

Electrosteel Castings Limited
Q1 FY '26 Earnings Conference Call
August 06, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '26 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 conference call, please signal an operator by pressing *, then 0 on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Verma from EY LLP. Thank you and over to you Mr. Verma.

Vikash Verma: Thank you. Good evening, everyone. On behalf of Electrosteel Castings Limited, I welcome you all to the company's Q1 FY '26 Earnings Call.

To discuss the performance of the company, we have with us from the management team, Mr. Madhav Kejriwal – Whole-Time Director; Mr. Sunil Katial - Whole-Time Director and Chief Executive Officer, and Mr. Gaurav Somani - General Manager Finance. Please note, our CFO Mr. Ashutosh Agarwal is not available on this earnings call as he is unwell.

Before we proceed with this call, I would like to draw your attention to the fact that today's discussion may contain forward-looking statements that are subject to various risks, uncertainties and other factors, which will be beyond management control. We kindly request that you bear in mind there may be uncertainties when interpreting such statements. We will now start the session with the opening remarks from the management team. Afterwards, we will open the floor for interactive Q&A session.

I will now hand over the conference over to Mr. Madhav Kejriwal for his opening remarks. Thank you and over to you, Mr. Madhav.

Madhav Kejriwal: Thank you. A very good afternoon to everyone and thank you all for attending our earnings call. As anticipated, the quarter gone by was a challenging one. The slowdown continued that began in the second half of the last financial year. During this quarter, we have sold 1.63 lakh metric tons of pipes and fittings compared to 1.89 lakh metric tons in Q4 of FY '25 and 2 lakh metric tons of Q1 FY '25.

Exports contributed to approximately 20% of our total pipe volumes. The decline in government spending on water-infra-related infrastructure in particular contributed to this subdued demand. Additionally, we undertook our annual maintenance shutdown of 9 days at the West Bengal unit which marginally impacted our production. Under JJM, the rural households have reported to have tap water connections at the beginning of the mission of 3.23 crores which has grown to 15.67 crores as of July 2025. Although new scrutiny has shown that the Functional household tap connections is at approximately 50% of the target which is 19 crore households.

There are headwinds at the moment, but we are optimistic about the future. The extension of the Jal Jeevan Mission has announced during the finance budget and the budgetary allocation of Rs. 67,000 crores for FY '25-'26 are positive indicators. We expect that the demand will start improving from the second half of this financial year. Additionally, the government is also prioritizing on river interlinking projects through the Interlinking River Program which is aimed at redistributing water from surplus to deficit regions across India. This signifies huge long-term potential for our pipes in the coming years.

India remains one of the fastest growing global economies with an ever-increasing need for robust water infrastructure in both rural and urban areas. This will continue to drive the demand for pipes and fittings. In the meantime, we are using this period to optimize resources across all levels to minimize costs to enhance operational efficiency and for implementing IT solutions. We believe these challenges are temporary and do not alter the long-term growth prospects of the industry. We have proactively enhanced the capacities and are well-positioned to capitalize on the demand resurgence as it materializes.

Coming to the performance of the 1st quarter of FY '25-'26, the company's consolidated total income stood at INR 1,586 crores, reflecting slowdown in the JJM and maintenance shutdown undertaken at our West Bengal unit. I would also like to take the opportunity to mention that we are reorganizing our CAPEX plans in light of the current demand scenario and certain other new acquisitions.

I would like to share some updates on the coal mine compensation matter as well. As for the coal mine compensation, I am pleased to inform that the office of the Nominated Authority from the Ministry of Coal, Government of India, has issued Provisional Compensation Order dated 15th May 2025 in respect of compensation for cost of geological report, cost of consent, land and inclined and shaft infrastructure payable to prior allottees at Parbatpur Central Coal Mine in terms of Coal Mines Special Provisions Act, 2015. As per the aforementioned Provisional Compensation Order, the Ministry of Coal has estimated an amount of INR 500 crores approximate as compensation to the company.

Coming to the recent acquisition, I am very pleased to inform you of the acquisition of TIS Services S.p.A, an Italian valve manufacturing company. It is a prominent international designer

and manufacturer of valves and equipment used in water mains, sewage treatment plant and hydroelectrical power stations. Its comprehensive product portfolio includes butterfly valves, gate valves, air release valves, hydropower valves, hydraulic control valves and turbine as well. TIS operations are strategically located across Europe and are engaged in production and commercial operations as well as R&D activities. Its major markets are Europe, Middle East, the US and Africa. This acquisition marks significant strategic move by ECL which it has long aimed to enter into which is the valve business to bolster its footprint in the water infrastructure sector. Given that ductile iron pipes and valves are typically installed together in pipelines, the acquisition enables ECL to offer integrated solutions and a more comprehensive product package to its customers.

