

Electrosteel Castings Limited
Q3 & 9M FY25 Earnings Conference Call
January 31, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 MFY25 Earnings Conference Call of Electrosteel Castings Limited.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing *, then 0 on your touchtone phone.

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

Vikash Verma: Thank you. Good evening, everyone. On behalf of Electrosteel Castings Limited, I welcome you all to the company's Q3 & 9M FY25 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 for 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, Mr. Verma. A very good evening to all and a warm welcome to Electrosteel Castings' Q3 and 9M FY25 Earnings Call. Let me share a glimpse of our financials and industry demand scenario.

The company's total income stood at Rs. 1,816 crores during the Q3FY25. This was down 4% compared to Q3 of last Financial Year, which was mainly on account of a shutdown of the MBF

at our South unit. The company's DI pipes sales volumes stood at 1.77 lakh tons in Q3 FY25 and 5.45 lakh tons for the 9 months. Export contributed to 14% of the aforesaid DI pipe volumes.

On the ongoing brownfield expansion to reach capacities of 1 million tons of DI pipes, out of our planned CAPEX of Rs. 700 crores for Phase-2, we have already spent Rs. 480 crores till 31st of December. There is a minor delay of around 2-3 months on account of manpower shortage and delays in supply of equipment, and we are hopeful to reach installed capacity of 9 lakh tons by the end of March 2025. We are also happy to inform you all that our long-term credit rating has been upgraded by CRISIL from AA- to AA.

Coming to the industry demand scenario, the demand for DI pipes and fittings continues to be robust on account of initiatives like River Linking, Viksit Bharat Vision, Jal Jeevan Mission and AMRUT 2.0. Although there is a pause for some time from the government on spending, which has been seen across all sectors, we are optimistic the government will continue to push towards infrastructure spending from the upcoming Union Budget FY2025-26.

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, Madhavji. Good evening and a warm welcome to all the investors present in Electrosteel Castings Q3 and 9M FY25 Earnings Concall.

First of all, I would like to brief you about the consolidated financial results of Q3 FY25. Total income stood to Rs. 1,816 crores, partially impacted as informed by Madhav ji due to shutdown of blast furnace of Kalahasti unit. EBITDA reported to Rs. 294 crores with EBITDA margin of 16.2%, although margins were down year-on-year due to lower volume on account of shutdown but saw an improvement from the previous quarter. PAT reported to Rs. 160 crores with PAT margin of 8.8%.

Highlights on consolidated 9M FY25 results. Total income grew by 2.9% year-on-year to Rs. 5,701 Crore. EBITDA increased by 2.7% year-on-year to Rs. 961 crores and EBITDA margin stood to 16.9%. PAT grew by 5.5% year-on-year basis to Rs. 541 crores in 9 months. PAT margin stood to 9.5%.

Now, I am talking about standalone results of Q3FY25. Total income stood to Rs. 1,673 crores impacted by shutdown as intimated earlier. EBITDA stood to Rs. 280 crores with EBITDA margin of 16.7%. PAT stood to Rs. 157 crores with a PAT margin of 9.4%.

Highlights of our standalone 9M FY25 results:

Total income was Rs. 5,236 crores, EBITDA stood to Rs. 903 crores and EBITDA margin stood at 17.2%. PAT was Rs. 521 crores, PAT margin stood at 10%.

About the ongoing CAPEX plan, as intimated by Madhav ji, total plan was for around Rs. 700 crores for Phase-2 and we have spent around Rs. 480 crores till December 2024. We target to enhance our DI pipe manufacturing capacity to 1 million ton by 2026 March.

Now, I will open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone wishes to ask questions may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press * and 1. The first question is from Gargi Singh from Value Investments. Please go ahead.

Gargi Singh: Am I audible?

Ashutosh Agarwal: Your voice is not clear, ma'am.

Moderator: Gargi, if you are using a handset, request you to come closer to the mic. We can't hear you. Hello. I am sorry, missing. We can't really hear. We request you to call us back, maybe from a different number. We move to the next question. The next question is from Rajesh Agarwal from Moneyore. Please go ahead.

Rajesh Agarwal: Hello. Sir, how much day's production was lost in this quarter and can you quantify the revenue out of it? And second question is the outlook on the order because other companies, pipe companies were saying, the order is moved from central government to state government and your outlook on the orders?

Madhav Kejriwal: So, we have lost approximately 8 days of production which is around 18,000 tons. In regards to the total revenue, Gaurav, why don't you?

Gaurav Somani: So, I think in terms of total revenue, it should be around Rs. 45 crores.

Rajesh Agarwal: Rs. 45 crores.

Gaurav Somani: So, what happened was there was a shutdown between December 2024 and January 2025 intimated to stock exchange, so around approximately 6 days in December 2024 and 7-8 days in January 2025.

Rajesh Agarwal: So now it has started?

