

09<sup>th</sup> November, 2022

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**Subject: Transcript of Earning Call held on 4<sup>th</sup> November, 2022 at 03:30 P.M**

Dear Sirs,

This is further to our letter dated 02<sup>nd</sup> November, 2022 w.r.t the Q2H1FY 23 Earning Call intimation for the financial results with the investors and analysts.

In terms of Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are sending herewith Transcript of the Earning Call. The same is also being uploaded on the website of the Company, which is available at the following web link:

<https://www.jslstainless.com/corporate-announcements#corporate-announcements>

You are requested to take the above information on record.

Thanking you,

Yours faithfully,

**For Jindal Stainless Limited**

**Navneet Raghuvanshi**  
**Head Legal & Company Secretary**



**Jindal Stainless Limited**

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“Jindal Stainless Limited  
And Jindal Stainless (Hisar) Limited  
Q2 & H1 FY ‘23 Earnings Conference Call”  
November 04, 2022



**MANAGEMENT:** **MR. ABHYUDAY JINDAL – MANAGING DIRECTOR – JINDAL STAINLESS LIMITED AND JINDAL STAINLESS (HISAR) LIMITED**  
**MR. ANURAG MANTRI – GROUP CHIEF FINANCIAL OFFICER – JINDAL STAINLESS LIMITED**  
**MR. RAMNIK GUPTA – CHIEF FINANCIAL OFFICER - JINDAL STAINLESS (HISAR) LIMITED**  
**MR. GOUTAM CHAKRABORTY – HEAD-INVESTOR RELATIONS – JINDAL STAINLESS LIMITED**  
**MS. SHREYA SHARMA – INVESTOR RELATIONS – JINDAL STAINLESS LIMITED**

**MODERATOR:** **MR. ASHISH KEJRIWAL – NUVAMA WEALTH MANAGEMENT**

**Moderator:** Ladies and gentlemen good day and welcome to Jindal Stainless Limited Q2 and H1 FY '23 Earnings Conference Call, hosted by Nuvama Wealth Management. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Kejriwal from Nuvama Wealth Management. Thank you and over to you, sir.

**Ashish Kejriwal:** Yes. Thank you, Vivian. Good afternoon, everyone. So on behalf of Nuvama Wealth Management, we welcome you all for this Q2 and H1 FY '23 post results conference call of Jindal Stainless and Jindal Stainless, Hisar. We are pleased to have Mr. Abhyuday Jindal, Managing Director, JSL and JSHL; Mr. Anurag Mantri, Group CFO Jindal Stainless; Mr. Ramnik Gupta, CFO Jindal Stainless Hisar; Mr. Goutam Chakraborty and Ms. Shreya Sharma from the IR team.

We are pleased to note that this quarter, despite a difficult situation company has reported EBITDA per ton of 15,000 plus, which makes first half '23 total EBITDA per ton of around 18,000 plus, which is inline with their guidance. However management will continue to maintain that guidance. And after that, I can just hand over the call to Goutam for further decisions. Over to you, Goutam.

**Goutam Chakraborty:** Thanks Ashish, and good afternoon, everyone and thank you for joining us. We'll begin this call with a brief opening remarks from the management, following which we'll open the floor for an interactive question and answer session. Before we start, I would like to state that some of the statements made in this -- today's conference call may be forward-looking in nature, and the disclaimer in this regard is available in our results presentation, which was shared earlier with you. I would now hand over the floor to Mr. Abhyuday Jindal for his opening remarks.

**Abhyuday Jindal:** Thank you, Goutam and good afternoon, everyone. On behalf of the management team, let me welcome you to the earnings call for Q2 FY '23 of Jindal Stainless Limited and Jindal Stainless Hisar Limited. I would first like to discuss the key business highlights of the quarter following which Anurag will take you through our operational and financial performance.

Globally, demand for industry has decelerated throughout Q2 FY '23, primarily on account of high energy costs, inflationary pressure, aggressive rate hike, rate hike by the US Fed and recession risk in key economies. But on the domestic front, demand from end user segment continued to be strong. Development and supply of niche value-added stainless steel grades and critical materials across various sectors and our agile business model allowed us to effectively increase our sales volume and achieved highest ever quarterly domestic sales of around 95% on the total sales volume.