The turnover of TIS is around 40 million Euros and its EBITDA margin is of 13%. We look forward to ramping up the business and aim for revenue growth of at least 15% in CAGR over the next 3 years and significantly improve the EBITDA margins. The global valve market is expected to grow at a CAGR of 4.6% and will go from 17.6 billion in 2023 to 26.4 billion in 2032.

I would now like to hand over the floor to Mr. Sunil Katial – Whole-Time Director and CEO for taking you through the financial highlights.

Sunil Katial:

Thank you Madhavji. Good afternoon to all the investors presents in Electrosteel Casting Q1, Financial Year '26 Earnings Concall. I would like to brief you about the consolidated results in Q1 FY '26. Total income stood at INR 1,586 crores that has been mainly impacted due to decline in government spending on water related infrastructure and planned maintenance shutdown at Khardah as already explained. EBITDA reported at INR 198 crores, EBITDA margin stood at 12.5%, PAT stood at INR 89 crores with PAT margin being at 5.6%.

And moving to standalone results for Q1, total income stood at INR 1,426 crores, EBITDA stood at INR 186 crores, EBITDA at 13.1%, PAT at INR 86 crores, PAT margin at 6%. Net debt has further reduced and now stands at INR 1,400 crores including term debt of INR 346 crores only. Net debt equity ratio has improved to 0.24:1.

Now, I open the floor for question-and-answer session. Thank you very much.

Moderator:

Thank you very much, Sir. We will now begin with the question-and-answer session. The first question is from the line of Vikas Singh from ICICI Securities. Please go ahead.

Vikas Singh:

Good afternoon, Sir. Thank you for the opportunity. Sir, my first question pertains to the government orders or the slowdown which most of the companies are talking about. Despite the allocation in the budget, what was the problem that the spending is not coming up as of now? So, if you could throw some light on the JJM and related issues?

Madhav Kejriwal: Sir, there is an approval mechanism that the government has put in place for allocation of funds. And since the budget is still pending to be decided, the extended outlay in toto up to 2028 is still not completely finalized. Thus, the allocation of funds is at the moment moving very slowly. The states have started spending money, but the center is holding on. I think in the coming 1 month or so, all these formalities will be completed and then we will see fund flow even from the central level for JJM.

Vikas Singh: So, another 1 or 2 months and you think that this issue will get resolved?

Madhav Kejriwal: Absolutely.

Vikas Singh: And Sir, concurrently there was a big story which was going up on the inter-connection of Riverside. Any thought process on that? Anything has moved on or this is still more on the paper?

Madhav Kejriwal: Sir, there is a lot moving especially between the UP-MP Ken-Betwa linkage. There is also one in Rajasthan which is seeing some good activity levels. So, I am very optimistic on the fact that these two will definitely see the light of day. The other projects are all in planning stage, but I think this is a long run process. It is an 8-10 years activity since you are talking about moving huge quantities of water across a very large landscape of geography. So, the other projects will take another year or two to start showing up.

Vikas Singh: Sir, second question pertains to our new acquisition, TIS. We have gone overseas for the valve thing. Usually, the experience has not been better for many of the steel companies who have tried to fetch some assets in the overseas. So, just wanted to understand that thought process and would be because these manufacturing facilities are also abroad. Wouldn't it have been better if we would have done this in India because our cost of production would have been much lower in India?

Madhav Kejriwal: So, Sir, what is important to understand is that the type of valve that is being produced in TIS, what it specializes in is a valve that is not made by anybody in India. In fact, TIS and the other big manufacturers of the water valve industry are exporting from Europe into India. So, this is not a product that is being made at all within the country nor is it being made successfully by any manufacturer who is from the country at the moment. When we talk about the cost of production, the cost of production for that company today even after that they are looking at an EBITDA level of 13% and that is in a very specialized area in terms of geography. Even when you talk about Europe, they are present strongly in specific markets of Europe, but not all of Europe. We on the other hand have a very strong presence all across Europe and this is a very complimentary product to our existing product basket. You can say this acquisition is done more to gain the knowledge. While I say that it is also important to mention that definitely for the higher value products and even the lower value products that are being manufactured

there, we are looking at starting localized production, we are looking at setting up an R&D facility here in India as well which should not take more than a year and a half to 2 years.

Vikas Singh: Noted. Sir, just one thing in conjunction to this, you said 13% EBITDA margin and at the same time you are talking about some of the specialized products. Shouldn't the margin be on a higher side because if you are making something which is unique, you should command a better margin, right? So, anything to do with, what is the basic deviation here because we have seen with some other companies, the margin for a specialized product is always higher?

Madhav Kejriwal: Well, if you look at the industry as a whole, you will see that they are actually hitting 2%-3% higher margins than the other manufacturers within Europe itself. Once we utilize the know-how and spread this across Middle East and India as well in terms of manufacturing and sales, even stronger than what it is already, you will find that this margin is going to move up significantly. So, this is a margin despite high costs and despite being in Europe. So, once this comes to India, you will find the value unlock happen and you will find much higher EBITDA levels of 18%-20%.