Gaurav Somani: Total loss.

Rajesh Agarwal: Understood. Up to 7 January or it is only for the quarter, December 7 days.

Gaurav Somani: So with the total loss that was given by Madhav ji was for the total 12-13 days and in December what we have lost is around Rs. 45 crores of revenue.

Madhav Kejriwal: Yes. I apologize, I said 8 days, it is actually 6.

Rajesh Agarwal: I understood, sir. And now that blast furnace has stabilized now?

Madhav Kejriwal: Yes, please. Of course, there is a time lag between firing and stability at the required production level. So now after the restart, it has taken us around 20-25 days to ramp up to its capacity, but now we are seeing stability at the blast furnace.

Rajesh Agarwal: And has the efficiency improved, sir?

Madhav Kejriwal: Yes, definitely.

Rajesh Agarwal: And now on the order book, outlook on the order book?

Madhav Kejriwal: So, we have around 8-1/2 months of order book at the moment, so around 6 lakh tons of DI pipes.

Rajesh Agarwal: Hello.

Madhav Kejriwal: Yes, please.

Rajesh Agarwal: And outlook, order book is decreasing because we are expecting after the elections some orders will come, so your outlook on that?

Madhav Kejriwal: Well, there has been a momentary slowdown from the government side on the expenditure towards Jal Jeevan Mission, which was tantamounting to around 50% of our total order book and also the total demand in the market. For this particular quarter post the budget which is scheduled for tomorrow, we are very optimistic that spending will restart and starting April, I think things would be back to the way they were earlier in regard to the demand pull. Parallely, new initiatives by the Government on the front of River Link, Irrigation at the state level and AMRUT 2.0 are seeing good impetus.

Rajesh Agarwal: So, our bidding pipeline is strong, we may expect some orders by April 2025?

Madhav Kejriwal: Absolutely. We usually keep an order book of around 8-10 months we are at the lower end of that range, but is still within our general trend.

Rajesh Agarwal: And Sir, the outlook on the export market?

Madhav Kejriwal: Optimism is there towards growing upcoming economies like the Middle East. Unfortunately, we have seen a bit of a hit on our business in the US. But Europe continues to be stable. UK is improving, but of course it is a smaller part of the entire equation. We have also started exploring more markets in Southeast Asia and Africa, but at the moment it is difficult to give you an exact number of the growth over there, but it seems like there is a lot of potential.

Rajesh Agarwal: And Sir, pricing in the margins will hold on or there will be improvement in the margins from here?

Madhav Kejriwal: I think historically, if you see these, we have always hit a margin of 15%-18%. At the moment, we are at 16.7%. I think these are pretty stable numbers which we should be able to carry on for the foreseeable future.

Rajesh Agarwal: And just, any fluctuation in the raw material?

Madhav Kejriwal: I am sorry, I couldn't quite get you there.

Rajesh Agarwal: Any fluctuations in the raw material quarter to quarter?

Madhav Kejriwal: Any fluctuations in the raw material?

Sunil Katial: Actually, in the raw material front, on the coke front, and coking coals and all that, there has been a downward trend. And the price correction to the tune of some \$35-\$40 has come down, but at the same time, as far as iron ore is concerned, there has been an upward trend, so practically on raw material front, they have neutralized each other, more or less.

Rajesh Agarwal: Thank you, sir. I am through.

Madhav Kejriwal: Thank you.

Moderator: Thank you. Before we take the next question, a reminder to participants that you may press * and 1 to join the question queue. Next question is from Gargi Singh from Value Investment. Please go ahead.

Madhav Kejriwal: I am really sorry, but your voice is breaking and it is very inaudible.

Gargi Singh: Yes, I am trying again. So, is it better?

Madhav Kejriwal: Now, it is much better

Gargi Singh: My first question was that, Sir, in the last quarter concall, you had alluded that coking coal benefit will be seen in this quarter, but the numbers suggest that it is not visible. The coking coal prices is fallen by 30% in the last one year, yet in the last 1 year the gross profit per metric

ton is same at Rs. 52 per kg. So, this is not even increased by Rs.1. So, what is limiting the expansion in gross profit and why are we unable to see any gross margin expansion?

Madhav Kejriwal: Ma'am this, I will answer your question in three parts. First as mentioned by Mr. Katial, we have seen an increase on the iron ore prices, which has an equal bearing on the costing. The second part of it is that due to our shutdowns, there are some increases in costs that are there and as mentioned, we were having some instability in the blast furnace, which throws our efficiencies and productivity a little out of whack. So, these elements cause a minor disruption in the costing on the operation side. And on the input material side, iron ore, somewhat made-up for it. The third point here is that we carry stock. So, you will see that the impact of the reduction in costs don't take place immediately. It takes a little time for that impact to come into place. So, although we are looking at a much lower cost on our stock as opposed to the beginning of this Financial Year, it has not come down as much as it seems to have on an index.

