ELECTROSTEEL CASTINGS LIMITED

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PIONEERING 25 YEARS OF DI PIPES

20 August, 2022

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code: **500128**
ISIN : INE086A01029

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051

Symbol: **ELECTCAST**

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Conference Call

This is in furtherance to our letter dated 13 August, 2022 regarding the conference call of the Company, which was held on 16 August, 2022 at 4.00 pm where the Q1-FY 23 Earnings of the Company was discussed.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of the transcript of the said call with the Investors.

Please also find hereinbelow the link of the transcript of the said call that has been uploaded on the website of the Company-
https://www.electrosteel.com/admin/pdf/6325145789-Transcript-of-Investors-Concall-held-on-16-August-2022.pdf

This is for your information and records.

Thanking you,

Yours faithfully,

For Electrosteel Castings Limited

INDRANIL MITRA Digitally signed by INDRANIL MITRA Date: 2022.08.20 12:31:16 +05'30'

Indranil Mitra
Company Secretary

Electrosteel Castings Limited
Q1 FY 23 Earnings Call
August 16, 2022

Moderator: Ladies and gentlemen, good afternoon and welcome to the Q1 FY 2023 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Good afternoon, everyone and a very warm welcome to you all. My name id Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Electrosteel Castings Limited. On behalf of the company, I would like to thank you all for participating in the Company's Earnings Conference call for the first quarter of financial year 2023.

Before we begin let me mention a short cautionary statements. Some of the statements made in today's Earnings Call may be forward-looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumption made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements making any investment. The purpose of today's Earnings Call is only to educate and bring awareness about the Company's fundamental business and financial year.

Now let me introduce you to management participating with us in today's call and hand it over to them for opening remarks. We have with us Mr. Sivalai Senthilnathan, Vice President Finance and Corporate Affairs. Mr. V M Sridharan, Senior General Manager of Finance and Mr. Gaurav Somani, Joint General Manager of Finance. Without any further delay, I request Mr. Senthilnathan to start with his opening remarks. Thank you and over to you sir.

Management: Good evening, everybody. It is a pleasure to welcome you to this Earnings Conference Call of the quarter of financial year 2023. Firstly, I hope that everyone is keeping safe and well. Let me first take you through the financial performance for Q1 FY 2023 of our company on a standalone basis. The total income for the quarter was Rs. 1751 crores an increase of about

72% year-on-year. EBITDA report was Rs. 226 crores a growth of about 48% year-on-year and the EBITDA margin stood 12.88% for the quarter. Net profit after tax reported Rs.104 crores, an increase of approximately 95% year-on-year while the PAT margin stood at 5.93%. The total DIP production in Q1 FY 2023 was 164,000 metric ton as against 131,450 metric ton in Q1 FY 2022 while the total DIP sales in Q1 FY 2023 was 158,000 metric ton as against 128,000 metric ton in Q1 FY 2022 with this we can open the floor for the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone phone. If you wish to withdraw yourself from the question queue. You may press '*' and '2'. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, you mentioned the volume for current quarter at 164,000 tons and sales at 158,000 tons and what was the number for March quarter, the previous quarter?

Management: March quarter production was 178,000 and sales also was close to 178,000.

Saket Kapoor: 178,000, right. Can you help me with the EBITDA per ton number for this quarter, sir?

Management: Overall EBITDA, we reported Rs.225 crores in Q1.

Saket Kapoor: Yes, I am looking for per EBITDA and the comparable number for the March quarter.

Management: You calculate the blended EBITDA, Saketji. So, this is the total EBITDA we have generated and previous quarter, that is previous year, we did EBITDA Rs.153 crores

Saket Kapoor: Sir, could you throw some more light firstly on the business environment currently for the five sectors. The key highlights, if you could throw some more light how this current year looks like with what we have reported in the first quarter in terms of order booking.

Management: In terms of industry, the industry has been doing well nothing has changed in last 3-4 months. So, there is ample demand, there is push from the government and as you are aware the Jal Jeevan Mission Scheme had started in 2019. So 2024, is the estimated expected date by when the government aims to provide tapped water to each and every household. So, what we understand is government is on track and the push that is required it is there. Demand side, there is ample demand**.** In terms of raw material prices, raw material prices were volatile during the previous financial year more towards coking coal prices which are imported. So, at which, at one point of time had hit around $670 and recently it came down below $200 and it is now again at around $230. So, $670-$680 was more of abberation. So raw material prices have been volatile because of which the margins have been fluctuating. Going forward demand from the demand side, we feel that there is lot of demand and we have been operating at 100% capacity or say near to 100% capacity. So, this is it.

