

Electrosteel Castings Limited
Q2 & H1 FY25 Earnings Conference Call
Oct 30,2024

Moderator: Good day and welcome to the Q2 & H1 FY'25 Earnings Conference Call of Electrosteel Castings Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone. 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.

Vikash Verma: Thank you, Mike. Good evening, everyone. On behalf of Electrosteel Castings Limited, I welcome you all to the company's Q2 FY'25 Earnings Call.

To discuss the performance of the company and to answer the questions we have with us from the management team, Mr. Madhav Kejriwal, Whole-time Director, Mr. Sunil Katial, Whole-time Director and CEO, Mr. Ashutosh Agarwal, Whole-time Director and Chief Financial Officer, and Mr. Gaurav Somani, General Manager, Finance.

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. Please note that this conference is being recorded.

We will now start the session with opening remarks from the Management Team, afterwards, we will open the floor for an 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, Madhav.

Madhav Kejriwal: Thank you, Mr. Vikash. A very good afternoon and a warm welcome to all. I would like to start by wishing everybody a Very Happy Diwali.

Let me run through the Company's Financial Results for Q2 & H1 FY'25. The Company's total income stood at Rs.1,849 crores during the second quarter of FY'25, down 4.6% compared to

Q2 of the last financial year. This was mainly on account of the shutdown taken of the MBF at the Srikalahasthi unit.

Our H1 total income stood at Rs.3,885 crores, which is up 6.5% compared to the previous H1. Our production is now stabilizing and we expect improvement in volumes and overall profitability going ahead.

Highlighting our balance sheet strengths, our net debt-equity has further improved to 0.27 times as on 30th September 2024.

We are very pleased to inform you that all our long-term credit rating has been upgraded by India Ratings from 'AA Minus' to 'AA' during the quarter.

The company's DI Pipes sales volume stood at 1.76 lakh tons in Q2 FY'25 and 3.68 lakh tons in H1 FY'25. Export contributed to 13% of the total DI volumes for the first half.

We at Electrosteel are amongst the few companies in the globe with the pure play focus on ductile iron pipes and fittings. We are the pioneers of ductile iron pipe products in India and have maintained our leadership stance in the industry by building capacity at regular intervals to drive growth. The company's ongoing CAPEX is progressing as planned. We aim to enhance production capacity to 1 million tons by the end of FY'26.

The Government of India's Viksit Bharat Vision, which includes Jal Jeevan Mission and AMRUT 2.0 provide robust demand visibility for DI pipes and fittings. Additionally, the governments across the globe are looking forward to modernizing their water infrastructure. We are one of the most preferred suppliers of ductile iron pipes, thanks to a strong brand recall.

ECL is well placed to ride on growing water infrastructure globally spending. Our team across functions offers a customized solutions to our esteemed customers, resulting in customer satisfaction.

I would now like to hand over the floor to my colleague, Mr. Ashutosh Agarwal, Whole-time Director and CFO for taking you through the Financial Highlights.

Ashutosh Agarwal:

Thank you, Madhav, ji. Good afternoon to everybody and wish you a very, very Happy Diwali to all of you. Today, we are in discussion with the earning call for Q2 and H1 of FY 2024-25. First of all, we would like to discuss about consolidated results of Q2 FY 2024-25. Total income stood to 1,849 crores, impacted by planned shutdown as narrated by Mr. Madhav Kejriwal of our blast furnace in Kalahasthi unit during this quarter. EBITDA was at Rs.289 crores, EBITDA margin declined by 82 bps year-on-year basis to 15.6% impacted by lower volume as stated by us. PAT reported at Rs.155 crores, PAT margin was 8.4%.

Now, on the "Consolidated H1 Results." Total income grew by 6.5% year-on-year to Rs.3,885 crores. EBITDA surged by 31.8% YoY to Rs.666 crores, EBITDA margin expanded by 329 bps YoY

basis to 17.2%. PAT grew by 52.8% YoY basis to Rs. 381 crores in H1, PAT margin expanded by 297 bps YoY basis to 9.8%.