Gargi Singh: And Sir, in response to that, actually, historically, if I see the raw material cost, then as compared to the iron ore, then the overall cost of production and the coking coal price will be at least be 3X of the iron ore considering the requirement and the price is how it fairs out. So the benefit of coking coal should be significantly higher, and I have been waiting for this for quarter-on-quarter, but for the last five quarters it is at this level. So hence this doubts that why aren't we seeing this number, Sir and when do we expect to see this?

Madhav Kejriwal: Ma'am, on the 3X part, it might seem to be on the absolute term. But it is also important to understand that the consumption of iron ore and coke are different. And although you are right, the impact of coking coal is higher on the cost than iron ore. But it is not 3X.

Sunil Katial: The usage factors are totally different. Actually, the consumption of coke to iron ore is in the ratio of 1:3 roughly, three times, iron ore. Iron ore, we consume around 1.7 tons for making one ton of iron and coke we consume around say 500 kg, so less than one-third of that. So those are on the price index, what you said is absolutely correct that the impact of reduction in the coal pricing is much higher, but because the multiple of that as a usage factor, it is less. So that is how it is getting neutral.

Madhav Kejriwal: And the difference in the data of the cost of coking coal and iron ore is unfortunately we have lost out on that due to minor changes in our KPIs which is our key performance indexes because of the disturbance in the blast furnace.

Gargi Singh: So how long this is expected to continue because usually the blast furnace shut down. I thought it would, because in your previous call you had alluded that it will not get extended post November. But in the opening remarks, and to the previous participant you mentioned that?

Madhav Kejriwal: The timeline for the shutdown was only to start in December, so if I have said that I might have miscommunicated or there is some sort of misunderstanding I feel.

Sunil Katial: No, actually when October we discussed, ma'am, the point was that we are having problem in the blast furnace. We are in the process of procuring the material for that and in all probability in the last week of December or so after 20th, we should be able to take the shutdown. Actually, some small gap has taken place and we will definitely look into that how. But that is what actually has been the plan.

Sunil Katial: And we just want to clarify that we took the shutdown in end of December, 6 days into December and then 8 days into January. So, after that, the blast furnace has come up. There were small teething issues, and now, blast furnace is nearly stabilized. It is working fine now.

Gargi Singh: Sir, second question was that going forward, if we see the coking coal price is sustaining at \$200-\$220 per ton, then there will be a revision in DI prices according to this, because of the lower coking coal prices. So, a few of the competitors have indicated that there is a correction in DI prices according to the coking coal prices, so at the current level, we are doing Rs. 16 per kg EBITDA. And when we reach 1 million ton volume and if we do considering the correction in prices, if we do around Rs. 14 per kg in EBITDA, then from a base of FY25, the EBITDA growth CAGR is coming in single digit. What is your take on this?

Madhav Kejriwal Ma'am, at the moment, to really be able to quantify what will be the rupee value of EBITDA on our production is difficult because we are going to be reaching 1 million tons say in FY27. At that moment, to clearly know what the raw material price movement will be difficult. It has never been so that for 2-3 years, there has been stable pricing on raw material to have 14 rupee per ton EBITDA margin. Thus, we would like to fall back on percentages. So, I am very optimistic and I am very sure that we will be able to maintain an EBITDA margin of 16%-18% and considering that our growth will take place as our quantities increase.

Gargi Singh: The third question was on.

Moderator: Ma'am, I am really sorry to interrupt, but maybe request you to rejoin the queue as there are several participants waiting their turn.

Gargi Singh: Yes.

Moderator: Thank you. We take the next question from Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Hello, sir, Thank you for the opportunity. Sir, first question is that given the weakness in water infrastructure spends, is there any order execution risk that we will probably see in Q4FY25 and going ahead?

Madhav Kejriwal: No, all these projects that we have in our order book, majority of them are projects which have already broken ground. So, the risk of losing out on business is negligible. There might be a bit

of a stretch in the delivery because of the slower expenditure by the government, which also I feel is momentary.

Deepak Lalwani: Fair enough. Understood. And sir, secondly, a related question, so you said that the outlook is strong, but given that the Jal Jeevan is almost 80% over, the AMRUT scheme is fairly small compared to Jal Jeevan. So, what gives you the confidence for the demand growth for DI pipes? And secondly, the demand supply scenario, how should it pan out for the industry? And thirdly, have you witnessed any pricing moderation for our product?