Saket Kapoor: So how will this fluctuation in the raw material will have the bearing on our margin profile and what steps have we taken to if any to insulate ourselves. So that we can maintain our EBITDA per ton going forward.

Management: We have been able to maintain our EBITDA in Q1 though the margins have slightly come done. But absolutely, we see the absolute number it has gone up backed by higher volumes and controlling raw material prices is not possible for us. Though, we are trying to pass on the higher cost but as the prices have come down, so we feel that it will not be very difficult in coming quarters to pass on the cost.

Management: To add on what Gaurav said, Mr. Saket Kapoor, we generally the entire DI pipe industry are operating on same raw material, everything is same, There are about few players, any price increase for one player will also have an impact on others so all us. We will be affected by the price rise and the suppliers have to give the price hike because nobody can supply at loss. We do not anticipate great problem in getting a price revision in case if the price of raw material go up.

Saket Kapoor: So, can you give the number for NSR number sir, Mr. Senthil for this quarter.

Management: Saketji, net realization was higher than Q4. It was higher by around 10%. So it was closer to the range of around Rs.65,000 per ton.

Saket Kapoor: And the current order booking which we are doing sir, can you give the trajectory at prices and also some color on the order book sir.

Management: The present order book that we have is of around 4 months and in terms of realization, it is lower to the realization that we have done in Q1.

Saket Kapoor: Okay, that is factoring in the fall in the raw material prices. So, this is the four-month order book only we have the delivery schedule for the coming four months. These orders will be executable over a period of four months. Last quarter, I think we did some, pig iron sale also sir, if you could quantify how have those contributed for this quarter.

Management: This quarter also we have sold good amount of pig iron. So, compared to previous quarter it was higher by around 20%.

Saket Kapoor: You mean the March quarter.

Management: Yes.

Saket Kapoor: Okay and can you provide me with your net debt number sir for June 30th and also currently we were updated by the rating agencies. So what is the current cost of fund and what are the current year maturity.

Management: Our average cost of debt would be around 7.75% which has gone up from the March quarter because of the rising rate scenario and our net debt would be around Rs.2200 crores.

Saket Kapoor: And can you split between the long term and the working capital, how much?

Management: Long term, we have around Rs.1050 crores and balance would be net working capital.

Saket Kapoor: That is again Rs.1050-1100 crores.

Management: Yes.

Saket Kapoor: And sir for this current year maturity, what is the capex?

Management: We have around Rs.100 crores further term loan payments.

Saket Kapoor: And that is to be paid for the remaining nine months or this for the entire financial year.

Management: No remaining nine months.

Saket Kapoor: So, post the payment is 1050 as on June 30th.

Management: Yes.

Saket Kapoor: And sir lastly on the Capex part I think so we were looking for debottlenecking exercises at our Electrosteel plant and also putting up another 1 lakh ton capacity for Srikalahasti plant. So, what is the current update on the same sir.

Management: We have placed orders, we have opened the LC which are required for equipment and the process is happening and we expect to complete the capacity enhancement by March 2024.

Saket Kapoor: How much have we spent sir as of now on the new capex.

Management: Not very significant amount because it is more towards now we are opening LCs, so significant expenditure would happen from Q3 onwards.

Saket Kapoor: And total expenditure for this 110 lakh would be of the total value would be.

Management: It will be around 400 crores.

Saket Kapoor: And lastly sir, we have this change in inventory of around 107 crores. So if you could give just a ballpark figure, how much is the raw material and what is the finished goods inventory out of this Rs.108 crores or a percentage.

Management: You are asking about the consolidated figure, see break up, I do not have the break up. It will not be possible to give the break up separately.

Management: Yes Mr. Saket, these minute figures we will not have conference call but on a ballpark figure we can but then it will be very difficult which I will tell later. You can send a mail to us.

Moderator: We will now invite N M Modi individual investor. Please go ahead.

N M Modi: Generally, you used give this investor presentation and press release along with the result but this time it was not been given sir.

Management: Good afternoon Modiji. Yes, this time it was not given. We will try to do it next time.

N M Modi: And sir this quarter are we selling the pig iron, this current quarter regards the prices have gone up now per guidance.

Management: Yes, we have sold some quantity.

N M Modi: Okay, no I am asking about this current quarter, July to September, are you selling now.

Management: The quantity, the volume has come down but yes we are selling the surplus.

