Operator: We can now continue. Good afternoon, everyone. This is the third day of the Bharat Connect Conference. I welcome you all to the call of Electrosteel Castings Ltd. Today, from the management, we have Mr. Rajesh Daga, the Chief Financial Officer of the company, and Mr. Gaurav Somani, the General Manager of Finance. Before I hand over the call to the management, I will explain the flow of the event. We will start with a brief introduction and opening remarks by the management, and then we will move to the Q&A round. Participants who would like to ask questions can raise their hands or put their questions in the chat box. We will first prioritize questions from participants who have raised their hands, followed by questions from the chat box. If time permits, we will take some questions from participants who were not able to join the call. Over to you.

Gaurav Somani – General Manager – Finance: Good afternoon, everyone. My name is Gaurav Somani, General Manager of Finance at Electrosteel Castings, and with me I have Mr. Rajesh Daga, who is the Chief Financial Officer of the company. We welcome you all to our conference call. Thank you for taking the time to join us. Because of the time limitation, we can move ahead and go straight to the FAQ and question-and-answer session.

Operator: I would request you to please give a brief introduction and opening remarks about the company, so that new investors would be able to get an overview of the company.

Gaurav Somani – General Manager – Finance: Certainly. Electrosteel Castings was incorporated in 1955. It is a more than 7-decade-old company. We are engaged in the manufacturing of ductile iron pipes. We are the pioneers in this field. We started with a small capacity in 1994, initially at 60,000 tons, and gradually expanded it. Today, we have close to 9 lakh tons of DI pipe capacity and are almost backward integrated.

Our plants are located in 2 key locations, West Bengal and Andhra Pradesh. 25% of our revenue comes from exports. We are present in more than 130 countries. We have our own wholly owned subsidiaries in countries and regions such as Europe, the UK, the US, the Middle East, and Singapore, which help our export business.

Most of our revenue comes from DI pipes, which are our core product. Along with that, we also generate revenue from ductile iron fittings, which are value-added products used only for water transportation. We also sell the surplus pig iron, coke, sponge iron, and power that we generate. This is an overview of the company.

Operator: Thank you very much for the brief introduction. We will now move to the Q&A round. Participants who would like to ask questions can raise their hands or put their questions in the chat box. I would request participants who would like to ask questions to raise their hands or put their questions in the chat box. We will take our first question from Saket Kapoor. Please go ahead and ask your question.

Saket Kapoor – Analyst: Greetings, Gaurav.

Gaurav Somani – General Manager – Finance: Greetings, Saket.

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Saket Kapoor – Analyst: Greetings to the CFO as well, and thank you first of all. Please tell us how the current environment is for our segment. What has the external environment been like over the past 2 years, especially with regard to Jal Jeevan? Also, regarding our receivables and the coal matter, what is the current activity on both these fronts?

The second point is that in our last discussion after the Q1 results, the assessment was that from Q3 onwards we would see our EBITDA margins move into double digits. What are your views or comments on these 3 aspects?

Management: On the Jal Jeevan front, as you know, a total allocation of 67,000 crores was made in the central budget for this financial year. So far, the sanction is about 10,000 crores, which is less than approximately 12% of the overall allocation.

The information we have now is that we are expecting another 10,000 crores to be disbursed in October, and by the end of Q3, we expect the disbursement to reach about 40,000 crores. Approximately 10,000 crores has been disbursed so far, and we expect 10,000 crores to be disbursed in each of the next 3 months, which would take the total to 40,000 crores by the end of Q3.

This is the basis of our estimate at the end of the Q1 call, when we said that we expected better results from H2 onwards. As of now, we remain hopeful of delivering what we committed at the end of the Q1 call.

Saket Kapoor – Analyst: Regarding the 10,000 crores that has been allocated and disbursed, what impact has it had on the entire ecosystem? What is the situation for your EPC customers?

Management: The 10,000 crores that has been disbursed has not really helped in generating demand because most of the funds have been used to meet existing liabilities. The funds that come now should provide some support to demand.

The money that has come so far has been used to meet old liabilities. In addition, some funds have been allocated by the states in anticipation of receiving funds from the Centre. As a result, we are now seeing an inflow of demand.