Madhav Kejriwal: On the pricing moderation front, it is minor and it is related to the correction on the raw material front. Answering the question regarding AMRUT being a smaller CAPEX than Jal Jeevan, Jal Jeevan today is around 79%-80% on the website. But if you see the actual impact on the ground, there are many places where the tap connections are there, but there is a dearth in drinking water available. That is because those taps are not really connected to a perennial source. So, there is a lot of work left. The initial outlay for Jal Jeevan was actually twice as what was decided to be spent by the government. So, they will need to spend more money to make this project and mission successful. In regard to other demand sources, India is very strongly and aggressively moving towards pipes irrigation as against canal. There are many advantages that have been proven in that process, so there is increase spent on the front of the states on that. Another very ambitious project which seems to have finally picked up pace is River Linking. It was something that was probably started in the early 2000s, but now there is actual work on the ground that is happening. That is again going to be a good source for demand for us. Owing to these 3-4 reasons, I find that the medium-term situation on the demand front is quite robust.

Deepak Lalwani: And the supply addition that you guys are doing and also the other industry players, will it disturb the demand supply gap? Should there be any risk of pricing relating to the supply being more than demand, in your opinion?

Madhav Kejriwal: I am not really concerned about demand supply mismatch whether supply is more at least for the next 3 years. There might be temporary blips like we have seen in the last quarter, but that is very momentary. The kind of live orders in the market, once the fund flow start we will go back to a situation where demand is surpassing supply.

Deepak Lalwani: That is good to hear. I wanted to clarify one number. So, what was the order inflow in terms of tonnage in this quarter versus Q2FY25?

Madhav Kejriwal: Can I get back to you on that separately please, because I don't have that number ready at this point?

Deepak Lalwani: Yes. Last question was on the margin outlook, sir, on a tonnage basis, per ton basis, what should we be budgeting in for the next quarter Q4FY25 and the whole year of FY26?

Madhav Kejriwal: Sir, I think it will be difficult for me to give you an exact number in terms of rupees per ton, but as a percentage, I think we will be able to hold on to the performance we had so far.

Deepak Lalwani: Thank you. Those are my questions. Thanks.

Moderator: Thank you. The next question is from Ankur, who is an Individual Investor. Please go ahead.

Ankur: Good evening to everyone.

Madhav Kejriwal: Very good evening.

Ankur: Sir, in the opening remarks, Shri Kejriwal said that the expanded capacity will start in the month of March 25 and on the other hand, GM Finance said if I am not wrong, he said that the capacity will start in March 26. So, I would like to please correct the statement, sir, if I am not wrong?

Madhav Kejriwal: I am sorry. I will just bring clarity to that. Mr. Agarwal, who is the CFO, was mentioning the final capacity which is around 1 million tons. I was highlighting the number of 9 lakh tons which is our first step towards that.

Ankur: By when it will get start sir, in FY25?

Madhav Kejriwal: In FY25, we will have an installed capacity of approximately 9 lakh tons, 8.5-9 lakh tons and then during the course of the Financial Year, we will put in more capital to take our capacity up to between 9.5 to 1 million tons.

Ankur: My second question is, Sir, your forthcoming Odisha plant, sir what is the position as of now, sir? When will it get start?

Madhav Kejriwal: So, there is very good progress on the overall due diligence of this project. And I am hoping that we will have cemented plans to present to the public soon enough.

Ankur: Sir, can expect that it will get start in FY27?

Madhav Kejriwal: The project itself?

Ankur: Yes, sir. 0.5 million ton, sir.

Madhav Kejriwal: I think somewhere between FY27-28 is a bit more realistic.

Ankur: Thank you so much, sir.

Madhav Kejriwal: Thank you.

Moderator: Thank you. Before we take the next question, a reminder to participants that you may press * and 1 to join the question queue. The next question is from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Namaskar Sir, thank you for the opportunity. Just to, while you were answering to the earlier participant about the Odisha project. So Sir, have we outlined the capacity? He was mentioning about 5 lakh tons?

Madhav Kejriwal: Yes, please.

Saket Kapoor: Sir, the earlier participant was mentioning about 5 lakh tons, so have we outlined this capacity we would be coming up for the Odisha project?

Madhav Kejriwal: That is a somewhat approximate figure. Like I mentioned that you have to kind of get into the optimization of capital expenditure to capacity installed and with the kind of sizes that we have to reach a good level of production and efficiency somewhere between 4-5 lakh tons should be the minimum that a company should be looking at. So, basis that that is the genesis of this number.

Saket Kapoor: Sir, if you could just provide me firstly with the tonnages for Q3 and last year comparable and also for 9 months and 9 months comparable?

Madhav Kejriwal: Yes, sure. So, for Q3, our production this year has been 1,77,000 tons. Q3 FY24 was 1,84,000 tons. Our 9 MFY25 has been 5.5 lakh tons and for 9MFY24 it was approximately the same give or take 2000-3000. It was 5,47,000 tons.

Saket Kapoor: Now sales?

Madhav Kejriwal: We have had a Q3FY25 sales of 1,77,000 tons. It is matching our production. Last quarter, we had more sales than production. It was at 1,95,000 tons. The 9M FY25 sales was 5,45,000 tons and it was 5,50,000 tons in 9MFY24. So, we are somewhat matching our production to sales.