Vikas Singh: So, just a clarification that 15% EBITDA is basically we are targeting India for that kind of growth, right?

Madhav Kejriwal: Sir, we are targeting India, we are targeting the Middle Eastern markets where we are stronger than TIS is present and also the European markets where we are more strongly present than TIS.

Vikas Singh: So, what is the current capacity utilization for TIS?

Madhav Kejriwal: Well, for one plant, it would be 100%, for the other plant, it would be around 45%.

Vikas Singh: So, significant leg room is there?

Madhav Kejriwal: Absolutely. And we will also create some capacity here in India.

Vikas Singh: Noted. Sir. Lastly, if I can squeeze in one more question. This Rs. 500 crore compensation which they have basically rewarded, had we received the money and what is the timeline if we haven't received the money?

Madhav Kejriwal: Sir, we haven't received the money yet. It will be a little difficult to comment on the timeline exactly, but we are hopeful that it will take probably 6- 8 months, maybe a year.

Vikas Singh: That is all from my side and all the best for future.

Madhav Kejriwal: Thank you.

Moderator: Thank you. We will take the next question from the line of Aashav Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel: Thank you for the opportunity. Sir, my first question is, consistently after many quarters of volume growth, this quarter we have seen volume degrowth. As you rightly mentioned, it is linked to the slowdown in JJM. So, can you please be more specific and give us more insights with regards to the slowdown, whether the new project tendering has been slowing down or the fund release has been slowing down and when can we expect a quarter of volume improvement again?

Madhav Kejriwal: Sir, both paths have slowed down. The payment to the contractors has slowed down, which in turn has reduced the order booking from their end and also the new tendering processes have been put on hold because new fund allocation is yet to happen. So, that is the current scenario. I am very sure about the fact that from quarter 3, we will start seeing an increase in volume again. Quarter 2 will also be a slow one as quarter 1 has been.

Aashav Patel: And AMRUT 2.0 is also facing similar challenges?

Madhav Kejriwal: Not really, Sir. But AMRUT 2.0 is a relatively new initiative as compared to Jal Jeevan. So, a lot of the work is still in its design phase and it has not yet picked up full pace, although there is still business coming from there, but it is not at full pace.

Aashav Patel: Got it. And Sir, my second question would be regarding the Rs. 500 crores, provisional compensation which the government has allotted to us. So, we were expecting a number closer to Rs. 1,200 crores. Is that right?

Madhav Kejriwal: Sir, this Rs. 500 crores does not include all aspects of the mine infrastructure. This is only taking into consideration land and one particular mine infrastructure, which is the biggest mine infrastructure that is the incline and shaft. There are other aspects to the infrastructure for which the valuation is in progress. Thus, this is a provisional order.

Aashav Patel: So, we are still hopeful of receiving the entire investment around Rs. 1,200 crores, right?

Madhav Kejriwal: It will be difficult to say whether we will get the entire investment, but yes, we are hopeful to get close to the entire.

Aashav Patel: Significantly higher?

Madhav Kejriwal: Higher, I would say higher.

Aashav Patel: Got it. And Sir, last question from my side. Many of our peers like Rashmi Metaliks, Welspun, Jai Balaji, everyone has started venturing into this new segment called OPVC pipes. So, why are we falling behind and we don't have any such plans to add OPVC lines?

Madhav Kejriwal: Sir, I wouldn't exactly call it falling behind. OPVC pipes is something that is an opportunity. That is definitely something we are looking at, but there is nothing concrete. And we are keeping our ears close to the ground about the opportunity present. Although we are not very hopeful that it will become a huge market as it is expected to become because we find that in the western markets, which usually are a precursor to what happens here in India, OPVC hasn't picked up much and it has been there for many years. In Europe it is practically not present. The only market where it has been successful is the US.

Aashav Patel: Got it, sir. That is all from my side. All the very best.

Madhav Kejriwal: Thank you.

Moderator: Thank you. The next question is from the line of Muskan from B&K Securities. Please go ahead.

Muskan: Hi, Sir. Thank you for the opportunity. Sir, in the past, you have mentioned that we will balance domestic and export based on the demand. When there is weak demand in domestic, knowing that there is near term challenges, can we increase our focus to exports as margins will be better? And how is the export business opportunity and is it easy to scale business in export market in the last 3 quarters since the demand in domestic is weak? Why have you not been able to scale it up in terms of sales?

