we make coke and also waste heat gases are generated, this waste heat gases help in production of power. We have our own captive power plants. The power that has been generated is not from thermal coal but from waste heat gases. Hence the cost of power generation is also very minimal. Now this coke which is transported to the blast furnace. In blast furnace we use coke and iron ore. The iron ore is converted to liquid metal which is

eventually sent to the manufacturing process of DI pipes, where the pipes are cast and later on sorry I missed out one thing. We also buy iron ore, the iron ore comes in two natures. One is lumps and one is fines. We have our sinter plant where we buy iron ore fines and convert it into sinter. Hence iron ore fines are actually cheaper than iron ore lumps. So, we get an advantage there. Along with this we have also our own ferro silicon plant. Ferro silicon is also required for the manufacturing process. So, part of it is captively consumed and the surplus is sold in the market. Similarly for coke also, maximum portion is captively consumed and small portion the surplus is sold in the market. Coming back to the DI pipes, when the DI pipes are made, it is internally coated with cement. We have our own cement plant in the southern unit. Again, the cement is used for captive purpose and again surplus is sold in the market. We also have a paint plant. So, we manufacture paints. These paints are used for outside coating of DI pipes to give it more strength, because these pipes are eventually laid below the ground and are subject to corrosion. So, we make our own paint also. This is about the manufacturing process Mr. Vipul.

Vipul Kumar Shah:

Lastly, power we are 100% captive or we have to buy certain power from the grid?

Management:

We have to buy certain power from the grid. But that amount is not much. Maximum amount is met through captive only.

Moderator:

Thank you. The next question is from the line of Chetan Phalke from Alpha Invesco. Before I promote the next participant, I would request all the participants if you wish to ask questions please enter "*" and "1". Chetan Phalke, your line has been unmuted. Please proceed with your question.

Chetan Phalke:

Thank you for the opportunity again. Sir, as and when our current round of CAPEX is done from 7 lakh tonnes to 9 lakh tonnes, do we have enough land to do CAPEX in our current complex or either in kalahasthi or Bengal or are we looking at some other locations going forward? I'm just trying to understand what are the plans beyond the current 9 lakh tones capacity plan?

Management:

In the southern unit yes, there would be a marginal scope, but most of the land has been used for this expansion so there would be a marginal scope. But always, see we also do debottlenecking and try to improve our capacities in the existing plant itself and for further expansions, for larger expansions of course we will need land. We will have to evaluate those at the right time.

Chetan Phalke:

Tentatively, what kind of incremental capacity can happen in our existing complexes I mean just not asking for any particular number but just ballpark 5% ,10%?

Management:

As of now we are already increasing it to 9 lake tonnes. Beyond that we will need some time to work on that.

Chetan Phalke: Okay, so tentatively can we go to million tonnes or difficult in the existing capacity existing land bank?

Management: Yes of course.

Chetan Phalke: That's it for my side. Thank you. Thank you very much.

Moderator: Thank you participants. If you wish to ask any questions please enter "*" and "1". The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Gaurav ji when we look at the raw material to sales percentage, last year nine months average was 49%. Correct me there whether the calculation part is correct or not and this year is 56. Going ahead and the type of now order booking and the type of vis-à-vis which we are seeing in the raw material scenario, what should be an ideal number? I think the last year this 6%, 7% jump is what has hit in our EBITDA margins. Can you give us some understanding what should be the ideal number and how are we aligning ourselves in the business process that this RM to sales percentage would hover around, which level?

Management: Saket ji, there are a couple of facts. See in terms of nine-month numbers for this financial year compared to nine month numbers of the previous financial year, we have been able to maintain our EBITDA per tonne, even though you see that margins have come down. But more importantly, we have been able to maintain absolute EBITDA, which is more important. Addressing the raw material percentage that you are talking about; the coking coal cost last year was substantially lower compared to what it is now. Obviously the percentage has gone up because of that, the raw material cost and now it will not be easy for us to comment on the future numbers because lot will depend on the price movements of coking coal. What we can say is that the endeavor would be to maintain the EBITDA and try to improve that.