Now, we are talking about "Standalone Results of Q2 FY 2024-25." Total income stood to Rs. 1,712 crores impacted by plant shutdown as stated by us. EBITDA is Rs. 270 crores. EBITDA margin was 15.7%. PAT stood to Rs. 152 crores, PAT margin stood to 8.9%.

Now I'm talking about "Standalone Results of H1 for the year 2025-25." Total income grew by 4.3% year-on-year to Rs.3,564 crores, EBITDA surged by 21% year-on-year to Rs. 623 crores, EBITDA margin expanded by 242 bps year-on-year to 17.5%. PAT grew by 37.2% year-on-year to Rs.364 crores, PAT margin expanded by 245 bps year-on-year to 10.2%.

I am talking about CAPEX plan. We have spent nearly Rs. 440 crores till September 2024 and the progress of the balance portion is as per the schedule. We target to enhance that our DI Pipe manufacturing capacity to 1 million ton maybe by FY 2026. Now, we open the floor for question-answer session. Thank you very much.

Moderator: We will now begin the question-answer session. The first question is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: Sir, my first question pertains to our gross margin, which though improved on sequential basis, improvement is slightly lower than what we would have anticipated. So what kind of coking coal and iron ore benefit we have got in 2Q and what it is going to be in 3Q.

Gaurav Somani: So, Vikash, in Q2, our gross margins what we reported was around 50.7% as compared to last year it was 49.4%. So, we have done around 130 basis points improvement. So on the gross margin side, there's improvement if you see year-on-year or maybe quarter-on-quarter. The coking coal prices have come down during the quarter and as we speak, it is further down. So, obviously the benefit of the coking coal price will be there. Iron ore prices was little volatile between Q1 and Q2, it was on the upper side, now it's more or less stable. So we expect the raw material prices to support going forward.

Vikash Singh: So just wanted the quantification, what kind of benefits we can get in 3Q? Have we got the majority of the benefits already in 2Q or majority will come in 3Q if you just could clarify on that point?

Gaurav Somani: Vikash, we have booked good amount of coking coal and we have inventory and in Q3 going forward we feel that there will be some more benefit coming from coking coal side.

Vikash Singh: Second question pertains to the shutdown thing. So how much on the EBITDA per ton basis is impacted and going forward what should we take as a steady state EBITDA per ton for the second half?

Madhav Kejriwal: I think in terms of EBITDA per ton, maybe you can say half a percentage impact has come from the shutdown and going forward, stability on the EBITDA for the short to mid-term is envisaged.

Vikash Singh: Second question pertains to the general market. A couple of the people have in the same space have commented that of late the order inflow had been a little bit slow from the government side. Just wanted to know your comments, how we should look the order book for yourself as well as if the inflow is really slowing down or you are seeing the market being buoyant as usual?

Madhav Kejriwal: So, the reason for the slowdown is essentially that now that the new term has started, they are kind of collating and recalibrating the progress made so far and what the ways forward is. I'm not very concerned about this on a long-term perspective and I'm very hopeful that the outlook for demand remains the same, it's a temporary pause.

Vikash Singh: What is your current order book in terms of month or tonnage whatever you can give us? And also the next one to two years kind of the market of the DI total tonnage which is pending to be awarded, if you would have that number?

Madhav Kejriwal: Today, we stand at around nine-month order book and at the moment around 6.5 million tons worth of order book is pending, to be finalized and I don't think this will change anytime soon. Whatever order booking will be done, will be constantly refilled with new demand. Maybe 6 to 6.5 million ton of requirement will constantly be there in the pipeline.

Vikash Singh: From 18 to 24 months perspective, right?

Madhav Kejriwal: Yes, please.

Moderator: We have the next question from the line of Radha from B&K Securities. Please go ahead.