We achieved good bookings in September, and those orders will be executed from Q3 onwards. Therefore, we are hopeful of much better results and double-digit EBITDA margins from the end of Q3 and the beginning of Q4.

Saket Kapoor – Analyst: Can you share some more details about the order bookings? I believe that, on average, we used to have an order book of 6 to 9 months. Is there any specific size of the orders that we booked in September?

Also, are we seeing any further developments from the West Bengal government? There has been a political change in the state, and now both the Centre and the state are ruled by the BJP. What is your view on that? Also, please first provide some clarity on our coal compensation and the current activity there.

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Management: Coming to the coal matter, regarding the change of government in West Bengal, no significant development has been seen on the ground so far. However, there are commitments.

We do not have any direct outstanding under the Jal Jeevan Mission because all our supplies are made to EPC contractors on secured payment terms. Therefore, we do not have significant stuck-up receivables on account of the Jal Jeevan Mission.

West Bengal has committed that it will soon issue a large tender. The state is expecting its first disbursement from the Centre. It has not received anything from the Centre during this financial year so far. The state expects the first disbursement in October, possibly after the Durga Puja festival.

As far as the coal compensation is concerned, we received approximately 100 crores last week, and the process is ongoing. As of now, our estimate is that we will receive whatever we had invested. However, because of the litigation, it is difficult to estimate when exactly we will receive the amount or how much we will receive at a particular time.

We are pursuing the matter and are hopeful of realizing whatever we invested. However, as of now, it is difficult to project any timeline for it.

Saket Kapoor – Analyst: So, just to conclude, the bottoming-out process, at least in terms of sentiment, and the sentiment that we had already cleared through that specific phase that we discussed in Q1, when Mr. Kejriwal and your team addressed us, gave us the signal that the past should be behind us and that things should now improve. We are drawing strength from that. Is that understanding correct?

Management: Exactly. You are absolutely right.

Saket Kapoor – Analyst: All right, sir. Everything else looks good. Yesterday, we saw that the promoters also endorsed some equity in the block deal.

Management: Yes, it is a good sign.

Management: The promoters have added around 4%. They had also added 4% in the March quarter, and now they have added another 4%. Together, over today and yesterday, approximately 4% has been added.

Management: Yes.

Saket Kapoor – Analyst: Please convey my congratulations to the promoters. I have finished my questions. Thank you very much. It was also good that you joined and that we had the opportunity to speak with you. Going forward, when Arihant holds this {? overall ?} event again in March, please do participate in it.

Management: Yes, thank you. Thank you.

Operator: Thank you. We will take our next question from Arun Chulani. Please go ahead and ask your question.

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Arun Chulani – Analyst: What are your total expansion plans? You seem to be moving away from water. What is the reason for that, since water is your area of strength? What is the total expansion capex? When are these initiatives expected to start, and what will be the incremental revenue and EBITDA from them?

Management: Hi, Mr. Arun. At present, our revenue mainly comes from ductile iron pipes and associated products. Last year, we acquired a company that manufactures valves. Valves are also used in the water industry. This has expanded our product category, while the customer base remains the same, giving us broader exposure.

We are also looking at expanding our valves business. Our target is to expand the revenue from valves to at least 1,000 crores by 2030.

The other diversification we are considering is industrial paints. As a company, we have manufacturing experience in paints because we produce in-house the paints used on ductile iron pipes. Therefore, we have the expertise and have moved in that direction. However, we will be entering industrial paints, not decorative paints.

On this front also, we are targeting a top line of approximately 1,000 crores by 2030. These are the 2 key diversifications currently under development. Our regular business will continue to contribute to the financials.

Management: Our aim is to become a 10,000-crore company by FY 2030. Of this, 50-60% should come from our core product, which is ductile iron pipes. We are targeting the remaining 40-50% from other products such as paints, ferroalloys, rubber products, and possibly 2-3 more products that we may add over the next 3-4 years.

This will gradually reduce our dependence on ductile iron pipes and make us a more diversified company by FY 2030. That is our vision.

Operator: Arun, are you there?

Hardik Gandhi – Analyst: This is Hardik. I am here. Can you hear me?

Operator: Yes.