Madhav Kejriwal: There is a bit of a delay between preparation and execution when it comes to being able to start increasing your exports to that level where there has been a slowdown. It is always easy to manipulate it by 5%-7%, but when we are talking about wanting to move the needle by a double-digit percentage number, it requires some time. Same that we have increased our focus towards volume markets now, like Africa and we are starting to explore the South American region as well. But it takes a little time and also this business is such where you are working with slow-moving projects, especially in countries like Africa, it takes some time. This quarter, you will find that we have increased our export though as compared to quarter 1, hopefully.

Muskan: So, which means export percentage has gone up because domestic mix has come down, right, sir?

Madhav Kejriwal: Yes, please.

Muskan: And Sir, like you spoke about re-strategizing of CAPEX in your opening remarks. Does this mean you are putting the Odisha CAPEX on hold for now and you are changing the products planned in Odisha?

Madhav Kejriwal: You can say that due to the acquisition of TIS and as I was mentioning earlier on the call, we want to localize so that what is being imported today into India can be manufactured and sold within India, there will be some restructuring and also there are some delays on the land

acquisition for the project. So, things are moving quite slow on that front. Saying that, we are going to be seeing how we can optimize on our capital allocation and move forward accordingly.

Muskan: Sir, if the coal block compensation is Rs. 500 crores, how much more are you expecting and when are you expecting to receive these funds?

Madhav Kejriwal: Ma'am, when is a question which is difficult to answer, I am expecting it between 8 months to a year. How much it will increase, again, that is something that we are constantly working on. We have only managed to get the valuation for the land, the geological report and one big mine infrastructure. So, it is difficult to give a number on that exactly, but definitely it will be a bigger number than this.

Muskan: Sir, one last question. Sir, margins in DI has come down sharply because of a lot of capacity addition by the players. So, with all this capacity addition, can we still do Rs. 15 per kg EBITDA in the coming years?

Madhav Kejriwal: Again, ma'am, looking at it on the basis of rupees is not the right way. I always encourage looking at it on a percentage basis. I have said that 15%-18% EBITDA range is what we will be hitting and I am still certain that if you look at it from a mid-term perspective of a year, for the entire financial year, we will still hit that range.

Muskan: All right, Sir. Thank you so much and all the best.

Madhav Kejriwal: Thank you.

Moderator: Thank you. The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.

Deepesh Sancheti: Hi. Am I audible?

Moderator: Yes, Sir. Please proceed.

Deepesh Sancheti: What is the effect of the US tariffs on the company? How much is the percentage of sales to the US? You said that 20% is exports. How much is that to the US?

Madhav Kejriwal: Sir, of the total sale, our US sales is approximately 1%. So, there will be negligible to no impact on our overall performance based on US tariffs.

Deepesh Sancheti: And regarding the compensation, which is from JSW, the temporary order which we have received, the compensation order, has JSW filed anything against it or what has been the response from JSW?

Madhav Kejriwal: They have seek some clarifications which we are in the process of giving. So, far there is no issue.

Deepesh Sancheti: There is no issue. You mentioned that you expect 6-12 months for the money, for the Rs. 500 crores to be received.

Madhav Kejriwal: Yes.

Deepesh Sancheti: When do you expect that the entire amount of Rs. 500 crores plus would be received?

Madhav Kejriwal: That is a difficult one, Sir. It will be difficult for me to give you an answer on that.

Deepesh Sancheti: Fine. That is all. If there is any other question, I will come back. Thank you.

Madhav Kejriwal: Thank you.

Moderator: Thank you. We will move on to the next question, which is from the line of Ankit Puri, an Individual Investor. Please go ahead.

Ankit Puri: Hi. Good evening, Mr. Madhav. The first question is with regards to the acquisition. What are the prospects of the cross-selling and when do we start to see the results of the same on the balance sheet going forward? This year, next year?

Madhav Kejriwal: I think within this year itself, you will start seeing some impact. Substantial impact because of our overall size of the acquisition, probably sometime mid-next year to the end of next financial year, you will start seeing a major impact of the acquisition on our books.

Ankit Puri: Alright. And what about the prospects of the cross-selling? Do we hope to increase our sales with regards to DI pipes as well with their clients?

Madhav Kejriwal: Yes, please. Absolutely. This will encourage sales in the market where TIS is strong for our existing product line of both pipes and fittings.

Ankit Puri: Excellent. Secondly, what is the current inventory level and number of days in consolidated and standalone basis as of today, if you talk about quarter 1 at the end?

Gaurav Somani: So, in terms of quarter 1, the inventory days is around 110 days and it has gone up compared to Q4 of previous year.

Ankit Puri: So, 110 days vis-a-vis what?

Gaurav Somani: It was around 97-98 days.

Ankit Puri: Alright. Thanks for the information. Lastly, will you be still sticking with your overall guidance of 8-8.5 lakh tons for this FY26? And as you mentioned, with things expected to pick up in H2?

Madhav Kejriwal: Due to the slowdown in the first 2 quarters, reaching that target will be difficult. We are looking at a flattish growth with regard to last year. So, you can say, 7-7.5 lakh tons.