Saket Kapoor: So, for 9 months it is 5,25,000 vis-a-vis 5,50,000?

Madhav Kejriwal: It is 5,45,000 tons please.

Saket Kapoor: Sir, taking into account the shutdown which was in the month of January and now the revamping of the MBF, what should be an ideal number to end the year?

Madhav Kejriwal: Sir, we are hoping that we will end that somewhere north of 7.5 lakh tons both on production and on sales.

Saket Kapoor: 7.50 lakh tons?

Madhav Kejriwal: Yes, little north of that.

Saket Kapoor: And last year, what was our sales?

Madhav Kejriwal: Just short of that, it was 7.47 lakh tons.

Saket Kapoor: A small request sir, if the volume data can also be provided in your presentation or in the press release which was earlier a norm, so that would suffice and it will save lot of time also.

Madhav Kejriwal: Yes, sir, we will look into that.

Saket Kapoor: Now, coming to the impact of this shutdown, I think so even if it is an absolute number, you could give us some idea how much we lost. We lost about revenue of Rs. 45 crores for the six days you told about and for the balance 7-8 days, it should be closer to Rs. 60 crores, I think so in that proportionate, but in terms of the expenses that we have incurred which does not commensurate with the revenue, though what is the impact of that on the other expense line item if you can tell us Ashutosh Ji?

Madhav Kejriwal: So, the total expense for the shutdown is around Rs. 7.5 crores.

Saket Kapoor: This is for all the 15 days total?

Madhav Kejriwal: 14 days, yes, please.

Saket Kapoor: So, then what explains this other expense line item growing disproportionately, if we take the year-on-year comparison also and also for the quarter-on-quarter at the console level?

Gaurav Somani: Saket ji, one factor is ocean freight which had gone up compared to last year. So that led to increase in other expenses. Also, since production was low, so the fixed cost absorption to correct. So that was the second reason which led to a fall in the margins and higher other expenses.

Saket Kapoor: And Sir, for other income, there is also a significant increase if you take the console number at Rs. 39 crores but it is Rs. 21 or 22 crores for the previous two quarters, so what has attributed and what should be a sustainable number for the other income?

Madhav Kejriwal: So, Sir, this is on account of anti-subsidy refund that we have got from the European Commission. There is an anti-subsidy duty that they avail on us, but we keep applying for refunds and we have managed to get a refund of Rs. 23 crores in this quarter. Going forward, I think in this quarter as well, we will be expecting some sort of refund. This is an exercise that is ongoing, Sir. We do it every year, some days, some years we are able to get a substantial refund. Some years, it is lesser. It is difficult to give you an exact stable number for this.

Saket Kapoor: Two more points, Sir. Madhavji, you mentioned about US business getting a hit. So, can you explain the reasons? What has led to this and what steps are we taking? Exactly, what has happened for the US business?

Madhav Kejriwal: So, there is an overall slowdown in the US market for our product as a whole. And secondly, because of the impending possibilities of tariffs that to come and Made in America programs that are there. The customers are a little apprehensive in buying non-American products right now. They are afraid that those products won't sell into the market. Unfortunately, Sir, this is an issue the solution to which is to go local manufacturing there. But for that we have no immediate solution. We are looking at increasing our market share in other geographies so that we don't lose out on our overall export percentages.

Saket Kapoor: And Sir, for USA. What percentage attributes to our total export? What was the business we did last year business?

Gaurav Somani: Saket ji, it is very small amount, maybe 1% of the total export that we do now.

Madhav Kejriwal: Now, it has come down to 1% it was probably at some 5% levels earlier.

Saket Kapoor: And lastly, Sir, on the coal block part, already we have seen in precedent that whenever the party who has acquired sub block and start mining operations, then there are payments in packages that are released. So, I think it was JSW mentioned in your notes to account, it speaks about the mines being handed over to them so exactly, Sir where are we in terms of whether the right figure has not been determined or if you could just give some more color to the same?

Madhav Kejriwal: Sir, classification of the assets into the right categories and then its valuations as an exercise that has been ongoing for a little longer than we had expected it to go on for as well. Of course, it is a very voluminous procedure. At the moment, JSW has, yes you are right, they have been handed over the mine, but within the mine if you look at the order, it says that undermine infrastructure it says nil, which is the reason why today they cannot start operating it at a commercial level. So, at this junction, we are still waiting for proper categorization and valuations of all the assets. They have managed to do some of it. There is some still left.

Saket Kapoor: Any timeline, we are working only.

Moderator: Mr. Saket Kapoor, I am really sorry to interrupted.

Saket Kapoor: Sir, yes, I am just joining only, Madhav sir has just communicated, I was just also. Any timeline we can look forward, sir? Or is it a judicial process wherein?

Madhav Kejriwal: I am saying this for the last two quarters that I have gone wrong on this timeline so if I comment on this then it would be wrong again I would rather just say that things are optimistic because we know that it is in the right stages.