Hardik Gandhi – Analyst: Great. As a follow-up to the previous question regarding Jal Jeevan, Jal Jeevan 2.0 has been announced and everyone is hopeful. Have you received any indications beyond the hopeful assessment? Have the projects been delayed because of the oil situation, with spending on infrastructure being held back?

When you refer to 10,000 crores, is it only an expectation, or is there some intent or something more tangible indicating that these projects are actually underway? When you say that September was good, what does that mean specifically?

Management: Jal Jeevan 2 is an extension of Jal Jeevan 1. Jal Jeevan 1 had an allocation of 3.6 lakh crore, which was enhanced to 8.7 lakh crore under Jal Jeevan 2. The period has also been extended until December 2028 because general elections will be held in 2029.

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Of the 4-5 lakh crore enhancement from 3.7 lakh crore to 8.7 lakh crore, the central share is approximately 1.5 lakh crore. Out of this 1.5 lakh crore, the Centre has budgeted 67,000 crores for this financial year.

Of this 67,000 crores, approximately 10,000 crores has been released so far. Based on our discussions with the authorities and the Jal Jeevan Mission teams, we expect another 10,000 crores to be released by the Centre in October. We are hopeful that at least 10,000 crores each will be released by Jal Jeevan in November and December as well.

Along with these releases, there will be corresponding releases by the state governments. As we said during the Q1 conference call, we are hopeful of much better results in H2. As we said during the previous question, we are out of the bad phase and are now entering the good phase of the business in H2.

Hardik Gandhi – Analyst: Understood. Thank you very much.

Operator: Thank you, Hardik. We will take our next question from Praneet Bommi Setti. Please go ahead and ask your question.

Praneet Bommi Setti – Analyst: I am fairly new to the company, so please excuse me for asking basic questions. I have noticed that our margins have been shrinking drastically over the last decade. Could you explain why this has been happening?

Management: The decrease in margins is due to the demand-supply scenario. At present, the industry is operating at 50-60% capacity. With the Jal Jeevan Mission, there was a spike in the supply side. Unfortunately, because of the stoppage of the central disbursement of funds, demand declined. That put pressure on margins.

However, as we said, the bad phase is more or less over, and we are now entering a better phase. We are hopeful that by the end of Q3 and the beginning of Q4, the EBITDA numbers will return to double digits. At present, EBITDA is close to 9%. It was approximately 9% in Q1.

Management: Yes.

Management: We are hopeful of double-digit EBITDA in Q3 and improved EBITDA in Q4. In the next financial year, we are hopeful of returning to the earlier numbers.

Praneet Bommi Setti – Analyst: The earlier numbers were around 14%?

Management: Around that level, yes.

Praneet Bommi Setti – Analyst: Understood. Regarding capacity additions, have you been seeing more capacity additions or reductions in the market? Usually, with such a drastic change in supply and demand, either or both tend to happen. What has been happening in the industry?

Management: Capacity will remain stagnant. Companies will operate at a certain level. At present, the industry is operating at 50-60% capacity. With the same metal, companies can make other products instead of pipes. Depending on how demand moves, the industry will decide at what capacity to run its plants for pipe production.

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At present, the industry is operating at 50-60% capacity, and going forward, this will gradually increase.

Praneet Bommi Setti – Analyst: In terms of expanding capacity in the pipes business, is it very difficult or fairly easy for existing industry participants to scale up?

Management: It is not easy to scale up. However, there will not be any capacity expansion at present because the existing capacity itself is more than sufficient to meet demand. Therefore, there will not be any capacity expansion in the near term or the distant future.

Praneet Bommi Setti – Analyst: What percentage market share do we currently have in terms of product capacity and sales? Could you explain both aspects? How much market share do we have?

Management: The present industry capacity is approximately 4 million tons, while ours is approximately 9 lakh tons. Therefore, you can say that we have approximately 20% market share.

However, current demand is approximately 3.2-3.3 million tons, and accordingly, we are running our plant at 50-60% capacity. More or less, all the industries are operating at 50-60% capacity.

Praneet Bommi Setti – Analyst: Understood. Our share is approximately 20%. Is there a possibility of gaining market share in this type of industry, or is it not worthwhile because it could be detrimental to our margins?