Radha: Just continuing with the question that the previous participant has asked, so you mentioned that we will see the benefit of coking coal prices in the coming quarters 3Q or 4Q if we assume. So, the EBITDA per ton of second half could look much higher than the first half. So, on a blended basis, if we take Rs.18 or Rs.19 or Rs.20 per Kg for FY'25, assuming we are targeted to

do 8.5 lakh tons of volume in FY25, so our DI EBITDA comes to Rs. 160 crores. But when this benefit of coking coal subsidy, maybe after two to three quarters when the price is stabilized, so next year we are targeting to achieve around 9.3 lakh tons of volume, so 10-11% volume growth, but on the other hand, the EBITDA per ton could come down because of the stability in coking coal prices. The 10% volume growth may not be enough to offset the stabilization in coking coal prices. So, just wanted to know that is it a fair assumption that the FY'25 EBITDA on DI because of these dynamics will remain stable in FY'26 and on an overall DI EBITDA may not be a growth in FY'26?

Sunil Katial: I agree with you on the fact that the stability of EBITDA going forward will be there. Growths beyond this point will not be, I don't know, I mean if luck favors then yes of course, but barring that from what we can envisage further growth from here is not something that we are looking at, in terms of percentages, not in terms of absolute numbers of course.

Madhav Kejriwal: Madam, one thing, when the volume will go up, there will be a decisive advantage also on the variable cost and major on the fixed cost. So that also should take care of a part of the negative impact of what you thought about coking coal and all that.

Radha: Sir, assuming that in FY'25, if we close the year with Rs.19 per Kg EBITDA on DI, so assuming all those benefits come through, do you expect the EBITDA per Kg to be slightly lower than FY'25 in FY'26?

Madhav Kejriwal: It will be very difficult to give you an answer in absolute numbers, ma'am. Again, as I mentioned, percentages is a better way of looking at it because of course if there is an eventual impact on selling price of the reduction in the raw material prices, it does not reflect immediately, but if both coking coal and iron ore prices reduced, from a mid-term perspective, we will see an impact on the per ton selling price. So, we like to stick to the percentages and I'm highly confident that we will be able to maintain these percentage points.

Radha: My second question is on the bidding front. I just wanted to understand that when we started the year in FY'25, so what were the realizations that we were getting while bidding for the project on a per ton basis? And considering that there is correction in raw material prices, so just wanted to understand that for the current bidding that we are doing currently, so how has the realization spread out now compared to what it was six months back?

Madhav Kejriwal: There's a very minor downward correction.

Radha: How do you see it going forward, sir, considering that raw material prices are coming down?

Madhav Kejriwal: The raw material prices are coming down. Demand is still robust. So, I don't feel that there will be any major correction in the selling price as of now, maybe a slight dip and then a slight increase from quarter-to-quarter depending on the demand pull as we were discussing earlier in the call, because there was a minor slowdown due to the rains, plus the government kind of wanting to recalibrate what the ground situation is like, there's a couple of percentage points drop maybe in the selling price. Similarly, come Q4 when usually demand picks up again, we might see the opposite side of this happening. So, it's going to be a minor correction upward and downward as compared to the raw material prices.

Radha: Continuing with this bid book question, so just wanted to know what is the bid book size currently for AMRUT and other irrigation projects?

Madhav Kejriwal: So, Ma'am, I will have to get back to you on the exact number for our current order book on that front on how much is coming out of AMRUT and how much is from irrigation, but on the demand front, overall for the industry we can say that the AMRUT demand is around 20%-25% and the same for irrigation.

Moderator: We have the next question from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: Sir, just wanted to know on the industry front, like we said earlier, currently the orders are muted from the JJM. So, from when we are seeing the pickup in the order inflow by the government?

Madhav Kejriwal: I think by the beginning of next quarter, we should start seeing the JJM order book pick up again.

Prathamesh Dhiwar: From Q3? And sir, what are the average order sizes of these projects?

Madhav Kejriwal: That varies by such a huge margin. It would be incorrect for me to give you a particular answer on that.

Moderator: We have the next question from the line of Rakesh Roy from Omkara Capital. Please go ahead.

Rakesh Roy: My question is related to volume numbers comparing on a sequential basis or year-on-year basis it has come down due to plant shutdown. But when come to realization, that has

improved. Any reason your realization improved or have you taken any price increase in Q2 or Q1 or first half?

Madhav Kejriwal: Pricing is stable, Sir. There is no real major improvement in the realization per ton, it's similar.

Rakesh Roy: Iron ore pricing is down compared to H1. So next realization will be same or will come down?

