"Kirloskar Ferrous Industries Limited Q4 FY2023 Earnings Conference Call"

15 May 2023

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Moderator: Ladies and gentlemen, good day and welcome to Kirloskar Ferrous Industries Limited Earnings Conference Call hosted by Antique Stock Broking. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pallav Agarwal from Antique Stock Broking. Thank you and over to you Sir!

Pallav Agarwal: Thank you Zico. Good evening everyone and welcome to the 4Q results call of Kirloskar Ferrous. We have the senior management today represented by Mr. R. V. Gumaste, the Managing Director and Mr. R. S. Srivatsan, the Executive Director (Finance) and CFO, . So I will now hand over the call to Mr. Gumaste for his opening remarks. Sir over to you!

R. V. Gumaste: Thank you Pallav. I am R. V. Gumaste, Managing Director, Kirloskar Ferrous Industries Limited. It is my pleasure to welcome all of you ladies and gentlemen to Q4 earnings quarterly call of Kirloskar Ferrous Industries Limited. I am sure we have published the results so all of you must have gone through our quarterly results I would not repeat them I am sure you have the opportunity to go through them.

Let me just take you through a few highlighting points. During the year 2022-2023 we could manage to produce 5,27,000 plus liquid metal and this was against 5,33,900 tonnes last year, which is you can say a drop of 1% in the hot metal output but during this year we completed in Q1 upgradation of blast furnace II so there was a stoppage up to July and also from 17 February 2023 we took the shutdown of blast furnace in Hiriyur for the refractory lining so in spite of these two stoppages which were required for the refractory lining and technology upgrade on blast furnace II we could still manage to produce 5,27,000 against 5,33,000 that completed this upgradation work. With this we have upgraded blast furnace II as well as blast furnace I; however, we plan to take stoppage of blast furnace I to do some maintenance work and changing of the belt system to Bell Less Top or BLT for blast furnace I during the June, July and August to complete the left out work on blast furnace I. In spite of these stoppages this year compared to last year's 5,33,900 all is going well. We plan to produce another 10% more from the same blast furnaces and looking forward to go towards 5,80,000 tonnes of hot metal production during 2023-2024 which will give us a volumetric growth of close to 10% on the pig iron production and thereby the pig iron sales. During this year we also produced castings of 1,38,000 metric tonnes against 123,000 metric tonnes of castings which is a growth of 12.2%. With respect to pig iron sales quantity, we sold during 2022-2023 4,82,000 metric tonnes against 4,95,555 metric tonnes last year so sales wise it is down 3% so we consumed more pig iron in our foundry thereby this production not so much of increase in the inventories. Casting sales increased from 114,342 to 130,345 metric tonnes which is a growth of 14%. During the year there were indefinite commodity price increases as well as sales realization improvement both in pig iron and foundry. Our sales of pig iron went from Rs.2,200 Crores to Rs.2,374 Crores an increase of

8% which is mainly because of the pig iron sales realization improvement from Rs.44,400 to Rs.49,400 an increase of 11.2% in spite of drop of volumetric sales by 3% we could achieve topline growth of 8% because of the inflation. On the casting front our sales was Rs.1,672 Crores against Rs.1,290 Crores which is a growth of 30% and which also came because of the increased prices of the castings as well as because of the increased volumes and increase was 12.2% whereas the growth in the sales volume of castings by 30%. Overall company level with pig iron and castings our sales went to Rs.4,150 Crores against Rs.3,615 Crores a growth of 15% for the year. The pig iron realization went from 44,000 to 49,400 and castings sales realization from 1,12,000 to 1,28,000 a small increase of almost 12%. For the coming year also we look forward to increased sale of castings because of the increased demand for the castings from the automotive sector as well as from the automobile equipment and off highway requirements and as all of you know we have commissioned moulding line of the foundry II in Solapur and we expect to productionize during this year and get some volumetric growth from Solapur line II and some debottlenecking activities resulting into increased production in sales from line I, II, III whereby we should be able to make a progress of another 15% volumetric growth in castings production and castings sales and in addition to this on the overall front including our progress that I can see we expect increased production of steel and increased sale of seamless tubes contributing to the increased sale and production and sales at ISMT as well due to the consolidated income and profitability of KFIL.