N M Modi: And sir, our this Alloy plant, and are running okay, we are able to produce the alloy for our capex use.

Management: You mean Ferro plant is it?

N M Modi: Yes sir.

Management: Yes, it is running well.

Moderator: Thank you. The next question is from the line Darshan Jhaveri from Crown Capital. Please go ahead.

Darshan Jhaveri: I just wanted to ask, we are running at near 100% capacity, right?

Management: Right.

Darshan Jhaveri: I think our total capacity is around 7 lakh tons if I am not mistaken. So what kind of volume numbers can we assume for the full year. Is there some seasonality play which is why there was some lower volume compared to Q4 in Q1.

Management: In this industry, Q3 and Q4 are robust quarters because the demand is coming from the state and center side. Q1 and Q2 are generally a bit slower than the second half and so from the past history, we have been able operate at around 95% capacity. 95%-100% and for this current financial year also we are confident that we will be able to achieve the number.

Darshan Jhaveri: Okay if I have to assume a ballpark figure can we assume H1 consists of 40%-45% of the volume and H2 would be around 50%-55%.

Management: Yes, you would be correct in assuming that. You can even assume 50%-50% also, 50% in H1 and 50% in H2, may be one or two percent here and there but you can safely take 50%-50%, no problem.

Darshan Jhaveri: Okay and I also wanted to know regarding our margins. So can we assume that our margins will see a bit more uptick compared to current quarter because it seems down a bit. So could you give some color on our margins with the new order book or something.

Management: It will not be possible to give any clear indication to that because lot of it will depend on the raw material prices, how it behaves but our aim is to try and maintain the EBITDA that we have generating.

Darshan Jhaveri: And sir, do we see any other reduction in our debt or something other than stated do we want to reduce our debt any further or could we assume the debt to be stable along for this year and next year considering we have some capex coming in.

Management: So long term debt has been coming down and working capital debt which has increased marginally it is more on account of higher prices and increased capacity. So you have to consider that but otherwise, yes long debt has come down and going forward we have this capex planned where we will be taking debt in the ratio of 1:1. So some part of the debt for capex will come in and some part which is due for repayment that would have been.

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

Chetan Phalke: Sir, you mentioned our sales during the quarter was some 1.58 lakh tons, so how much of this volume was exports for Q1 if you can help me with the export volume and in value wise.

Management: 33,000 tons was from exports around 21%

Chetan Phalke: Okay and how much sales from 33,000 tons.

Management: This is sales.

Chetan Phalke: And what is the sales in crores. I am trying to understand the realization for exports.

Management: Realization of exports was higher than domestic. Export value I can come back to you, export value would be around Rs.250 to Rs.260 crores.

Chetan Phalke: Okay and usually sir, the export realization is higher by 10% to our domestic realization roughly that is what we should assume going forward as well or can it shade.

Management: No, you are right so generally it is higher by 10%-15% but having said that does mean that the margins also increases by 10%-15% because in case of exports the cost also goes up.

Chetan Phalke: Okay, how come sir, if you can help us understand the dynamics of our exports business in terms of costs and other things as you mentioned the cost is also high, is it because of the product mix or something else?

Management: Yes, the specification of the product changes. It depends on country to country where you are selling and based on the requirements because pipe also have paint coating. There are different types of coatings which are done as per the requirement of the country specific, plant specific which changes the cost dynamics.

Chetan Phalke: But when it comes to EBITDA per ton can we assume, in exports the EBITDA per ton is higher compared to domestic.

Management: Correct, yes.

Chetan Phalke: Okay, if you can quantify it by percentage or rupees per average.

Management: That will be a bit difficult because it not a stagnant kind of number, it keeps varying from quarter to quarter but ultimately it is higher than what we make in domestic market.

Chetan Phalke: And sir, in one of our last calls, we have mentioned that there is a possibility that we might start exporting from our Srikalahasti Plant as well. But we need some plant-based approvals. Any progress on that front.

Management: We have that in mind but as of now the export is getting met out the eastern unit. So we are going little slow on that part because there is lot of domestic demand happening in southern India which is being catered by the southern unit.

Chetan Phalke: And sir, what is our average cost of coking coal for the quarter gone by.

Management: It was around Rs.30,000 per ton.

Chetan Phalke: Okay, Rs.30,000 per ton and for Q2 this number will be higher than 30 or lower than 30. Will there be any partial benefit flowing through.