Madhav Kejriwal: Like I mentioned Sir, recently there has been a very minor reduction in the realizations on the order book front. That's also reflecting a temporary slowdown from Jal Jeevan Mission and as I mentioned that these kind of things they move a few percentage points up and down depending on the time of the quarter. So maybe come Q4 once JJM picks up again, we'll go back to better realizations, but again that is a slight difference. This I'm talking about in the range of maybe 2%, 3%, 4% like that.

Rakesh Roy: We have taken less projects on Jal Jeevan, but many projects come from state government. Are we supplying to state government also for state funded project?

Madhav Kejriwal: Yes, , absolutely. We are supplying to state funded projects, we're supplying to foreign funded projects.

Rakesh Roy: In Jal Jeevan, how much is a state funded project?

Madhav Kejriwal: Sir, Jal Jeevan is a part of state-funded, it's not that Jal Jeevan is completely central-funded. Independently, state-funded projects, most of the irrigation projects are independently state-funded and you have a few other foreign-funded projects which are direct loans to the state. So, I would say around 30% are independent of any central schemes.

Rakesh Roy: Export sir?

Madhav Kejriwal: 13%.

Rakesh Roy: Is there any impact due to this increase in shipping cost?

Madhav Kejriwal: Yes, sir, there are two aspects as to why exports are little lesser than what it usually is. One is the impact of the ocean freight and the other part is that because the demand in domestic is

so robust. We are finding the domestic markets a little more interesting in terms of margins for some markets. So, we are concentrating on the higher margin markets in totality. A Part of the reason is because the ocean freight of course if that gets a little better, we will be back to decent realizations again in the export markets, is the ones which we are not concentrating right now as well.

Rakesh Roy: Hopefully Q3 number will be same for the export market at 13%?

Madhav Kejriwal: I think it might be a little better off, but it won't be substantial. It's difficult to comment on what will happen later because it really is very much dependent on the movement of the ocean freights. Unfortunately, the ocean freights are dependent on the geopolitical scenario of that region and I don't think any of us are equipped to really answer that particular question.

Rakesh Roy: How many days we had a shut down?

Madhav Kejriwal: We had a shutdown of approximately 7-7.5 days, something like that.

Rakesh Roy: Is this the annual maintenance or is it the one or two, three years?

Madhav Kejriwal: This is a part of the annual maintenance shutdown. We have extended it a bit longer than we usually do because we want to try a few more things.

Rakesh Roy: So, this is the reason our volume is down?

Madhav Kejriwal: This is the major reason why our volumes are down. Stability post the shutdown did not come in as quickly as we thought it would. Now, we are seeing better stability at the blast furnace.

Moderator: We have the next question from the line of Niraj from Ashika. Please go ahead.

Niraj: So, the first question is could you share any update on the Greenfield project?

Madhav Kejriwal: Sir, as I mentioned at this point I can't share too much information because we're not at that stage yet. Things are going on as per plan though. We are getting closer and closer to finalizing the end result and then disclosing it.

Niraj: And how are we planning to fund this project?

Madhav Kejriwal: It will largely be through internal accrual and if required there might be a minor leveraging. But we don't see our overall leverage going up as we'll be repaying loans as well.

Niraj: How do you see the opportunities from river interlink as there are some three to five river interlinks were identified and how do you see the orders coming in from this?

Madhav Kejriwal: So, from the orders coming in perspective, we are at a bit more of a nascent stage than that level of majority of the river linking. Ken-Betwa is one which is progressing with good speed. So, river linking is interestingly a part of irrigation. It's going to end up being a part of Jal Jeevan as well because that will give sustainable source of raw water supply. So, I am relatively excited about it to tell you the truth, not only from the perspective of demand for our pipes, but also as a showcase of infrastructure progress of the country. So, we are very,very hopeful that we implement exactly as we are planning. I'm glad that the government has taken this initiative up this time with more aggression than it had last time as well.

Niraj: Can we expect in FY'26 more and more incremental order book to be generated from river interlinks or anything new?

Madhav Kejriwal: It seems so yes, it seems so.

Moderator: We have the next question from the line of Rajesh Agarwal from Moneyore. Please go ahead.