With respect to debt, the increase or rather I would say that compared to last year Rs.1,193 Crores we remained at Rs.887 Crores but this was also because of certain short-term borrowings to take care of obligation of open offer at ISMT. Those have been put in place and we have also received back to us the loan given to ISMT Rs.194 Crores,which has helped us to bring down the borrowings to reasonable level around Rs.800 Crores.

With respect to projects, we have completed the coke oven phase 2 project and we have also almost completed the power plant connected with the coke oven phase 2 though we are yet to generate full power, which will happen over the next one month's time so with that we will be completing the coke oven phase 2 and power plant phase 2. With this we have the coke oven capacity of 400,000 tonnes per annum and power plant connected with the coke oven with 40 megawatt. Line II in Solapur we have almost completed with the phase 1 which has a capacity of 20,000 metric tonnes and we are starting the process including the environmental clearance and implementation of phase 2 to make line II in Solapur also 40,000 metric tonnes and we would be shortly taking up the phase 2 and completing it over one year's time with an investment of about Rs.70 Crores to Rs.80 Crores. So far foundry in Solapur to produce large castings which are beyond 300kg going up to 2 tonnes will be implemented within the next one year with an investment of about Rs.130 Crores and this will increase the capability of KFIL to go for the large castings, which have the demand from a group company as well as our customers who are off highway equipments and engine manufacturers. We are also taking certain debottlenecking projects and projects to mitigate the coke consumption and to increase the output from blast furnace in Hiriyur which includes certain projects like stove, reheater, truck tippler, stove upgrade, water storage capability, pulverized coal injection, BLT and upgrading the refractory of the blast furnace in Hiriyur with the debottlenecking projects all put together investment of about Rs.100 Crores over the next one year to take the hiriyur pig iron plant productivity up and cost reduction to make it competitive and in line with the two blast furnaces at Koppal. With this we remained committed to the growth project and we expect them to progress in line with what we have planned and only one of the projects, which is still WIP is the iron ore mines, which though they have progressed still not operational. In the meantime we are going ahead and filing the necessary applications we have already signed to get environmental clearances to go ahead with the steel project at Koppal and also certain additional projects in line with our roadmap of growth projects. With this I close my opening remarks and would request if there are any questions which I can address. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. Our first question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Thanks for the opportunity Sir. Sir my questions are on the castings division that if I just add up all the foundry capacities that you mentioned and if we also take into account the 30,000 tonnes of Oliver acquisition which will come so we will have 2,30,000 tonnes kind of a casting capacity and we are right now at 1,38,000 tonnes of manufacturing so what gives us this confidence that like we will be able to reach those 2 lakh plus kind of a number in the next few years?

R. V. Gumaste: I think two important aspects the customer acquisition today we have OEM customers of 26 and we have always been falling short in capacity to take care of customer requirement leave along putting additional effort to increase the share of business and develop more castings we have not been able to deliver decent requirement of our customers and that can bring down the customer satisfaction with respect to not able to fulfill requirement and the interest in KFIL with respect to developing more casting continues and we have been doing well in new product development and quality performance, delivery performance and expansion of the business with the value customer is our logical conclusion and we would like to take it forward. I think there is an increased demand and current available customers' requirement is of the order of 3,00,000 whereas we are still at 1,50,000 run rate about 12,000 tonnes per month. We have made our own plans to increase the output and sales 15% year-on-year and then take the journey to 2,30,000 tonnes within the next two to three years.

Digant Haria: Great Sir. That is very good to hear that. Sir second question is that a lot of these global players are looking at foundry partners in India so are a lot more foundries coming up or are things for you becoming easier or more difficult in terms of competition in this space?