Management: Q2, my understanding is that it would be slightly higher than this number what we incurred in Q1 slightly because the prices of coking coal has started coming from June onwards. So that will hit our inventory only in mid Q2. So Q2 would be closer to what it was in Q1 or slightly higher than Q1 now.

Chetan Phalke: Just one more thing what was our exports for the last year FY 2022 just wanted to understand how our exports are trending are we seeing more enquiries and unlike our domestic business where in order book is usually for four months. So does the business also move on the similar lines wherein net is order book based or how does it work basically just trying to understand are we getting more enquires etcetera. If you can throw some light on that.

Management: We have ten overseas subsidiaries and we are present into exports since last two decades. We have established presence in Europe, UK, US, Middle East, we have our subsidiaries all over here and we are also there in in Singapore. We have been selling our pipes to these countries since last many years and yes, the repetitive demands are coming in and because of our permanent presence, it helps us in serving the customers there. In FY 2022, our total volumes from exports was around 133,000 tons which was around 22% of the total volumes that we had sold. So, export on an average is contributing around 20%-25% of our total volumes and depending on sometimes higher demand is coming from Middle East or sometimes higher demand comes in from US but eventually it gets balanced out we are able to get a share of around 22%-25% from our exports.

Chetan Phalke: Okay, because in the US there is this stock around replacing their entire lead water pipe system. So are we seeing any traction from there but are we seeing more enquiries from US especially

Management: This year US has been doing good. So it could be because of the reason that you are mentioning, which I am not aware of actually but basically, we are seeing good numbers.

Management: No, we are telling our as far as this US market and all our marketing people will have a better picture than us. We are all finance people that is the reason. It is opening up well.

Chetan Phalke: What is our marketing strength overseas, I am just trying to understand what is the marketing workforce in Europe and US if you can quantify that, how many people are working for us and all of them are able to.

Management: For all these micro information we do not have on our hands, sir. Please we can give you later. Please do appreciate that.

Chetan Phalke: Alright.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir what constitutes the other income components sir and as mentioned by Gauravji that we have higher better realizations for exports but when we take consolidation of our accounts. The profitability is lower than the standalone numbers are. So, if you could explain these two factors.

Management: Saketji, see in case of consolidation when you are comparing with standalone because of Ind AS requirement some unrealized profit gets knocked out. Ultimately, the overseas subsidiaries that we have their marketing norms which are operating in stock and sale basis. So, because of this reason some part of the profit gets knocked off on the unrealized inventory. Coming to the other income, so it is more of interest income that we have received export incentive that we get and we have also received dividend from subsidiary during the quarter because of which the other income is around 22 tons.

Saket Kapoor: We have still ICD pending earlier at Srikalahasti that used to there for coal.

Management: What is it?

Saket Kapoor: Inter Corporate Deposit, do we have any Inter Corporate Deposit also income from there?

Management: No nothing.

Saket Kapoor: Last is on the raw material mix currently you mentioned about coking inventory at a price higher than Q1. How have iron ore inventory being valued sir, iron ore prices are on declining trend for the last two quarters and also the reason why is that you are mentioning that the margins will be lower for Q2. I could not follow that part also.

Management: Iron ore inventory is closer to what was in Q4 prices and iron ore prices have been kind of in a narrow range. The orders that we have are at slightly lower price compared to Q1. Having said that Q2 is also expected to be a reasonable quarter when you compare to previous Q2.

Saket Kapoor: Volumes are likely to be in this order only 160 levels because this is the fourth month but they are at a lower realization than what quarter one was.

Management: Marginally lower yes.

Moderator: The next question is from the line Rajesh K an individual investor. Please go ahead.

Rajesh K. Though stock markets has not responded to me. I have two questions, first thing Electrosteel is pure brand, big brand in DI pipes. Similarly, government is giving kind of impetus to laying lot of storm water a kind of sanitation line, the very natural supreme things they are making inroads. So why not Electrosteel thinking of kind of going into the plastic pipe where they can because of their reputation of last 50 years can earn a good a market share. And my second question, if you allow me is about the claims lying with government of India about 1600-1700 crores. My suggestion is to why not to form some group of similar other company and create pressure on the government to release a sizable amount so that the company is benefited.

Management: Sir, we will certainly take your advice we will present it to the top management but this is something to be decided at the top level at strategic level and we will certainly carry your suggestion to our top managements.

Rajesh K. The second question was regarding claims lying with government of India it getting undue time for so many years and there are other companies also. Those iron ore mines or coal mines have been constipated I understand that they raised their claims. So why not some group of companies that of operation is formed among themselves and government of India is now a days.