Saket Kapoor: Thank you, sir. I will join in the queue.

Madhav Kejriwal: Thank you.

Moderator: Thank you. Next question is from Deepesh Agarwal from ICICI Asset Management. Please go ahead.

Deepesh Agarwal: Hello, Sir. Good evening. So, a couple of questions. The first question was, so we are looking at increasing our capacity to almost 1 million tons at FY26 and you just mentioned that we are currently matching like the current demand scenarios are matching our capacity. So do we have any tangible proof or any tangible like proof that FY26 will actually meet that 1 million tons of capacity. We really have that demand process for the next couple years?

Madhav Kejriwal: Yes, well, you see, the capital expenditure at the governments and both state and central that was being done up till say mid of this year or even may be a little beginning of this year, owing to that expenditure there was a demand supply gap of almost 25% whereas the demand was higher. So, of being optimistic on the fact that we will at least go back to that level of expenditure, it seems obvious that there is good space for growth. Beyond that, there are also new projects that are coming up. As I mentioned earlier, River Linking is very big robust project which is seeing light up there now. I think there are around 8 or 9 projects of which three of them have really picked up pace and there is good outlay against them. It will take 5-7 years for them to be completed, but every year there will be a good allocation towards those projects. So keeping that in mind and when you kind of understand the growth trajectory of a developing economy to a developed economy, you try to replicate the growth story of demand for the product in China, in the States and in other similar economies, you will realize that at this particular junction, when you are in the transitional space, demand just keeps growing and we need to maintain our market share, if not grow it.

Deepesh Agarwal: Right. Understood. So, can you give me your geographic breakdown of our revenue?

Madhav Kejriwal: You mean in terms of country by country?

Deepesh Agarwal: Country by country, yes.

Madhav Kejriwal: Sir, this is something that fluctuates every quarter, every 6 months because as you know, it is a project-based business. Today, we are seeing Middle East take up a big chunk of our exports, whereas a year back it was not much. And say to your previous to that America was a little bigger than what it is today. Europe also fluctuates. I think for me to give you a particular trend would be incorrect because within 6 months that would change. I can give you a breakup of export and domestic is approximately, for this quarter it was 14%, but our general average is around 18%-20%.

Deepesh Agarwal: I think the reason I ask that question was not just India, the whole world is actually looking to build a clean water infrastructure, so not just India, there is a lot of opportunity that lies in this particular aspect, so just wanted to understand the company currently has a good presence to capitalize on that or are we making any such expansion plans to capitalize on this?

Madhav Kejriwal: No, of course, while we expand our capacity is here in India, we will also be looking at increasing our market share in different continents. We tend to keep a minimum baseline quantity in each major country that is there and then based on where the projects come, we expand. We have been selling in the Middle East for many years and there was a peak during the Qatar World Cup and now there is a peak again due to Saudi. Similarly in Europe, just post COVID, there was a big peak because the government spent a lot of money to get the economy starting again. So, this is something that as you rightly said, every continent, every country is looking at expanding, but they don't spend money at the same time, fortunately, so we are able to capitalize on different places based on what they are doing at that moment.

Deepesh Agarwal: Right, the last question, are there any R&D expenditures that we are looking that may help us or maybe work better on our capacity utilization or help us in executing projects faster? And secondly, are there any new business verticals that we are looking to tap into like the management of the Board believes there are much better opportunity maybe other verticals that the company can explore?

Sunil Katial: Well, in fact, in the recent past only, we have added some capacities with newer products or new type of coatings and all that. Our major focus on R&D is on the fittings area whereby we are continuously trying to develop new type of fittings to suit different terrains and applications.

Madhav Kejriwal: Also, in regard to different verticals, we see ourselves as a water solutions provider. So, we are continuously exploring, increasing our product portfolio to satisfy the customer's needs and move more towards a one stop solution for our customers both in India and overseas. So that is continuous exercise. We are improving. In fact, let me highlight the fittings numbers, we have already seen an increase of approximately 3000 tons this Financial Year, 9 months average as opposed to last year and this is all owing to the addition of new product lines. So as such, we are looking at going up to 25,000 odd tons over there. So that is all a result of R&D. On the pipe front, we continuously look at finding ways of giving the customer a solution depending on its requirements on soil, pressure, quality of water, so Electrosteel today offers one of the widest range of linings and coatings on a pipe that any ductile iron producer gives in the world, not just in India. In India, we are definitely the largest supplier of various combinations, but even in the world, Electrosteel is probably in the top one or two.

Deepesh Agarwal: Alright sir. That was very useful. Thank you so much.

Madhav Kejriwal: Thank you.

Moderator: Thank you. Before we take the next question, a reminder to participants that you may press * and 1 to join the question queue. Next question is from Dheeraj Ram from Ashika Institutional Equities. Please go ahead.