Rajesh Agarwal: Sir, my question is, is this the shutdown over or we will take more shutdown in the next second half?

Madhav Kejriwal: Well, Sir, as I was mentioning the stability of the SW blast furnace was not as quickly as we thought, and it's still not reached the exact level. So, we will do whatever is required to bring it to the point that we need to for it to be running optimally and it's difficult to say whether we will need another shutdown for that or we can manage operationally. So, if anything comes up, as we did last time, we will be communicating to everyone.

Rajesh Agarwal: Can you quantify how much production was lost or how much of sales was lost or what EBITDA was lost because of the shut down?

Madhav Kejriwal: Approximately 12,000 tons.

Rajesh Agarwal: Do you feel this Jal Jeevan Mission outgo a little bit slow is because of the elections or it will improve from here?

Madhav Kejriwal: It's because of the election. The new government just wants to kind of recalibrate what has happened so far. The first phase was supposed to end with the term. So now they're just kind of collating everything, seeing what the progress is like, and then we will spend going forward depending on the results of that. Even as per the dashboard if you see that we're still at around 78%, 79% and 20% is required as per the dashboard. We feel that more will be required also since some work within the 78% is pending, plus new work are also getting added up.

Rajesh Agarwal: Are there possibilities -of the efficiency or scale and the margins improving further from here apart from the realization?

Madhav Kejriwal: I think going by a stable margin at this level would be a better way to look at it.

Moderator: We have the next question from the line of Muskan from B&K Group. Please go ahead.

Muskan: My question is you have guided 8.5 lakh tons for the full year, and in the first half you've done 3.69 lakh tons volume. So, in 3Q we can produce maximum 2 lakh tons, so balance is 2.8 lakh tons. Can we do it in 4Q onwards?

Madhav Kejriwal: So due to the slower pace of stabilization of the blast furnace, we are feeling that there might be a reduction in the total outlook. There's also been a minor setback in terms of the equipment supply coming in from China by a month, not longer. So, these two factors I think we were talking about a range of 8 to 8.5 lakh tons. We were hopeful to hit the upper end of that spectrum. I think we might be at the lower range of that number.

Muskan: In first quarter, you mentioned that the contribution in the fitting currently is 4% and we aim to reach around 5% to 10% in two years. So, for this, are we planning to do any capacity expansion for the fitting?

Madhav Kejriwal: So, this is all a part of what will come in the Greenfield project. Exact tonnages are not clear. But definitely it's something that is being considered.

Muskan: Like out of Rs. 700 crores, we have spent Rs. 440 crores of the CAPEX, right, so what would be the CAPEX for this year and for the next year, sir?

Ashutosh Agarwal: We are yet to spend around Rs. 260 crores for completing the running projects and the project is on schedule.

Muskan: And the balance for the next year, sir?

Ashutosh Agarwal: This Rs. 260 crores will be required for completing the entire balance project and the second half would be somewhere around Rs. 150, 160 crores, balance Rs. 100 crores will be in a subsequent financial year.

Moderator: We have the next question from the line of Ankit Puri, an investor. Please go ahead.

Ankit Puri: I've got two questions. Can you please share the company's vision with regards to the acquisition of Singardo International, what exactly does the company plan to achieve with this acquisition? And the second question is, any updates on the case with regards to the coal block settlements?

Madhav Kejriwal: In regard to the Singardo acquisition, the thought behind that was that Singardo was the authorized distributor for Electrosteel pipes, fittings in the southeast market. We wanted to further aggressively expand into that area we look at markets like Vietnam, etc., as a good opportunity as we expand our total production. And also in regard to using the other traded products of Singardo we are hopeful we will be able to capitalize on that a little more as well, we are hopeful that we will be able to use the network of Singardo for other products which we don't manufacture to increase trade within the water industry. In regard to the dates for the coal block, it is sometime in November, I'm very sorry I don't remember the exact date, but it's in the Delhi High Court right now the case and that's unfortunately during the last hearing the judge was not available, so the matter has been now pushed to a date in November.

Ankit Puri: So, I think we hope to get some updates hopefully in the next concall I guess. And with regards to the first question again, so basically when do we start to see addition from Singardo acquisition coming up in the numbers, in subsequent quarters and what kind of numbers are we looking at, any idea on that?