Management: Market share?

Praneet Bommi Setti – Analyst: Yes. Is it difficult to incrementally add and gain more market share? I understand that this is a down market, but is it possible?

Management: It is not difficult for a company like Electrosteel. However, you have to consider the margins at which you would gain additional market share. If we try to gain more share, it could put pressure on our margins. Therefore, it is better to operate at the optimal level.

Praneet Bommi Setti – Analyst: Understood. Regarding inventories, has everything been cleared from the market, or is there still some surplus inventory?

Management: Inventory is slowly coming down because offtake is increasing. We are hopeful that offtake will increase further from Q3 onwards. At present, inventory is still present in the industry, but it is gradually declining. It is not increasing; it is coming down slowly.

Praneet Bommi Setti – Analyst: How many days of inventory do you think are currently present in the market compared with the normal level?

Management: At present, inventory across the industry is approximately 1 month of demand, whereas ideally it should be approximately 2-3 weeks. Therefore, you can say that there are approximately 7-10 additional days of inventory.

Praneet Bommi Setti – Analyst: Understood. So, this should mostly decline over the next few quarters.

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Management: Yes, inventory should come down to a level of 2-3 weeks.

Praneet Bommi Setti - Analyst: At its peak, what was the highest level of channel inventory in the market?

Praneet Bommi Setti - Analyst: Pardon?

Praneet Bommi Setti - Analyst: In the last year, what was the peak in terms of channel inventory days in the market?

Management: In the last financial year, the first half was quite good because the Jal Jeevan funds were available. The second half turned out to be bad.

In the first half of the current financial year, the situation has not been good because the funds have not started coming. However, we are hopeful that the second half will be good.

In terms of inventory, you can say that it increased to approximately 45 days and is now gradually coming down.

Praneet Bommi Setti - Analyst: Understood. Every quarter, every year. Thank you.

Operator: Thank you, Praneet. I would request you to please join the queue. We will take our next question from Hardik Gandhi. Please go ahead and ask your question.

Hardik Gandhi - Analyst: Hello, am I audible?

Operator: Yes, you are.

Hardik Gandhi - Analyst: I was looking at our Q1 notes, and we had guided for revenue of 8,000 crores by 2030 at that time. Now we are saying that we are targeting 10,000 crores. I understand that 5,000 crores will come from DI, 1,000 crores from valves, and 1,000 crores from industrial paints. Where will the remaining 3,000 crores come from?

Management: At the consolidated level, our revenue in FY24-25 was close to 7,400 crores. At present, because of lower demand, revenue has declined. However, when we talk about 2030, we expect demand to increase.

Approximately 7,000 crores of revenue from DI should remain, and the additional top line will come from {? VADS ?} and the paint business. There may also be some other products that we consider in the near future.

Hardik Gandhi - Analyst: When you say that the worst is over, there is short- to medium-term positivity in the market, and we should return to double-digit EBITDA next year. We are targeting 14% EBITDA. Where is this positivity coming from, and how sustainable is it?

International events can trigger government spending. We may be positive about government spending under Jal Jeevan 2.0 today, but tomorrow, or perhaps a year later, we could enter a situation similar to what happened over the past 3-4 quarters. Why is there such a positive tone rather than simply a short-term positive outlook while we figure out the longer-term situation?

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Management: The Jal Jeevan Mission is available until FY29, and this is Jal Jeevan 2. Apart from demand from the Jal Jeevan Mission and AMRUT, we expect significant demand to come from irrigation projects and river-linking projects, which are currently receiving considerable government focus.

This is where the positivity comes from even after the Jal Jeevan Mission ends in FY29. Until FY29, we expect that approximately 2.5 million tons of DI pipes will still need to be supplied under the ongoing Jal Jeevan Mission projects.

The main states where substantial supplies of ductile iron pipes are still pending are Rajasthan, Odisha, and Andhra Pradesh. These are 3-4 key states where a significant amount of supply is yet to be made.

Hardik Gandhi – Analyst: On the margin front, I believe the {? VADS ?} business is already delivering a healthy margin. The DI pipe business, where we have been facing pressure, should also improve once our operating levels scale up. Is that correct?