Management: That is what I am telling sir, all what you are suggesting are strategic decisions to be the taken by the board and we at our operational cannot say anything on this. We will certainly take it to the top management and we will present it to them.

Rajesh K. Government is resting on as of doing a business, so genuine demands should be sorted out at the earliest, is not it.

Management: Certainly, we really appreciate your idea and we will certainly take it to our top management.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir recently one of your peers indicated that Central Government has issued advisory to states regarding inclusion of price escalation clauses in DI pipe contracts so has that become effective and are we expecting any benefit going forward from that.

Management: Sorry we do not have any such information. So we will not be able to comment on that.

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

Chetan Phalke: If you can just throw some light on the exiting order book at a Pan India level what are the tender in pipeline at present?

Management: Tenders, we may not know because that is purely marketing and it is a confidential classified information which we cannot share but as far as the order book is concern.

Management: We have order book of around four months and we generally sell to EPC contractors. So, we are not directly participating into tenders. EPC contractors they participate in tenders.

Chetan Phalke: But because under current journals some 9 crore households are connected and another 10 crores households remaining. So we were just trying to understand what will be the upcoming opportunities given these 10 crores households are there and then.

Management: Yes sir, we understand your question.

Chetan Phalke: Sir, if you can quantify the opportunity in million tons or whatever just wanted to understand how far is the runway for us.

Management: Actually sir, we have four months order book in our hand and this order book apart from this we will be also getting our regular order. So, there is no doubt for orders as far as the future things are concern which contract where, what tender and all. We at our operational level difficult and all this we cannot also tell but as I told you. The government of India has taken lot of initiatives for this general mission and as per the government's old this one by 2024m, they were planning to have "Har Ghar Nal." Every house should have a Nal Jal. So that way there is an impetus, there is focus on that and in view of the that we do not foresee any doubt of order and we are confident we will dispatch or we will sell whatever we are producing and now you know both this our Khardah plant that is a West Bengal plant is already in a big way in exports and we are also doing lot of initiative in our Srikalahasthi plant for exports. We have already started exporting to Singapore and all. So we do not find any problem in selling whatever we are producing. We do not anticipate any problem.

Chetan Phalke: Yes sir, I was just trying to understand, what is the runway and what is kind of opportunity that we are looking at when it comes to 5-7 years. So that was the only motive.

Management: 5-7 years is a longer horizon but Gaurav you can just tell him what is our plan, at least for the next 2-3 years in terms of Srikalahasthi going up 5.5 and all.

Chetan Phalke: Apart from "Nal Se Jal" and other segment that is driving the demand for us sir, agriculture or any other segment that is picking up.

Management: Yes, irrigation is a new thing which is opening up now you know this open irrigation by canals is now being replaced by pipes and not only that sir, what happened is city is also extending. Now if you come to Bombay, the Bombay was maximum you your Thane and all. It has gone to Borivali, Karjat, Kasara, Virar and one fine morning it will even Gujrat it will go up. So those orders will come apart from this. This 'Nal Jal' is only for the existing. Future orders also we are expecting sir, so we do not find any problem in selling whatever we produce.

Chetan Phalke: Okay, so for agriculture over the long distance, the large diameter pipe versus DI pipes, what is the competitive intensity, price wise we are better, quality wise DI pipes are better, how does it work?

Management: See what happens is one side of the canal if they pump 1 TMC water by the time it reaches the end it will be only 0.2 because there is pilferage, evaporation, drawing by people along the route. Now once you put the pipeline where will not be seepage or anything. I TMC put inside it will reach 0.9 TMC on the other side irrespective of the distance, number 1. Number two, there is no digging and the area of operation also will be very lower like you need not have a bigger drench like 4 feet and all. So these are advantages and DI pipe is certainly a preferable one as compared to other mode of transportation of water, conveyance of water.

Management: Just to add to what Mr. Sridharan said that the durability is an advantage of DI pipes. It is a long 70 years plus and very easy to lay and fit and all. Service also very easy to do. So maintenance free almost.

Chetan Phalke: But when it comes to pricing sir, are DI pipes cheaper to the steel pipes?

Management: Yes overall, see if you take the cost of the land, cost of digging, water wastage and all. So DI pipe is certainly a better option and that is the reason that market is opening up because of that one only.

Chetan Phalke: And generally, sir in any such project what would the DI pipe cost compared to overall project cost?