Demand continued to remain steady in the automobile sector registering a growth of nearly 28% quarter-on-quarter basis. The company supplied new stainless steel grades, including 432 along with existing rate like 436L and 439 to various auto majors.

In the P&T segment, average sales in Q2 FY '23 increased by 41% over Q1 FY '23. Demand was also strong in the lift and elevator segment. Indian Railways continued its trust on increasing its share of business in freight. This led to a 25% jump in our sales to the Railway wagon segment. We also see strong opportunities in core segment too. Vande Bharath train set will remain a major focus area for the railways.

It is also heartening to note that India is expected to invest INR 80,000 crores in metro projects over the next 5 years, which will further increase the opportunity for our premium stainless steel offerings. On the export front, stainless steel industry has been facing continuous challenges with no relief on the export duty front. During Q2 FY '23 and H1 FY '23, combined exports stood at around 5% and 13% of the total sales, respectively. Domestic sales volume on the other hand, has remarkably increased compensating for the volume loss in the export markets.

I am pleased to inform you all that we have successfully developed and stabilized various stainless steel grades in the 400 series. We have also concluded multiple strategic orders for the specialty grade in the main duplex family. Additionally, we have dispatched our first ever order of 304 grade for ISROs critical application requirement.

On the ESG front, let me update you that we have initiated Project Samanvay with EY in order to – for two-prong strategy; A, to achieve its environmental, social and governance goals; and two is, predict greenhouse gases emissions and set carbon neutrality targets in accordance with the science-based target initiative. We are dedicatedly taking up real-time environment surveillance monitoring for air quality, water quality, work zone monitoring, affluent analysis and noise at various locations. We also carried out the plantation drive of over 2,500 trees in cyber premises.

JSHL has successfully commissioned a 3.5-megawatt rooftop solar power generation project. We are actively evaluating renewable energy projects for our future power requirements. In addition to this, the company has set an organizational goal to reduce its carbon emissions by over 1 lakh tonnes in FY '23 for the merged entity. We are cognizant of our environmental responsibility and are committed to grouping the nation prepare for a sustainable future.

With this, I would like to hand over to Anurag to discuss the operational and financial performance.

**Anurag Mantri:**

Thank you Abhyuday. Good afternoon, everyone, and a warm welcome on the call today. Hope you had a chance to go through our earnings presentation, which was shared with the stock exchanges and today's call discussion will be on the same lines. As Abhyuday mentioned and as you all know, that this quarter witnessed a major impact of the export duty, coupled with the ongoing challenges in the global macro situation.

Raw material prices do continue to remain volatile during the quarter with nickel prices falling by 24% quarter-on-quarter and those of ferrochrome by 18% on quarter-on-quarter. This impacted the realization and profitability of domestic manufacturers. Despite these challenges, we could adopt to the changed market dynamics quickly and emphasize our focus on the domestic sales through development and supply of niche value-added stainless steel grades and efficiently increasing our volume across segments, especially into auto, railways, pipe and tubes and lift and elevators.

Let me now discuss the operational and financial performance during Q2 and H1 FY '23. Backed by strong sales volume, the pro forma combined revenue of Q2 FY '23 rose by 10% and 6%, respectively on Y-o-Y and Q-o-Q basis to INR 8,628 crores. EBITDA impact were recorded at INR 694 crores and INR 360 crores, respectively.

On a half yearly basis, the pro forma combined revenue grew by 19% Y-o-Y to INR 15,744 crores. EBITDA NPAT for the same period stood at INR 1,526 crores and INR 836 crores, respectively. Performance of the global subsidiary was adversely impacted, as mentioned by Abhyuday, due to the tough global headwinds, inflationary pressures and recession risk in the key economies and export duty.

On a half yearly basis, however, our combined EBITDA of all the operating subsidiaries stood at INR 78 crores. At the end of Q2 H1 FY '23, our pro forma combined entity net debt stood at INR 2,757 crores, down by 42% and 12% respectively, as against FY '20 and FY '22 level. Despite being in the capex cycle, we continue to focus on the robust balance sheet and prudent capital allocation, which has helped us to improve our leverage ratios of the combined entity with the debt equity of 0.3x and debt EBITDA of 0.7x, which is one of the best in the metal sector.