Ankit Puri: But will the additional in terms of the fitting acquisition as well as the TIS acquisition, will they play a role in at least giving us better numbers compared to the last financial year?

Madhav Kejriwal: I would say that we will have similar numbers as the last financial year because we saw a slight slowdown in the last quarter whereas in this year, the 1st two quarters will be exceptionally slow. So, things will pick up in the second half, but it will not be so much so that we will surpass last year's performance.

Ankit Puri: Alright. So, we are looking at a flattish basically in this financial year?

Madhav Kejriwal: Yes, please.

Ankit Puri: That will be all from my side. Thank you so much. All the best.

Madhav Kejriwal: Thank you.

Moderator: Thank you. The next question is from the line of Rajat Sethia from Ithought PMS. Please go ahead.

Rajat Sethia: Hi. My first question is about what could be the industry level utilization in DI at the moment?

Madhav Kejriwal: Around 60%-65% please. This is just for quarter 1 and quarter 2.

Rajat Sethia: Right and where do you see this moving? Let us say once ordering begins in 2, 3, 5, 6 quarters?

Madhav Kejriwal: Once the taps for the funds have opened up, Sir, we will again be in a situation where the demand will be outweighing the supply. We still haven't reached that stage where enough capacity has been added. So, I think probably 90%-95% which is the norm for capacity utilization of every plant in Ductile iron.

Rajat Sethia: And you see this happening sometime in next year, right?

Madhav Kejriwal: Starting H2, Sir. Maybe starting H2 or a couple of months into H2

Rajat Sethia: That soon?

Madhav Kejriwal: Yes, absolutely. It is just a very temporary slowdown because of a lot of, I would say, hierarchical approvals that are required at the government level to allow for funds to be allocated. There is nothing else that is holding this back. So, once that starts, we will see a good growth potential over here.

Rajat Sethia: And in terms of OPVC, how much of DI volumes would have been taken up by OPVC already? Any estimate that you would have?

Madhav Kejriwal: I think at the worst-case scenario, it will be 2%-3%, if at all.

Rajat Sethia: And all in the smaller sizes, right?

Madhav Kejriwal: Yes.

Rajat Sethia: In terms of volumes, I think smaller sizes would not be big as a percentage for the overall DI pipes, right?

Madhav Kejriwal: No, sir. Smaller sizes contribute to around 40% of the DI demand. But again, OPVC, as HDPE had when it had come in, it cannot be a replacement for DI. It has its own set of applications and the overlap is very minor.

Rajat Sethia: If you can elaborate a bit on the last part, where you say overlap is very minor?

Madhav Kejriwal: The use case for a plastic pipe and a metal pipe is very different, Sir. It depends a lot on things beyond just transporting the water. It goes into pressure, overload from the soil, soil condition, water condition, etc. So, there are multiple aspects that determine whether plastic pipe goes into the ground or a metal pipe goes into the ground. And considering India's weather and other soil conditions, it is a very small use case where you can use either a DI or an OPVC or an HDPE. In most cases, it will be a clear-cut answer that for this application, we have to use DI and for this application, we can use an HDPE or an OPVC.

Rajat Sethia: And Sir, one final question about the acquisition. What is the valuation that you are paying for the acquisition?

Madhav Kejriwal: Around 7-8 times of EV/EBITDA.

Rajat Sethia: So, you said margins are 13%, so maybe 5 million is the margin. So, we are paying almost Euro 35-40 million?

Madhav Kejriwal: Yes. Euro 35.5 to be exact, actually.

Rajat Sethia: And how much debt in the books will be acquired?

Madhav Kejriwal: Around Euro 19 million.

Rajat Sethia: Thank you so much.

Madhav Kejriwal: Thank you.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from ICICI Prudential AMC. Please go ahead.

Deepesh Agarwal: Hi, Sir. Good evening. So, a couple of questions. Firstly, how was the demand scenario in terms of pipe irrigation and dam improvement projects this quarter? And how are we expecting it to be in the coming financial year as well?

Madhav Kejriwal: Sir, the dam improvement projects, and irrigation sector are slightly intertwined as well because a lot of the development that takes place there will help to expand the irrigatable land available. So, I would say that in terms of irrigation today, whatever sales that are happening are largely because of pipe irrigation demand and AMRUT demand. When we talk about dam improvement, I think the impact on the ground will take another 6-8 months to take place, Sir.

Deepesh Agarwal: All right, Sir. How is our current cash position looking like and how are we planning to fund our future CAPEX, like will it be debt heavy or will it be internal accrual heavy?

Gaurav Somani: So, we have net debt of around Rs. 1,400 crores and we are sitting on cash of say around Rs. 250 crores. We have healthy cash generation out of the business operations, and our term debt has come down to Rs. 345 crores. So, our repayments for term debt is not very huge. We will have substantial amount of cash coming in from our operations to meet our CAPEX requirements.