R. V. Gumaste: See there are various opportunities in this field. Smaller components and castings moulding lines is one big area. Similarly large castings, windmill castings, SG Iron castings that could be another field so it is a big field and the annual production within India is 12 million metric tonne of castings and we are operating in a very small area wherein we are talking about 3 million metric tonne of our capacity in an area of you can say high pressure moulding, box based moulding line, high productive moulding line, critical casting manufacturing sector which is about 2 million market in India including the exports. We are occupying 3,00,000 is what we are looking at which would be like 15% to 20% of that market. I think there are plenty of opportunities which we desire and if you really want to expand there are lot of opportunities.

Digant Haria: Right Sir so basically right execution of the foundry and the quality of castings will be the determining factor you are saying opportunity is not a problem?

R. V. Gumaste: Opportunity is not a problem and also well integrating the cost structure so that we have the right power, right metal and processes are very, very important but the cost structure also we have built up with the hot metal availability on the background with the power being available either through green solar power or waste heat recovery power so they all support in making our business competitive, good for the customers as well as profitable for us.

Digant Haria: Right Sir. Thank you so much for the detailed reply. Sir the last question would be on the machining side castings are we thinking of increasing the proportion from say 20% which we are right now and would we do more advanced kind of machining or we would continue with the machining that we already do?

R. V. Gumaste: We are committed to deliver machined casting to our customers where our customers want machined castings that is definitely our priority but in many cases customers would have their own machine shops we give them the raw castings or if they have partnered with somebody we partner with them to deliver the castings to the extent they need machined we are there but we also have the most capability to deliver fully machined castings and we will be working towards giving our customers as fully machined casting as possible because machine shop closer to us is always an advantage to cut down the rejection and deliver the defect free castings to our customers.

Digant Haria: Thank you so much and all the best.

Moderator: Thank you. Our next question is from the line of Shalini Vasanta from DSP MF. Please go ahead.

Vivek Ramakrishnan: Sir this is Vivek Ramakrishnan. Last year you financed your capex comfortably through your internal accruals on a consolidated basis I am saying Sir both ISMT and Kirloskar Ferrous. how do you see the debt levels moving this year would you require additional debt or you mentioned Rs.200 Crores of capex in two separate projects but what will be the total capex on a consolidated basis?

R. V. Gumaste: Coming to one of the important projects which will come is working with green power, and solar power under ISMT. We have already gone ahead and ordered and we are implementing 70 megawatt solar power plant which is close to Rs.300 Crores of investment but that is a beginning. We also need another 100 megawatts of solar to cover substantial demand of power through solar green renewable energy in ISMT and also in turn our power cost will substantially be adding to the value addition under ISMT steel making and tube making and they will require some amount of borrowings but we will have substantial investment coming out of our own internal accruals that part will come through the funding through debt and as usual we look forward to pay them back in about three to four years' time and not really very long-term debt.

Vivek Ramakrishnan: Excellent Sir and these power projects will come through the current year or next one or two years?

R. V. Gumaste: The first one is coming this year itself the next one will come in the next year.

Vivek Ramakrishnan: This year the capex will be around Rs.700 Crores would that be an approximate ballpark number consolidated?

R. V. Gumaste: No, capex under ISMT for solar this year will be Rs.300 Crores we expect another Rs.400 Crores in the next year.

Vivek Ramakrishnan: No Sir on a consolidated basis across ISMT and Kirloskar Ferrous projects?

R. V. Gumaste: Around Rs.500 Crores between these two companies.

Vivek Ramakrishnan: Excellent Sir. Thank you very much and wish you all the best.

Moderator: Thank you. Our next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Thanks for the opportunity Sir and congratulations for a really remarkable performance in terms of improving productivity, reducing cost. I think you are one of the best example for Indian castings manufacturing hearty congratulations Sir. Sir my question is on ISMT your basic strategy always is to reduce all the cost in terms of whether it is raw material consumption, employee cost, power cost and other cost so over the next two to three years what do you want to do or you wish to do at ISMT if you can little qualitatively elaborate?