Dheeraj Ram: Hi. Thank you for taking my question. My first question is, what can you expect as a volume of sales in FY26 and how can you see the margins going ahead in FY26?

Madhav Kejriwal: Sir, on the margin front, as I mentioned that depending on the overall scenario, it will be between 16%-18%. On the volume front, we are hoping to hit a figure of somewhere between 8.5 lakh tons to 9 lakh tons.

Dheeraj Ram: Got it, sir. And my second question is, Sir, are we seeing a slowdown since we ordered the tender outflow in Jal Jeevan Mission is facing some headwinds and even AMRUT 2.0 is facing some headwinds in terms of tender outflow. So, do you see any slowdown at least for the short term in this particular segment?

Madhav Kejriwal: Definitely, there was a bit of a slowdown in Q3 and even in Q4FY25. As of now, it is not at the same pace that it was at say last quarter 3 and quarter 4. But as with all other infrastructure spending such as railway and highways, we are pretty sure that come the new Financial Year and even the last one or two months of this quarter with the budget coming out tomorrow, there will be a good allocation towards water infrastructure because the stage we are at right now, it is kind of not here not there which they have to spend to make all that infrastructure complete and successful.

Dheeraj Ram: Got it, Sir. Thank you.

Madhav Kejriwal: Thank you.

Moderator: Thank you. Next question is from Rajesh Bhandari from Nakoda Engineers. Please go ahead.

Rajesh Bhandari: Good evening, Sir. I wanted to know what is our total present capacity of DI pipes, 7.5 lakh tons?

Madhav Kejriwal: Sir, 7.5 lakh tons is what we will achieve. Our install capacity is close to 8 lakh tons.

Rajesh Bhandari: And sir, you said 9 lakhs by March 2025 or March 2026?

Madhav Kejriwal: Our installed capacity will be close to 9 lakh tons around March 2025.

Rajesh Bhandari: Production?

Madhav Kejriwal: Sorry?

Rajesh Bhandari: Production?

Madhav Kejriwal: Production for the year, Sir, because this is going to get installed and then it takes a little bit of time to start ramping up to that level. As I mentioned, our production will be somewhere between 8.5-9 lakh tons.

Rajesh Bhandari: Right, by March 26, we will have 8.5-9 lakh tons?

Madhav Kejriwal: Yes, please. And similarly, we would have put up an install capacity of approximately 1 million tons by March 2026, our production will be somewhere in the range of 9.5-1 million in March 2027.

Rajesh Bhandari: In March 2027, we will have that 9.5-1 million.

Madhav Kejriwal: Yes, please.

Rajesh Bhandari: Normally, sir, 1 lakh tons means around approximately Rs. 800 crores?

Madhav Kejriwal: Sir, 1 lakh ton exercise we have not done ever because that always seems like it is too small number. You can't really hit economy of scale.

Rajesh Bhandari: No, why I am interested in knowing by March '27, what will be our approximately turnover because right now our turnover is around Rs. 6000 crores.

Ashutosh Agarwal: You can consider at Rs. 9000 crores.

Madhav Kejriwal: Considering that our raw material price trends remain the same, it will be around Rs. 9,000 crores.

Rajesh Bhandari: Around Rs. 9,000 crores.

Madhav Kejriwal: Yes, because the business works a lot on margin percentages rather than absolute numbers. Raw material prices become half.

Rajesh Bhandari: Yes, correct. Naturally, the turnover will come down.

Madhav Kejriwal: Yes.

Rajesh Bhandari: One more thing sir is there is anything where we are doing the expansion to increase the turnover.

Madhav Kejriwal: Sir, fitting for production, we are looking at expanding substantially. We are also exploring, as I was mentioning just to the previous gentleman that we are exploring adding to our kitty further product lines towards the water infrastructure space.

Rajesh Bhandari: Sir in that do we expect Rs. 1000 crore to Rs. 2000 crore of increase in that?

Madhav Kejriwal: Sir, around Rs. 300-Rs. 500 crores.

Rajesh Bhandari: So, we can come by March 2027, say approximately Rs. 9,000-Rs. 10,000 crores.

Madhav Kejriwal: Somewhere between that, a little more towards, I would say between Rs. 9,000-9,500 crores.

Rajesh Bhandari: Approximately it will be one and half times till March '27?

Madhav Kejriwal: Yes.

Rajesh Bhandari: Sir, the mining which we have given to JSW what would be the expected amount on that sir?

Madhav Kejriwal: Our claim is of Rs. 1200 crores so the way it is going on we are optimistic that the majority of this will be realized.

Rajesh Bhandari: So, it will come all to Electrosteel only.

Moderator: Really sorry, but.

Rajesh Bhandari: Sir, only I have to complete my question, that is all.

Madhav Kejriwal: Yes, please. The answer to your question is yes, please.