Deepesh Agarwal: So, can you expect most of the CAPEX will be cash funded, internal cash funded only?

Madhav Kejriwal: Absolutely. Majority of the CAPEX will be cash funded, and we don't see any plans or any requirements to taking on substantial debt for any of the future expansion plans.

Deepesh Agarwal: All right. My last question was around development of the new products. I think in the last call, we had mentioned that we are looking to foray into gaskets as well and other new products to create a whole ecosystem of water infrastructure. So, how is that development going on right now?

Madhav Kejriwal: Sir, this valve is a huge step in that direction. I think I have been mentioning that this is a product that can be a good addition. So, this is a big step and gaskets, we have already started our manufacturing for gaskets in the South. The plant is commissioned. In fact, we are looking at a minor increase, a minor expansion in that as well. So, we are slowly moving towards that.

It will of course, these things take some time and very soon, I think in the next year, year and a half or so, you will start seeing the impact of the diversified product portfolio on the books.

Deepesh Agarwal: All right, sir. That is all I have.

Madhav Kejriwal: Thank you.

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

Rajesh Agarwal: Sir, my question is, do we require DI pipes in hydroelectricity projects?

Madhav Kejriwal: You can require DI pipes in hydroelectric projects, but because the size is very big and it is beyond what the scope of DI pipes usually is, we don't end up making our way into that market per se. But for fittings and for valves, definitely that is a big market. It is a very niche market, in fact.

Rajesh Agarwal: Sir, second question is regarding the provisional figure of Rs. 500 crores, have we received or we have not received that money?

Madhav Kejriwal: No, Sir. We have not received it yet since it is a provisional order. There are clarifications required from our side also and from JSW's side. So, we are in the process of getting that completed.

Rajesh Agarwal: And Sir, do we have a scope to export DI pipes to Middle East countries because there are a lot of requirements there. Today, in the concall of Jindal, they said that they have in fact backed a new DI pipe order of 2,75,000 tons also.

Madhav Kejriwal: That is not from Middle East per se. Also, approximately 45% of our exports of DI pipes goes to the Middle East. So, we are already very strongly present there.

Rajesh Agarwal: So, we are supplying to the contractors?

Madhav Kejriwal: Yes, please. We are the largest exporters of pipes into the Middle East. Jindal has a plant inside Middle East already.

Rajesh Agarwal: So, that order is a local order or it is a Middle East order? Any idea?

Madhav Kejriwal: From what I gather, it is a local order, please.

Rajesh Agarwal: Sir, the order traction has happened. I understand the money is tight because the contractors are not getting paid on time. Once they start, the orders will pick up. But has the order, tender and all that has started?

Madhav Kejriwal: Sir, tendering is an active process. It is ongoing. But participation from the contractors are low because of their own limitations.

Rajesh Agarwal: I understand. So, once that is sorted out, once they start receiving money, they can bid for new orders. Then the cycle may start?

Madhav Kejriwal: Yes, please.

Rajesh Agarwal: Thank you, sir. And sir, second on the coke and all, the prices there stable?

Sunil Katial: Yes, coke prices are stable.

Rajesh Agarwal: They are stable. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Ninad Sabnis from Sabnis Financials. Please go ahead.

Ninad Sabnis: Yes. Hi. Thanks for the opportunity. I have a small question to start off with. Is there any update as to have we started receiving orders on the river interlinking project?

Madhav Kejriwal: No, Sir. We have not received any orders yet because the final detailed project reports have just been finalized for the MP-UP river link project, which is the Ken-Betwa project. It will be another few months before we see the orders come into our books.

Ninad Sabnis: Just looking at the big picture here because this presents a lucrative opportunity, what could be the volume? Can you quantify the opportunity and what could be the ramp-up, say, going forward next year?

Madhav Kejriwal: Well, I can have somebody work out the exact potential for all the projects together, but I would say that it will contribute to around 20% of the total demand over the next 7-8 years.

Ninad Sabnis: Great. That kind of give fair enough ballpark.

Madhav Kejriwal: Yes, please.

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

Saket Kapoor: Namaskar, Sir, and thank you for the opportunity. Firstly, on the TIS acquisition, Sir, we mentioned sales of 40 million Euro and a debt of €19 million on the book?

Madhav Kejriwal: Yes, please.

Saket Kapoor: So, these are very significant debt numbers. What was the purpose of these closing debts? Have they done any capacity expansion or what is the nature of the debt?