Madhav Kejriwal: Numbers in terms of the turnover and the margins over there?

Ankit Puri: That's correct.

Madhav Kejriwal: In terms of the turnover and margins being worked out from the traded products, we have not finalized on specific numbers yet, we do see a lot of opportunity over there. So, it will be a little difficult for me to answer that question. We are seeing that our total tonnages in the Southeast Asian market might improve by 5% to 7%.

Moderator: We have the next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: So just continuing the discussion on our Singardo acquisition, if you could provide us some more details on the financials of the company for the last three years, what was the average turnover and the profitability and how did we value it at say the Rs.49 crores when we came to the price, if you could delve a bit more on the same?

Gaurav Somani: Revenue of Singardo, it has been around 13 million Singapore dollars for '23-24 and same around for '22-23 as well and EBITDA margins has been around between 10% to 13%. As far as our cost of acquisition, it's based on the book value of Singardo.

Saket Kapoor: When you were mentioning about stable EBITDA margin, we had I think closer to 18% for Q1 and lower of 16% for Q2. So what should be the EBITDA margin range for H2 now?

Madhav Kejriwal: I think as you rightfully mentioned, sir, it will be the 16% to 18% range is what we're looking at. In fact, I will be looking at that range for a mid-term perspective.

Saket Kapoor: And for the tonnage part, sir, you outlined that we will be doing closer to 8 lakhs and we did 3.69 lakhs in the first half. So, something around 4 to 4.3 lakhs is what can we envisage for H2?

Madhav Kejriwal: Yes, please.

Saket Kapoor: As we have gone through this shut down, have we incurred any one-off expenses for this quarter? What was the period for which the shut down happened, in which month?

Ashutosh Agarwal: Shutdown happened sometime in the month of August and we have incurred around 13- 14 crores and that is for the long-term benefit and the shutdown was 7 days plus few hours.

Saket Kapoor: As Madhav ji was mentioning that there can be proper yield in blast furnaces, so we will be spending more for this quarter also on top of the Rs.12 crores which was spent?

Sunil Katial: Yes, actually we are going to decide in maybe another 10 to 15 days time what to do to bring it to an optimal production level. So, it may also involve another shutdown, there is a possibility, but nevertheless it will not be very capital-intensive.

Saket Kapoor: Sir, our capacity for year ending FY'24-25 would be 9 lakhs or 8 lakhs? In the presentation it was mentioned 9 lakhs for the next year.

Madhav Kejriwal: So, we are still hopeful for that. That number still holds for FY'25 you said, right. Post the capital expenditure that we will have for the expansion that was planned in the mid of this quarter which has been shifted to the end of this quarter, our installed capacity will become 9 lakh tons which we will see us manufacturing for FY'26. Our rated capacity will become such.

Saket Kapoor: Have we repaid all our long-term borrowing? I missed the commentary on that.

Ashutosh Agarwal: As on 30th September, it is around Rs. 450 crores of long-term borrowing in our books and we are sitting that much of cash in our system.

Saket Kapoor: What should we end this year sir in terms of the net debt levels, absolute number?

Ashutosh Agarwal: Net debt level including working capital?

Saket Kapoor: Yes, Sir.

Ashutosh Agarwal: It will be around Rs. 1,300 crores including working capital.

Saket Kapoor: With this rating we have been upgraded, what will be the blended cost of fund?

Ashutosh Agarwal: Including term loan and working capital or both?

Kapoor & Co.: Blended.

Ashutosh Agarwal: Term loan is around 8% and working capital is 7.5% approximately. It is very fluctuating nowadays.

Moderator: We have the next question from the line of Radha from B&K Securities. Please go ahead.

Radha: I just wanted to know this shutdown expense of Rs. 14 crores you mentioned. That has already been accounted for in this quarter?

Ashutosh Agarwal: Yes.

Radha: The second question was on the Ken-Betwa project that you spoke about and you said that now the government on the river linking project has increased. So, I think the project cost is around Rs. 54,000 crores. So, in this, there would be other requirement of pipes as well. So, how much of this could create DI demand?