For industrial paints, what is the margin profile? What is the total addressable market and the competitive landscape?

Management: Our understanding is that margins in the industrial paints segment should be in the mid-teens, and the industry size should be approximately 30,000 crores. Therefore, it is a decent-sized industry with a decent market size.

Hardik Gandhi – Analyst: Is that the size of the Indian industry or the global industry as well?

Management: Domestic.

Hardik Gandhi – Analyst: And regarding the competitive landscape?

Management: There are established players, but there is sufficient space because the industry is large. We are not aiming for a very large share of the market.

Hardik Gandhi – Analyst: At what rate is the industrial paints segment growing?

Management: Sorry, could you repeat that?

Hardik Gandhi – Analyst: At what rate is the industrial paints segment growing?

Management: It is growing at approximately 7-8%.

Hardik Gandhi – Analyst: Understood. So it should be fairly possible for us to enter without even pushing aggressively for market share. Understood. That is all. Thank you.

Management: Thank you.

Operator: Thank you. We will take our next question from Jinesh Chedda. Please go ahead and ask your question.

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Jinesh Chedda – Analyst: You mentioned that current demand is 3.2 to 3 million tons and capacity is 4 million tons. I want to understand the peak demand. If 10,000 crores is received each month, how high can demand rise?

Management: With this 10,000 crores, we expect demand to gradually increase. It is difficult to predict when it will reach 4 million tons. However, as we said, the industry is currently operating at 50-60% capacity.

This will gradually increase, and at Electrosteel, we hope to reach approximately 75-80% capacity by the end of this financial year.

Jinesh Chedda – Analyst: In the last cycle, what was the peak demand that you experienced?

Management: In the last—

Jinesh Chedda – Analyst: Cycle.

Management: Demand reached approximately 4 million tons, which is when capacity became fully utilized. At that time, the Jal Jeevan Mission was at its peak, and the industry was dispatching approximately 3 lakh tons to 3.25 lakh tons per month. Demand was at those levels.

However, when the central government funds were stopped, demand declined suddenly, mostly from the second half of the last financial year. Therefore, you can say that during the second half of the last financial year and the first half of the current financial year, demand has been low for approximately 1 year. We are hopeful that it will recover from H2 onwards.

Jinesh Chedda – Analyst: Understood. Secondly, do you expect any state-wise demand? Are there certain states where demand is likely to be higher?

Management: The states that did not undertake much work under Jal Jeevan 1, such as Rajasthan and Andhra Pradesh, are 2 states where we did not have much activity under Jal Jeevan 1. Therefore, a significant portion of the demand under Jal Jeevan 2 should come from these 2 states.

Odisha is another state. So, primarily, we expect demand from Rajasthan, Madhya Pradesh, Odisha, and Andhra Pradesh.

Jinesh Chedda – Analyst: Regarding your balance sheet, do you expect debt to decrease further going forward? What is your capital allocation plan?

Management: Our gross debt would be approximately 1,500 crores, and net debt would be close to 850-900 crores, approximately 850 crores. The capex we discussed will mostly be funded from internal accruals, and we do not foresee any increase in debt levels.

Jinesh Chedda – Analyst: I will join the queue again. Thank you very much.

Management: Thank you.

Operator: Thank you very much. We will take the next questions from the Q&A chat box while the question queue is being aligned. I would request participants who would like to ask questions to

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raise their hands.

One question from the chat box is: What are current coking coal prices, and are the new orders at better pricing adjusted for inflation?

Management: Coking coal prices have increased recently. They were around 200 USD FOB and went up to 280 USD FOB. More recently, we have seen some cooling, and prices are around 270 USD FOB, with freight of approximately 25 USD. Therefore, the price is approximately 300 USD CIF.

For the current DI pipe orders that we are taking, we are factoring in the likely increase in our costs because of the increase in coking coal prices.

Operator: Thank you. One more question from Arun Cholani is: Why are you not expanding into other types of pipes, such as SAW?

Management: We have decided not to expand further in the pipe industry. We are comfortable with our current ductile iron pipe capacity and are not pursuing any other expansion in pipes.