Madhav Kejriwal: Sir, a big part of the debt is working capital. In fact, I would say around 80%-85% of the debt is working capital. And the rest of the 15% debt is for the capital expansion that they have done in their plant in Turkey, which is underutilized at the moment. That is where we saw the opportunity for this project. And also, the reason for the increased debt level is because one of it is the nature of the business itself requires you to carry some spares because a valve is like a car wherein you have to keep some spare parts, not like a pipe that it has only one component. So, you have to get into a bit of operation and maintenance along with its sale. So, you have to keep a stock of some spare parts. Another reason is that they had built up stock in expectation of certain orders and also due to the increased supply chain from China and India.

Saket Kapoor: And they have their two plants, one is located in Turkey and the other one is?

Madhav Kejriwal: Is in Italy, please.

Saket Kapoor: In Italy. And the capacity is equally divided or which plant is larger in capacity?

Madhav Kejriwal: It is equally divided, please.

Saket Kapoor: Sir, second question is on the blast furnace yield at our Southern unit, Sir. Are the yields have now improved for our Srikalahasthi unit and what is the update for the further unit trends it will start being operational and the yield improvement?

Sunil Katial: No. In fact, because of the ongoing low demand scenario, the blast furnace is being operated with a lower yield for now. But as such, the problem which it had has been rectified and it is now capable of. In fact, a couple of months back, it was producing full volume.

Saket Kapoor: This is for the Southern unit, Sir?

Sunil Katial: Yes.

Saket Kapoor: And what is the update on the Khardah unit?

Sunil Katial: So, Khardah unit, the blast furnace is working normal. Here also, again, presently, we have lowered production because of this demand issue which is ongoing.

Saket Kapoor: But the 9-day shutdown was just an annual shutdown, Sir. This is not?

Madhav Kejriwal: This is a normal course maintenance shutdown.

Saket Kapoor: And that is now up and running, Sir?

Madhav Kejriwal: Yes. It was a short 9-day shutdown, Sir. It was not a major overhaul of any sorts. We do this every year. Every year, we have an annual shut down for maintenance work.

Saket Kapoor: Yes. Sir, on the tonnage part, you mentioned that on a total basis, we will be flat on the pipe sales closer to 7 lakhs tons. So, for this quarter, our total number was 1.63 lakhs tons, that is the pipe and I think the fittings and CI, everything. So, what was the pipe tonnage and what should we expect in terms of the tonnage for Q2?

Sunil Katial: Sir, Q2 will be around, say, 150,000 tons. A slight dip there and we are expecting that possibly by next month, the funds from JJM will start flowing in. So, it will recover after that.

Saket Kapoor: So, 1.63 lakhs tons will go down to 1.5 lakhs tons for next quarter?

Madhav Kejriwal: Yes, around 1.5 to 1.55 lakhs tons, something like that.

Saket Kapoor: Fine, Sir. We hope for things to change and look better.

Madhav Kejriwal: We are very certain of it, Sir. Don't worry.

Saket Kapoor: Yes, Sir. We, by nature, are optimistic. But let us see how things shape up. We don't know. We have been contemplating this for 9 months now and things have just deteriorated over every quarter.

Madhav Kejriwal: I understand your apprehension, Sir. But it is just the time of bureaucracy that is about it. Principally, everything is in the right direction.

Saket Kapoor: Right, Sir. On the Odisha part of the story, where we were acquired some land and some greenfield, that is on hold now or what is the update, Sir?

Madhav Kejriwal: Sir, we had not acquired land. We had identified the land, and we were in the process of acquiring. Since that has been delayed, thus the entire project at the moment is running delayed. And because of the acquisition of or rather because of the opportunity of this valve company, we have decided to reorganize our capital expenditure a little bit. So, once there is some opportunity, once there is some progress on the land, then we will take up to see what kind of CAPEX we want to do and what size we want to operate.

Saket Kapoor: Right. Thank you very much.

Madhav Kejriwal: Thank you.

Moderator: Thank you. The next question is from the line of Muskan from B&K Securities. Please go ahead.

Muskan: Hi, Sir. Thank you for the opportunity. Sir, how much order book do we have in 1st quarter versus last quarter in terms of metric ton? And also, how much DI volumes we have done in 1st quarter out of 1.63 lakh metric ton?

Madhav Kejriwal: So, out of the 1.63 lakh metric ton, I would say around 1.55 lakh metric ton is DI pipes.

Muskan: And how much of order book do we have in this quarter versus last quarter in terms of metric ton?

Gaurav Somani: We have order book of around 4.7 lakh tons this quarter end. And if you compare it with previous quarter end, it was slightly higher. It was around 6.7 lakh tons.

Muskan: Sir, like since we have received like my earlier question that we have received Rs. 500 crores compensation, we already have like Rs. 1,200 crores in work in progress. So, my question was would you be accepting this or would you be renegotiating this because if we accept it, we would have to write off the balance, right?