R. V. Gumaste: Yes I think the line of thinking is very clear. I think we are in the area of cost of power and productivity which means that debottleneck and increase the productivity and production of steel as well as tube and not really setting up a new steel plant immediately or setting up new tube plant but debottleneck and capacity utilization, deliver customers want and we expect that we can take it to say 3,00,000 tonnes of steel and 2 to 2.5 lakh tonne of tube which means we will take ISMT to at least Rs.4,000 Crores turnover and typically we expect these businesses to be with the cost optimised at 15% to 16% of EBITDA, 10% to 12% of PBT that is what we look to make them healthy. The area would be to mitigate and reduce the power cost which is like power and fuel today 15% to 16% in ISMT and we look forward to bring it down to 4-5% level.

Sunil Kothari: Sir were you able to reduce the wastage and cost reduction those things are as per plan going on after ISMT we acquired?

R. V. Gumaste: See I would rather say that what we focused last year is how do we make availability of maintenance spare parts, availability of consumables and do certain basic health improvement activities quickly whether it is sheets, structures, roads, lot of things so that what has suffered over the last two decades is restored back and plant becomes good, healthy, presentable this is priority number one, the maintenance staff gets, the spare parts to be maintained and then stability of operations and then productivity improvement, quality improvement will roll out automatically but we were correcting the basics to make the plants healthy.

Sunil Kothari: I understand we are very bullish on castings it seems that infrastructure development hopefully is happening and should happen so because of that this auto equipment of road vehicles and construction equipments how fast we want to enhance our capability and capacity for those casting requirement, what is the current size and how we are progressing?

R. V. Gumaste: We are working with all the customers connected with the infrastructures basically three to four major customers in the field and they have a lot of interest in KFIL and we have a lot of interest with these customers and we have to see what is the kind of foundries we have which is presently four and hopefully we add one more to make it five but whatever fixed is our portfolio and we are working very closely with these customers and if we have to develop another foundry to deliver their increased volume requirements we are very keen and very interested to ensure that the equipment of highway customers are fully and properly serviced and we take that opportunity at KFIL. Yes we are working very closely with those customers.

Sunil Kothari: Great Sir. Wish you good luck. Thank you very much.

Moderator: Thank you. Our next question is from the line of Aashav Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel: Good evening Sir. Congratulations on a stable set of numbers despite the challenging macro environment especially the coking coal volatility and volume loss due to plant stoppages. So Sir my first question is regarding Oliver Engineering we have been selected as H1 for Oliver so I understand you cannot share all the details but just wanted to get a brief and you mentioned the capacities on today's news interview of 28,000 metric tonnes but how about machining capacity, what machining capacity they have, what are the expertise which they are having, are there any expansion approval with the company, what would be replacement cost of the assets, can you please throw more light on the same?

R. V. Gumaste: With regards to the machines there is no capacity.

Aashav Patel: No machining capacity?

R. V. Gumaste: No machining capacity over there. As regards to what is the capacity, what we will do and what we will make, and how much we will produce once the acquisition process is over I will speak to you.

Aashav Patel: Sure and Sir regarding pig iron segment so you mentioned on the interview today that margins are expected to stay in the similar range consolidated in the current range but as we can see the coking coal is down over the last three months close to 35% from $400 to $250 so should not this lead to margin improvement over Q1 and Q2?

R. V. Gumaste: I think it is very important to know that the pig iron prices were never in line with $400 for coking coal and we never bought $400 coking coal. Our highest bookings were in the range of $300 blended $290 kind of thing and it was challenging to manage even those coking coal prices to make the pig iron and deliver so we could manage the blend and avoid $400 buying. Now the prices have come down to $250 but there is always inventory for at least three months including what is in the plant and port and what is on the ship and what is contracted. All these are commitments we cannot go back so two to three months it is normal the inventory hike and as the prices have come down we have started other movements for procurement but it will take some time to pig iron prices to pick up when the prices go up, the pig iron prices to come down when the prices go down but I would say that we never really touch those $400s but today if you talk of blended $250 it will take some time to really adjust the prices at least three months time so downward correction of coal prices happens it is always a little bit up in cycle and going up is the beneficial cycle.

Aashav Patel: Sure. Sir assuming that realization stays the same for the next one quarter Q2 can really be beneficial considering that we carry three months of inventory of coking coal with us Q2 can be significantly different in terms of margin profile compared to Q1 is it correct understanding if the realization stays the same obviously?