Operator: Understood. One participant, Ashish Soni, would like to ask a question. Please go ahead and ask your question.

Ashish Soni – Analyst: You said that debt levels will be maintained, but is there a plan to reduce debt because margins are expected to improve next year based on your guidance?

Management: Definitely. The surplus cash we generate will be used to reduce debt. Our term debt is not significant. We have approximately 300 crores outstanding, which will anyway be repaid over the next 2–3 years.

The balance is working capital debt, and the surplus generated will be used to reduce that working capital debt.

Ashish Soni – Analyst: How is the receivables situation for your earlier Jal Jeevan projects, and what is the plan going forward? The industry faced many challenges over the last 1 to 1.5 years.

Management: Electrosteel does not have significant direct receivables under the Jal Jeevan Mission because we supply to EPC contractors. We hardly make any supplies directly to government departments. Therefore, we do not have significant stuck-up outstanding amounts under the Jal Jeevan Mission.

Ashish Soni – Analyst: Thank you, and all the best.

Management: Thank you.

Operator: Thank you very much. I would request participants who would like to ask questions to raise their hands or put their questions in the chat box. I would again request participants who would like to ask questions to raise their hands or put their questions in the chat box.

One question from the chat box is: You have paused greenfield DI expansion and allocated capital toward paints, {? VADS ?}, and other adjacent businesses. Should investors view this as a temporary

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response to the downturn or as a permanent change in your capital allocation philosophy?

Management: Could you please repeat the question?

Operator: The question is whether pausing greenfield DI expansion and allocating capital toward paints, {? VADS ?}, and other adjacent businesses is a temporary response to the downturn or a permanent change in capital allocation.

Management: It is more or less permanent. We are not pursuing any greenfield expansion in ductile iron pipes. The greenfield ductile iron pipe project that we were considering in Odisha is currently under abeyance, and we do not foresee it being taken up.

Therefore, you can say that this is a more or less permanent reallocation of capex.

Operator: We have one question from Rakesh Agarwal. Please go ahead and ask your question.

Rakesh Agarwal – Analyst: Can you hear me?

Management: Yes, please go ahead.

Rakesh Agarwal – Analyst: You said that you booked good orders in September. Can you quantify them or provide some details about the orders and the sectors they came from?

Management: They came mainly from EPC contracts. The supplies will primarily be made in states such as Andhra Pradesh, Odisha, and Uttar Pradesh.

Rakesh Agarwal – Analyst: Understood.

Management: We are seeing significant demand emerging in Uttar Pradesh because the state is going to elections in the next financial year.

Rakesh Agarwal – Analyst: Understood.

Management: The unexecuted water supply projects in Uttar Pradesh need to be completed quickly before the elections.

Rakesh Agarwal – Analyst: Understood.

Management: Therefore, our supplies will be boosted to these 3–4 states.

Rakesh Agarwal – Analyst: Was it a Jal Jeevan order or an irrigation order?

Management: It was mainly from Jal Jeevan and partly from AMRUT.

Rakesh Agarwal – Analyst: AMRUT as well. Has the river-linking work started? Are there any orders from that segment?

Management: Orders specifically for ductile iron pipes for the river-linking project have not yet started. The projects have been taken up, but first the transmission main pipeline will be taken up, which mainly involves large-diameter mild steel pipelines.

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Therefore, we expect orders—

Management: —from that segment in some time. We expect orders to start flowing in from Q4 and possibly Q1 of the next financial year.

Rakesh Agarwal – Analyst: How is the export market?

Management: Exports are steady. We export approximately 25% of our capacity to around 130 countries. The export market is steady, and there is no significant downward or upward trend at present.

Rakesh Agarwal – Analyst: Are we facing any challenges with freight?

Management: We are facing some challenges, but since we export all over the world, it is easier for us to divert exports from one market to another. Therefore, our export volumes have not been significantly affected by the Gulf situation.

Rakesh Agarwal – Analyst: How many months of order book do we have now? Earlier, it was 3-4 months. Can you quantify it?

Management: It is gradually increasing. At present, you can say that we have approximately 5-6 months of orders, and it is gradually increasing.

Rakesh Agarwal – Analyst: Are we expecting further orders over the next month or so?