Madhav Kejriwal: Well, ma'am, as explained earlier, this is not compensation for the entire mine. This is compensation for a particular asset within mine. In fact, the valuation given is the exact valuation that is on our books of accounts for this particular asset. So, in that case, we are running in line. Saying that, of course, there will be some sort of negotiation and there will be some haircut of sorts, you can say. But it will not be this substantial.

Muskan: Sir, my last question, like you mentioned that we will be doing similar numbers as of FY '25 and this quarter we have done like almost 13% of EBITDA margin, which means we have to do 15% in next 3 quarters in order to match the last year numbers. And you mentioned that next quarter would also be little subdued, so, then how are we planning to achieve the levels as of last year?

Madhav Kejriwal: Ma'am, we are hopeful of the second half giving us better returns than that.

Muskan: Thanks, again.

Moderator: Thank you. The next question is from the line of Rajesh Bhandari from Nakoda Engineers. Please go ahead.

Rajesh Bhandari: Good afternoon, sir.

Madhav Kejriwal: Very good afternoon.

Rajesh Bhandari: We have order book of 4.7 lakh tons so this is for how many months and FY '26 second half as you have informed that it will be a little slow and after that it will be better. So, how the demand

for FY'26, FY'27 and FY'28 going to be and correspondingly what kind of demand do you expect for Europe at that time?

Madhav Kejriwal: I will start by answering in sequence. Our existing order book is around 6- 8 months for the execution. Some of the orders may prolong in duration and some may get over earlier as well. In regards to the demand scenario for the next 3 financial years, I am very certain that it is going to remain very robust because there used to be a lot of work left to do. 50%-55% taps which have installed they are functioning and other taps which we have yet to get functionable and the new taps which we have to installed and make it functionable for that we need a good amount of CAPEX and a good amount of demand would be generated so for the next three years I am certain that the demand scenario will be quite robust and as far as Europe is concerned European Union also taking up a lot of projects to revitalize their water structure because their infrastructure is old and because of global warming whatever water availability is depreciated in a certain pockets they have to make up for that so there is a lot of work that is happening in Europe at the moment for that.

Rajesh Bhandari: And secondly sir we have got the partly compensation of Rs. 500 crores. What was our estimate for that sir, was it 550 crores, 600 crores, 650 crores, 700 crores approximately if you can give?

Madhav Kejriwal: Our estimate was approximately Rs. 600 crores to Rs. 650 crores.

Rajesh Bhandari: So out of Rs. 1200 crores we can hope that we would be able to get back net-net Rs. 900 crores to Rs. 1000 crores.

Madhav Kejriwal: It is difficult to give you the exact number

Rajesh Bhandari: That is why I was asking if they had done from Rs. 600 crores to Rs. 650 crores. And Sir what can we expect the revenue of valves in Europe over the next three years? And what is the turnover of gasket?

Madhav Kejriwal: The factory of gasket is just commissioned one or two months back. It will take another one to two months for that to be fully operational so there is no substantial revenue generation has happened. It will take some time.

Rajesh Bhandari: If it will be operational at full capacity then? Is the demand of that product good?

Madhav Kejriwal: Sir demand is good. Whatever pipes we put the gasket is being used in every pipes. There is another aspect to it. Plus we are looking at other products that we can make with the same machinery so we are on the drawing board how to maximize this. In terms of valves as I mentioned sir, Euro 40 million is already the turnover and we are expecting 15% growth in this year-on-year.

Rajesh Bhandari: Yes, so will they give in India now or will you start in India now?

Madhav Kejriwal: Sir, they are already supplying in some particular markets in India but they are supplying from Italy. So, as I mentioned, this is a product which is not manufactured in India at all. A lot of what they manufacture, some of it is a lot of what they manufacture and specialize in is not made in India. So, our whole idea behind this acquisition is to gain the know-how and the production strength from them and then replicate that at a cost effective level at India and not only manufacture in India for India but also export from here.

Rajesh Bhandari: Yes, of course, that will be a big gain Sir.

Madhav Kejriwal: Absolutely. We have retained the entire team and the gentleman who was the promoter of TIS, he has come on board to head the entire valve unit for us. So, it's going to be a very interesting exercise and a very promising one.

Rajesh Bhandari: In fact, there is a lot of demand for such valves in India.

Madhav Kejriwal: They are all imported.

Rajesh Bhandari: Yes Sir, if they start being manufactured here, then in fact your gasket will be in that too.

Madhav Kejriwal: Yes Sir.

Rajesh Bhandari: Thank you very much.

Madhav Kejriwal: Thank you.

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

Madhav Kejriwal: Thank you all for dedicating your valuable time and engaging with us during the concall. I want to reaffirm that the company is not only expanding, but also preserving the robustness of its balance sheet. Moreover, it is strategically poised to capitalize on the increased domestic and global investments in water infrastructure. Should you have any questions, please reach out to E&Y, our Investor Relations Consultants. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Electrosteel Castings Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.