Management: I do not know but it should be predominant because laying only the gaskets and because even the ditches, the cost of that only will be there. I do not think cost of laying will be so high only DI pipes should be, I do not know it must 70%-80% of the total cost, in terms of laying.

Chetan Phalke: What is the number in 'Nal Se Jal' for the water transportation pipeline it is the same number?

Management: Yes, everywhere. The only thing is from the beginning the diameter of the pipes will vary but the cost will be almost the same what I told.

Moderator: Thank you. The next question is from the line Praveen Yadav, an individual investor. Please go ahead.

Praveen Yadav: Sir, I have two questions, one is what is the percentage of government orders and the other is private and the export orders.

Management: See all the orders are coming from government only ultimately because all these projects are government projects but for us, the customers are mainly EPC contractors. So 80%-90%, 90%

of our sales are happening to EPC contractors and some 10% happens to government directly and 20%-25% comes from exports.

Praveen Yadav: My second question is regarding the debt. Right now the term debt is 1050. So where do you see the debt coming down in coming years or like for the capex. We will continue holding this kind of debt?

Management: Long term debt has a payment schedule and gradually it will come down.

Praveen Yadav: Yes, but for future capex, you need to like take debt to increase

Management: As I said we have 1:1 planned for the upcoming capex. So that will not be a very significant debt. Over a two-year, three-year period, you will see that this number has reduced significantly.

Moderator: Thank you. The next question is a follow up question from Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Yes sir, Mr. Gaurav, you were explaining to us about the 2-3 years the projection at SriKalahasti the capacity being increased to 5.5. So pleased continue and complete that part please.

Management: What projection?

Saket Kapoor: You were explaining to us about Srikalahasti capacity moving up to 5.5 lakh but the answer was not completed.

Management: No, in Srikalahasti, the four-lakh ton capacity is already put in and we are achieving 100% of capacity as of now. So as far as the present capacity from 4 lakh-5.5 lakhs we are increasing. it is done in every month something and it will be completed in March 2024 as the factory will be producing all the piled-up lakh ton by April 2024. This is the Srikalahasti position.

Saket Kapoor: And sir in the fitting business what should be the contribution for this quarter?

Management: We do not have segment results Saketji.

Saket Kapoor: In percentage, I think fittings also form a good part of the business so just wanted to understand how would be the contribution going ahead and sir on the finance cost front when we look at numbers for the Q-Q finance costs that has gone up by around 10 crores. So is mainly account of the increase in cost or because of the increase in raw material prices the working capital has gone up and these two factors put this or do we have any forex element to it.

Management: No, it is mainly on account of higher working capital utilization and the increase in interest rates that has happened across the industry. The rates as you are aware already the repo rates have gone up. So that has also come into play.

Saket Kapoor: And do forex have a play in that numbers, unhedged portion. Anything restating of loans in foreign currency or it is all Indian rupees.

Management: As of now we have all the long-term loans are Rupee loans only and the foreign currency loans that we have on account of import are more or less fully hedged.

Saket Kapoor: Last point is that when we look at your revenue at the console level the cost element sheet goes of disproportionately. If you take, I can understand the inventory part which you said that gets knocked off whatever is unsold but still then I think to employee cost, the other expenses are not commensurate to what the revenue increase is from Rs.1729 crores it goes up to Rs.1767 crores wherein if you look at your employee benefit cost that goes up significantly from 84 to 101 and 15, 16 crores is increased on a topline gain of only 30 crores. So, if you could explain to us the reason for the same. I think so this is the line-item employee benefit expense from 84 crore is on topline of Rs.1729 crores and it goes up to rs,101 crores with an increase of only 30 crores. So what gets factored in here.

Management: Saket, first of all, the employee cost goes up, down only on production. It is not on topline or sales. I just giving an example a company 50,000 tons and sells only 25,000 tons then based on the sales, the figures will not go up or go down, correct? So, you cannot compare with the topline that is what I am trying to tell.

Saket Kapoor: Sir, going ahead, at the next call, we should have more numerical data available as requested earlier also either in the form of press release and also some investor presentation so that the small details which we are ticking during the call can be addressed much before the call if that could be addressed that is a request.

Management: We certainly take into consideration.

Moderator: Thank you. As there are no further questions, I now hand the conference over to management from Electrosteel Castings Limited for closing comments.

Management: Thank you all for actively participating in this conference call and wish you all safe and well and I thank Valorem and Chorus for organizing this call. Thank you all.

Moderator: Thank you, on behalf of Electrosteel Castings Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.