Saket Kapoor: So, what is the EBITDA per tonne for the quarter and nine months?

Management: I would not like to mention any number, but it was in line with what it was last year and it is within the range that we are targeting.

Saket Kapoor: Correct. For the Elavur land sell, what is our line of action going at? I think so the same notes is copy paste for every quarter so any development or how are we going to get hold of our land or what is the future behind that for? I think that the land is valued around Rs. 300 crores at Elavur.

Management: You're right. The matter is pending in the court and whenever the hearing happens then only it will be concluded. That is why the note that you are seeing is appearing as it is. The value of the land is Rs. 300 crores and Elavur contributes around 2% to 3% of our total turnover. It is a very miniscule number and it contributes around 8 to 10 crores of EBITDA. The plant is

operational, it is profit making, though it is not a significant amount. But as far as the case is concerned, we are very confident that the merits of the case is in our favor and whenever it gets concluded, it will get concluded in our favor.

Saket Kapoor: This is a vacant piece of land or the plant where the plant is situated already occupied?

Management: We have a plant on this land.

Saket Kapoor: We have a plant on this land. So, this is not a vacant space.

Management: It's not completely vacant part of it is vacant, part of it has plant.

Saket Kapoor: Lastly on the consolidation part. How should the investors made into your consolidated number? I asked last time also you told me to look at this standalone but as investors we have to monitor the consolidated number last quarter and this quarter again we find that there is an increase in the profitability but the costs that are involved is setting significantly higher. I think that is only on account of the trading part that the logistics and the freight cost that are eating away the margin, how should one read into and what exactly contributes to these profits in the consolidated number? If you could explain Gaurav ji and you have been very candid and very explanatory today in the call. Kudos to you sir for explaining everything in good details and I hope for a detailed answer for this also?

Management: Thank you. Saket ji I have explained earlier also, so you can look at both the stand alone numbers and the consolidated numbers. In terms of profitability, you will find that the numbers are as far as standalone consolidated are concerned, they are more or less at the similar level. You have to understand the business model. In case of consolidation, we have our subsidiaries in many countries which are more of the marketing arms which help us in sales of our export products. If you see the EBITDA, it is more or less in line with what we have done in standalone and we have done Rs. 593 crores in nine months at consolidated level and Rs. 586 crores at standalone level. In consolidation we have around 5 or 6 crores more. Otherwise, if you see the numbers are more or less similar. You can look at any of the numbers and you will find it more or less in line. There will not be much of a deviation.

Moderator: Thank you. Next question is from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: Sir I just wanted to know whether legally we can bid for the same block or not?

Management: Sir as of now the coking coal mine block that we had has big reserves. As of now, the management is not interested for bidding for that mine again, already JSW Steel and Vedanta have expressed their interest and have submitted the bid. Now things are progressing well and we look forward for the compensation amount.

Vipul Kumar Shah: Lastly, these DI pipes some major consumers must be government agencies. How is the working capital cycle for these pipes?

Management: You are correct. The major customer is the government only. Ultimately its government only, but it's through EPC contractors. Most of our sales happen to EPC contractors. Big names like L&T, Nagajuna, Megha Engineering. The payment cycle is on time. In case of domestic, the domestic aging is not very high. It's around say 60 to 90 days. But in case of exports, it's slightly higher because of the transportation time and the stocking that happens at the subsidiary level. All in all, our net working capital days would be around 5 months, 5 to 5.5 months. It has gone up slightly because, as I mentioned, that we had increased our inventory position of coking coal considering the prices were moving up. That was a conscious decision taken by the management to increase the inventory when the prices were lower. But considering our manufacturing business, I think we are at a comfortable working capital cycle.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to management from Electrosteel Castings Limited for closing comments.

Management: Thank you everyone. It was really a pleasure interacting with you all and answering the valuable questions and also taking your advices. We look forward to meeting you all again in the next quarter. Thank you so much.

Moderator: Thank you very much.

Management: Thank you.

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