R. V. Gumaste: No I think what is important is we have avoided the peak prices in the coking coal then it will allow us to have some positive margins stable margins that is what we tried to do. Every time you cannot catch the bottom but after having done providing the peak prices of coking coals how do we really get our margins and how do we mitigate the cost pressures working with pig iron pricing and working with the coal procurement strategy I would say that we did reasonably well last year because we went through the cost pressures but I think this year as well there are certain challenges but we are looking forward to improve the sentiments on the iron and tube segments which is not really very attractive today but we look forward that once the coal price may be come down which we are seeing now but after a couple of months we will get the benefits.

Aashav Patel: Sure Sir so what would be our blended coking coal price can you please share the rough figure for Q1 FY2024 versus Q4 last quarter?

R. V. Gumaste: I would say that end of the Q4 and beginning of the Q1 of this year we are talking about blended price of very close to 300 so after the two months or so we can come to blended $250 so $30 to $40 difference can come after a couple of months and then only we get our margins restored.

Aashav Patel: Got it and Sir coming to the castings segment so as we have announced capacity enhancement from 1.5 to 1.7 in phase 1 by investing close to Rs.200 Crores but earlier our plan was to invest Rs.200 Crores for expansion of 50,000 metric tonnes is that the correct understanding from 1.5 to 2 lakh?

R. V. Gumaste: Yes you are right the first three foundries the installed capacity is 1,50,000 and we said we will invest in two phases about Rs.250 Crores and we add another 40,000 tonnes capacity and take it to full capacity to about 2,00,000 metric tonnes.

Aashav Patel: How much will be the total investment?

R. V. Gumaste: About Rs.170 Crores to Rs.180 Crores we have already done in phase 1, another Rs.70 Crores we will invest in phase 2 to make Solapur line to 40,000 capacity.

Aashav Patel: Go it Sir and you mentioned on previous concall that with current demand in the castings segment we were evaluating increasing the capacity from 2 lakh to 3 lakh by setting up two new lines by investing Rs 250 Crores each so even after the Oliver Engineering announcement if we win the bid would you be still keen to go ahead with organic expansion?

R. V. Gumaste: I would say that including the Oliver expansion we will still look forward to total capacity creation of 3,00,000 tonnes.

Aashav Patel: This would be in the next two years right?

R. V. Gumaste: Including the Greenfield, Brownfield and acquisition all put together 3,00,000 and that is our roadmap for the next two to three years after that we will have to develop our strategy afresh but right now we are looking towards capacity of 3,00,000 total.

Moderator: Thank you. Our next question is from the line of Sahil Sanghvi from Monarch Networth Capital Limited. Please go ahead.

Sahil Sanghvi: Good evening Sir and thank you for the opportunity. My first question is regarding the large casting foundry so when we do expect this capacity to be set up and what kind of revenue potential can we expect here?

R. V. Gumaste: Sahil as you know this two-part foundry large casting foundry is not a standard box size foundry it is a less number of castings, different variety of castings to be made with a flexible forces we have been taking a bit longer than standard time in strategizing and planning this foundry. We have not yet really broken the ground, we are still in the process of planning, strategizing and also finalization of the equipments and process of the foundry and which we plan to complete at the most couple of months and thereafter it will take one year for the foundry to come up and second part of the question is we are planning to take up the capacity of about 1,200 tonnes with a revenue potential of Rs.300 Crores as topline.

Sahil Sanghvi: How much you said?

R. V. Gumaste: 1,000 tonnes per month and 12, 000 metric tonnes per annum of two-part large castings.

Sahil Sanghvi: Revenue potential of Rs.300 Crores?

R. V. Gumaste: Yes.

Sahil Sanghvi: Rs.130 Crores capex for this foundry will not happen this year the complete capex?

R. V. Gumaste: Within next one year it will happen. It could be one year to one year one more quarter so it will happen partly in this financial year and partly in the next financial year.

Sahil Sanghvi: Sir just I was trying on the Rs.400 Crores capex that you have guided for FY2024 for the large casting foundry Rs.100 Crores at hiriyur the PCI and also the Solapur phase the second foundry right?