Management: Could you repeat that?

Rakesh Agarwal – Analyst: Are we expecting further orders in the next 1-2 months?

Management: Yes, order inflow is a regular process.

Rakesh Agarwal – Analyst: Is there competition?

Management: There is no product without competition. Competition is obviously present.

Rakesh Agarwal – Analyst: I ask because many companies did not receive orders over the last year, so I wanted to understand whether competition is still present.

Management: Competition is present, but we are receiving orders in competitive markets.

Rakesh Agarwal – Analyst: Is it a good-margin order? This is my last question.

Management: Could you repeat that?

Rakesh Agarwal – Analyst: Is it a good-margin order?

Management: The margins are reasonable, considering our current costs and the likely increase in costs.

Rakesh Agarwal – Analyst: Understood. Thank you.

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Operator: Thank you. Due to time constraints, we will take the last call from Saket Kapoor. Please go ahead and ask your question.

Management: Please go ahead, Saket.

Operator: Yes, you can go ahead and ask your question.

Saket Kapoor – Analyst: Can you hear me?

Management: Yes, please go ahead.

Saket Kapoor – Analyst: We have seen that an anti-dumping duty was imposed in the Middle East region, including {? MAE ?} and KSA. How has that affected us? We were a very dominant player with a strong market presence there. What is the current status, and how have our dispatches to those markets been affected?

Management: Our exports to Saudi Arabia were approximately 10,000-12,000 tons.

Saket Kapoor – Analyst: Per year?

Management: Not per month, per annum.

Saket Kapoor – Analyst: I see.

Management: The anti-dumping duty imposed on us is at the minimum level of 17%. Other companies have been subject to anti-dumping duties of more than 30%.

We have challenged the duty and filed our first appeal against its imposition with the first authority. We expect the order to be pronounced in the next 2 months or so. We will then decide our next course of action.

As I said, our export volumes to Saudi Arabia are approximately 10,000 tons per annum. Therefore, we are not significantly affected. We are diverting those volumes to other markets, and we continue to export to Saudi Arabia despite the duty because our duty is lower than that imposed on other Indian manufacturers.

Saket Kapoor – Analyst: Lastly, we had made an acquisition in Italy related to a gas... I have forgotten the name of the valve company. How is its integration progressing, how is its performance, and what synergies have we achieved? Is there anything special you would like to share? Otherwise, we can discuss it after the Q2 results. I just wanted to ask.

Management: As we said last time, the company is performing well and in line with our expectations. Margins have also improved, including EBITDA margins.

We are focused on the valves business. We can discuss the quarterly performance after Q2. We also started selling valves in the domestic Indian market in September. September was the first month in which we actually started selling valves in India. Therefore, we expect domestic sales to come from Q3 onwards.

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Saket Kapoor – Analyst: Thank you for answering my question. All right, Mr. Bajaj, thank you.

Management: Thank you.

Saket Kapoor – Analyst: Thank you.

Operator: There are 2 final questions from Arun Cholani in the chat box. The first question is: What is the impact of the KSA anti-dumping duty? The second question is: Of the 25% exports, what percentage comes from Saudi Arabia?

Management: The KSA duty is the same matter. The impact of the Saudi Arabian import duty is that a 17% duty has been imposed on us, which is lower than the duty imposed on other DI pipe players.

Our exports to Saudi Arabia are a very small amount, approximately 2% of our total turnover. Therefore, the impact on us is not significant. However, we are continuing to export and are hopeful of continuing to export to those markets.

Regarding what percentage of exports comes from Saudi Arabia, as we mentioned, 2% of our total exports comes from Saudi Arabia.

Operator: Hello, and apologies for the issue. Most of the questions have been answered, including Arun's questions. We can now conclude the call.

Thank you, Gaurav. Thank you, Rajesh, for attending the Bharat Connect Conference. We also thank the participants who joined the webinar. Due to time constraints, we will have to close the call.

On behalf of Arihant Capital, I would like to thank the management and the participants for taking the time to join and share insights about the company. If participants have any further questions, they can contact the team at Arihant Capital.

Management: Thank you very much. Thank you, Rohan, and thank you, sir. Thank you very much. Goodbye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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