Madhav Kejriwal: It's a little too early to be able to answer that question. They have not finalized on their DPRs and other aspects which are required for me to answer that question.

Radha: Sir, if we take per kilometer, what would be the metric ton of DI pipe requirement?

Madhav Kejriwal: As you would know that in a pipeline it's not only ductile iron that is used, we use steel, ductile iron and plastics. So, it really depends. The entire project is across two states and it will have multiple distributors. Now, depending on the requirement and the functioning of each distributor, the demand outlay for ductile iron separately and plastic and steel will come out. It's a bit nascent for me to be commenting on what the exact demand outlay for this project will be.

Radha: Historically, there has been quite some delays in these projects. Now, is it a fair understanding that not only in Ken-Betwa but across other projects also that have been announced, we can expect some higher thrust in these projects maybe in the ensuing quarters or from FY'26?

Madhav Kejriwal: I am relatively certain that at least river linking projects which are interstate or intrastate between two states which have the same government that will see good thrust.

Moderator: We have the next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, on the depreciation part, we find depreciation line item being at Rs. 36 crores which is also up around 20% YoY. So, what have we capitalized in terms of value terms and also in terms of assets for this quarter, in particular for the first half? And also we were doing some minor CAPEX in terms of fittings and some gaskets which we used to outsource earlier. So what is the update on that?

Ashutosh Agarwal: The depreciation change is due to capitalization of some projects in Kalahasthi which the project is on the pipeline. Some of the projects completed and we have capitalized and we are getting the benefit out of that. Second question about this gasket, we are setting up a plant in Punganur maybe around 125 kilometers away from Kalahasthi and we will be using mostly the output for our captive purpose, anything surplus will be sold in the market.

Saket Kapoor: On the fitting front, any kind of CAPEX or debottlenecking exercise we are doing?

Ashutosh Agarwal: Not exactly at the moment.

Saket Kapoor: Historically, correct me, whenever we have done this maintenance work for the southern unit, we have faced challenges. If I correctly remember in 2018, 2019 also we faced similar type of issues with the blast furnace. Where is this disconnect that our technical teams or people in the southern unit, what are the key reasons, why we do face these issues, correct me if my memory is not serving right.

Sunil Katial: No, no, you are absolutely right. Earlier also we had an issue. See, first of all, the problem in south plant has been the raw material quality is varying very, very extensively and particularly the impurities in the iron ore, namely, the silica and alumina, these components are going very high, which are creating a change in the behavior of the blast furnace flows. So, we did talk to the designers, we did talk to the suppliers and we also got some experts. But in fact, with all that, I mean, it has lot of linkage with the raw material. Now, we are trying to actually improve our charge mixes accordingly and do some small corrections in the blast furnace so that these types of problems can be checked for long.

Kapoor & Co.: As there is some carbon footprint issue also with these types of our manufacturing units, so our investment in the renewable segment and any other that we have outlined going that may reduce also our carbon footprint?

Sunil Katial: In fact, in our Greenfield project, so we are taking it in a big way, and in our existing operations also we are taking a project for taking up green power plus we are now interacting to have a green power tie-up. These are the three, four directions in which we are working out.

Saket Kapoor: You mentioned we are looking for a tie-up?

Sunil Katial: Yes.

Saket Kapoor: We will be buying the open source scheme that the government has envisaged?

Sunil Katial: Yes.

Saket Kapoor: When we look the cash flow part, this direct taxes paid line item, so that that is inclusive of the TDS also that that has been paid on our account, how to get this number correct of Rs. 130 crores has been paid as direct taxes for the first half?

Ashutosh Agarwal: Yes, this is inclusive of TDS deducted.

Moderator: That was the last question. I now hand the conference over to the management for closing comments.

Madhav Kejriwal: Thank you, everybody for taking out your valuable time and listening to us patiently. I would like to reinstate that the company continues to grow along with maintaining its balance sheet strength and further is well positioned to benefit from the growing water infrastructure spending globally. I would also like to wish everybody a very, very Happy Diwali once again. And in case of any query, please feel free to connect with EY, our IR consultants. 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.