R. V. Gumaste: In fact I just mentioned Rs.500 Crores consolidated between KFIL and ISMT. It could be about Rs.300 Crores to Rs.400 Crores in KFIL, balance Rs.300 Crores between the two years in ISMT.

Sahil Sanghvi: My second question would be regarding ISMT so this morning in the interview you have guided about a 10% volume growth so this is somewhat lower from about 15% you were targeting before so any kind of demand weakness are you observing or what has led to the guidance coming down over there?

R. V. Gumaste: No I think my anticipation is that we will have overall pig iron will be 10% growth. Casting would be 15% growth and tubes would be 10% to 11% growth and steel could be around 25% growth. Overall I can expect around 13% growth and may be the castings my anticipation is about 2% to 3% downside so the topline growth comes to 10% to 11%.

Sahil Sanghvi: Got it Sir. Thank you. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Good evening Sir and congratulations on a good set of numbers. Since we have spoken so much on the casting and tubes so I want to understand this pig iron by year end what will be our total capacity and what is the cost reduction measure that we have initiated or taken in past as well as in the current year so approximately per tonne what kind of a cost can come down?

R. V. Gumaste: It is quite complex mechanism. What I would say is out of the various cost reduction measures we have been able into get the benefit in terms of coke consumption reduction they are in place, power generation is in place, power utilization is in place and I would say that if you look at proper and full capacity utilizations without major stopages could happen from next year. Also all the volumes will go to lower levels and those productivities will give the benefit on cost as well and I would refrain from putting the numbers because it is a lot more complex but all these efforts are to see that we maintain the growth plans and maintain the EBITDA generation ability in the order of 15% to 16% that is the game plan on which we are working.

Bharat Sheth: Fair Sir and the second question all these are volume growth you have said but at times will decline could be 2% to 3% is it because of input cost is going down and overall how do we see the EBITDA trending so whether in pig iron per tonne and steel per tonne, casting per tonne and tube is of course as a percentage so how do we see all initiatives in 2024 and 2025 over 2023?

R. V. Gumaste: I am not talking about 2025 but currently 2023-2024. some commodity price corrections have happened already and they are in the process which we will pass on everything to our customers thereby there may be a downward correction of 2% to 3% and our growth of 12% to 13% can take us to topline growth of 10% and if we go in the current estimate and you never know commodity cycle there can be new change coming and currently Q1 normally lower cycle but closer to the festival times after tractor peaks in June things could be changing and I am not in a position to see that future but I would safely say that some commodity price corrections could result into our own product price corrections basically to correct the product pricing based on the liquid metal cost commodity price correction. Hope that we will maintain our margin like last year.

Bharat Sheth: What is our borrowing at the end of the ISMT and KFIL put together and how do we see the end of year with this Rs.500 Crores kind of a capex in end of 2024?

R. V. Gumaste: See major part of this Rs.500 Crores especially this year almost Rs.300 Crores is towards the cost reduction which is the power cost reduction coming because of the solar not in terms of really debottlenecking and increasing the topline but lot of work has been done over the last two years in enhancing the capacity and debottlenecking, which should keep supporting us to grow especially this year and next year, next to next year. I think in ISMT also we have something to do on the debottlenecking but the low margins which is on power cost mitigation and getting the quick benefit going solar and reducing the power cost so ISMT investment more focus is to make the steel making and tube making margin improvement and make them stable and cut down the power cost that will be mainly in ISMT and some activities which are ongoing in Hiriyur with respect to related to blast furnace. In Solapur related to completion of phase1 of line one and completion of phase2 of line two and two-part foundry project on the casting side.

Bharat Sheth: How do we expect this will be largely from internal accrual or we will need some extra borrowing?

R. V. Gumaste: I would say largely from internal accruals. we may have to borrow some thing for the solar power plant.

Bharat Sheth: Fair. Thank you and all the best Sir.

Moderator: Thank you. Our next question is from the line of Aanchal Bagaria an Individual Investor. Please go ahead.