Moderator: Thank you. Next question is from Kaushal Bhagnani from Jindal. Please go ahead.

Kaushal Bhagnani: Thank you for taking my question. I have gone through your results and presentation. It is a good presentation. Only a couple of points, I think management may consider it favorably because a couple of other participants have also requested.

Madhav Kejriwal: These are always open to the interest of our shareholders.

Kaushal Bhagnani: I have noticed that on quarter-on-quarter basis, the EBITDA margin has increased and PAT has also increased. Now, the operational impact is not clear in absence of tonnages because what has happened is despite production being lower by 10% on quarter-on-quarter basis, EBITDA margins have stayed improved or that can only be visible if you provide the tonnage data, because that impact is not evident to someone who doesn't participate in the call or doesn't

go through the transcript and only goes through the presentation. So, if in the next presentation maybe management can consider including tonnage data.

Madhav Kejriwal: Sir, I can commit to you from now itself that this will be done.

Kaushal Bhagnani: Because if we are good at something, I think other people should also know that we are good at it.

Madhav Kejriwal: More definitely, Sir. We generally remained slightly shy organization on that front, but I do completely agree with you and this will be done. We will not need to rediscuss this.

Kaushal Bhagnani: Thank you. In one of the earlier discussions, you have mentioned that you are getting good orders from the Middle East, do you believe that more orders specifically from Saudi Arabia are expected in current quarter and in next quarter?

Madhav Kejriwal: Sir, for the current quarter, the dispatches against the orders that will happen for orders that are already booked. But yes, we are seeing a steady growth in our order book from the Middle East, especially from Southeast, mostly Saudi Arabia right now, when I say Middle East.

Kaushal Bhagnani: Finally, I have noticed that the promoter holding has remained at 44%-46% levels for quite some time. Is there a view within the promoter group or with the promoter of increasing this stake going forward?

Madhav Kejriwal: I would say, there is no real discussion on this front at this moment.

Kaushal Bhagnani: So maybe if there is an update on this, we would appreciate if that can be communicated going forward, whenever there is an update.

Madhav Kejriwal: Absolutely, sir.

Kaushal Bhagnani: Thank you.

Madhav Kejriwal: Thank you.

Moderator: Thank you. A follow up question from Mr. Rajesh Bhandari from Nakoda Engineers. Please go ahead.

Rajesh Bhandari: Sir, I just wanted to know what is the holding of BlackRock?

Madhav Kejriwal: Just a minute, please.

Rajesh Bhandari: BlackRock holding, sir, in Electrosteel?

Gaurav Somani: 0.5% Rajesh ji.

Rajesh Bhandari: 0.5% is the holding okay sir and Rs. 1,200 crores of JSW, it is all expected to come to the Electrosteel Castings only?

Madhav Kejriwal: Yes, please.

Rajesh Bhandari: And that will be added in our kind of a reserves or whatever. But it will be the money for Electrosteel Castings?

Ashutosh Agarwal: Yes, the money will be received by Electrosteel Castings only and it will not be credited to the reserves because there is a receivable.

Rajesh Bhandari: I didn't get you, sir.

Ashutosh Agarwal: There is a receivable outstanding in our balance sheet. It will be adjusted against that, but the cash flow will be available for Electrosteel Castings.

Rajesh Bhandari: It is not going to Electrosteel Steels?

Ashutosh Agarwal: No, it does not belong to Electrosteel Steels.

Rajesh Bhandari: Right, Sir. Thank you, sir. Thank you.

Moderator: Thank you. Next question is from Vikash Jain from Urban Steel. Please go ahead.

Vikash Jain: Hello, can you hear me?

Madhav Kejriwal: Yes, Mr. Vikash, please go ahead.

Vikash Jain: Hi. I would just like to have a thought from yours. Your shares have been one of the worst performers in last like 3-4 months, and mutual funds have also more or less exited from your company. So what sort of a thing can we do to win their confidence back?

Madhav Kejriwal: Sir, I think consistent performance. We would like consistent performances. I think work and actions speak much louder than words, so to be able to perform consistently to the commitments that we make and adequate transparency in time communication to our shareholders. That is the best way.

Vikash Jain: Somehow this doesn't seem to be working with them. They seem to be exiting. Like whatever the holdings, whatever the miniscule holdings they were having, they are still exiting that also it seems.

Madhav Kejriwal: Well, so that is a question that you will have to ask them. It will be difficult for me to answer. But with due course of time, I will not be surprised that there will be a re-entry of the same people.

Vikash Jain: Let us hope so. Thank you.

Madhav Kejriwal: Thank you.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Madhav Kejriwal: Yes, thank you all for dedicating your valuable time and engaging with us during the concall. Should you have any questions, please feel free to reach out to E&Y, our Investor Relations consultants. Have a very good evening. Thank you.

Ashutosh Agarwal: Thank you everybody.

Sunil Katial: Thank you.

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