Aanchal Bagaria: Congrats for the numbers. Sir I would like to know like after the relining of the Hiriyur furnace what is the production enhancement that we can expect from the relining in the pig iron capacity?

R. V. Gumaste: I think some improvement has already come. We have done something on the store to increase the temperature and certain things on the blast furnace. I expect I think it has already gone from around 500 tonnes a day to 550 tonnes a day. I think about 30 to 40 tonnes per day and we should be able to look forward to produce 1,80,000 tonnes in Hiriyur.

Aanchal Bagaria: Another question would be like is there any another shut down planned in the coming times?

R. V. Gumaste: Shut down of blast furnace is planned for the June, July and August.

Aanchal Bagaria: What would be the impact on the production because of this?

R. V. Gumaste: In spite of this shut down so this year I think we will produce 5,80,000.

Aanchal Bagaria: 5,80,000?

R. V. Gumaste: About 10% more than last year.

Aanchal Bagaria: One last question if I can get a rough idea on what is the captive pig iron consumption that is used in our ISMT and castings production?

R. V. Gumaste: The captive production is already in place so it may improve a little bit marginally like against 5,27,000 tonnes I think our pig iron sales is 4,80,000. so our hot metal production is 5,27,000 tonnes against that 4,80,000 is our pig iron sales so it is after consuming the production in the production process and consumption of liquid metal in the castings that is not detected against the pig iron sales to ISMT and that could be in the order 60,000 to 70,000 tonnes per annum so once we merge that will also become internal transfer and not sales.

Aanchal Bagaria: Okay Sir. Thank you so much.

Moderator: Thank you. Our next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Good evening Sir and thank you for the opportunity. Sir our deemed exports volumes for the year are around 29,000 tonnes so just wanted to understand let us say these companies have to procure these castings from Europe or US or other regions what would be their average costing for them our blended costing is around Rs.129 right now so just wanted to understand the differential in the pricing?

R. V. Gumaste: No there are two kinds of when we say deemed export we are talking about not exporting castings but exporting engines ,vehicles ultimately our castings going out of the country as part of the engine this is one and second is we sell it to Indian partner and Indian partner exports castings without machining or with machining and the other one is the replacement of input by our Indian supply within India but we are generally talking about our castings going out either machined or unmachined.

Chetan Phalke: Sir I just wanted to understand the differential between let us say the cost of casting procurement in US and Europe versus in India, just wanted to figure out how cheaper is it to procure these castings from India operations for global counterparts as well?

R. V. Gumaste: Yes I think there is substantial difference in the pricing than the customers in Europe and US earlier one of the option was China and I think there is increased interest for procuring from India in place of China as well as some of the replacement from European foundry to Indian foundry and the commercial or price differential is very substantial and it is a big opportunity for India to sell in that market.

Chetan Phalke: Will it be more than 20% to 30% or even more than that?

R. V. Gumaste: Typically 30% to 40% is the difference.

Chetan Phalke: Sir you just mentioned that we are going to put up a large size casting unit around 12,000 tonnes so it works out to be, I think those castings will be of Rs.250 a kilo realiation. so what will be the margin difference in the business that we do currently versus the large size castings is it a higher margin business comparatively?

R. V. Gumaste: The productivity levels of two-part foundries are very low, manual interventions are high and these are large castings. Mould costs are high and typically I would say that considering all these we may get also lower productivity from the captive installed, because of this the two-part foundry casting prices are much higher and margin per kg would be higher but overall you can expect similar kind of contribution with respect to the capex so a typical 1,000 tonne foundry of two part is equivalent to 2,000 tonnes foundry of high pressure moulding line so it is that kind of ratio.

Chetan Phalke: Got it. That is it from my end Sir. Thank you very much.

Moderator: Thank you. Due to time constraint that was the last question of our question and answer session. I would now like to hand over the conference to the management for closing comments.

R. V. Gumaste: Thank you very much. I think it was a pleasure talking to all of you and thank you very much for your interest in KFIL, Kirloskar Ferrous Industries Limited and I look forward to talking to you after the Q1. Thank you very much and back to the coordinator. Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.