On the merger update, let me intimate you that NCLT has given the next date of earning on Nov 11, 2022. The merger is expected to complete in FY '23. Also, I'm pleased to inform you that the shareholders of JSL approved the acquisition of 74% of JUSL from OPJSTPL through postal ballot with an overwhelming majority on September 3, 2022.

Our agile business strategy has been helpful in supporting our overall performance during the challenging times. We will continue to focus on our core strength to optimize our official and financial performance going ahead. With this, I would like to end my discussions and would request the moderator to open the other Q&A session. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer-session. Participants, who wish to ask a question may kindly press star and one on your touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit Dixit from ICICI Securities. Kindly proceed.

**Amit Dixit:** Congratulations for a good set of numbers in a very challenging quarter. I have three questions. The first one is on essentially volume growth. We saw very impressive volume growth Q-o-Q in both JSL and JSHL, while you have highlighted certain segments, railways, autos that contribute to growth. Just wanted to understand better where this growth is coming from, particularly in 200 cities, whether it is 300 or 400, was there any pent-up demand in certain segments that you expect to taper off? And what about the volume guidance for the year? That is the first question.

**Anurag Mantri:** Thanks, Amit. So as just we mentioned, the volume growth was in the domestic market for us came across the segment. And because most of the volumes we actually then diverted to a domestic market due to the export duty. And good thing was that some of these growth which came into the premium segment, which is like auto. Auto average sales grew almost 28% on a quarter-on-quarter basis due to the steady demand in this. Similarly, railway, the growth primarily came from access users in the vegan. So vegan because freight side, the railway continued to increase focus, which wagons took as the good demand from -- of our overall sales mix.

Pipe and tube was segment, which grew almost 41% on a quarter-on-quarter basis due to the good demand from construction and infra. So it was across the lift and elevator was also like we captured almost 95% of the shares of the market. And with supplies to all the major elevator, which is Kone, Otis, Mitsubishi, Schindler. So this is the across. So it was all across the spectrum of the various segments.

Your question was on the mix, then I assume second question. So because of this, the overall, if you see 400 series volumes in JSL share was almost 31% and 300 series, which was last year about 56% has come down to 46%. And 200 series also increased 18% to 23%. So that's how, basically, it's because the demand was coming across the segment, and we were able to capture balancing between the volumes and the price. So we continue to choose the segments carefully.

**Amit Dixit:** And what about the guidance? Because we heard that last time, it was slightly muted guidance for, would you revise the guiding upward?

**Anurag Mantri:** So last time, we gave the guidance of 5% to 10% volume dip expected in the FY '22. Now I think with this trend, we are expecting, we will close at least a flat volume growth in line with FY '22 of -- so at this stage, so we will -- we are upgrading the guidance in terms of the volumes, which was earlier expected to be down by 5% to 10% from FY '22 level? But now at least we expect that FY '23 should be flat against FY '22 levels.

**Amit Dixit:** The second question is on the capex spend. So the number in cash flow statement indicates that the ongoing expansion projects have gathered momentum for the capex spend has also gone up. So would you please let us know the status of completion of the ground feed expansion at JSL. And what kind of -- I mean, whether it would be like we can expect some volume growth from it towards the end of FY '24?

- Anurag Mantri:** All the capexes are on track and everything is what guidance we gave all the facilities will come within that time. So that's on the capex side. On the growth side, we were expecting a faster pace, but I would say we will have to watch the next two quarters carefully. With that, we will see, we are still expecting that at least 20% growth we should be able to deliver in FY '24 over '23, but I think we will rather watch the development. Out of the new capacity, we are expecting at least 30% capacity utilization can be achievable despite all the other challenges, it continue to remain at that in FY '24.
- Amit Dixit:** The last question is on the share of import. So if you can quantify the share of imports in domestic consumption in Q2 FY '23 and what would the increase in export from -- imports from China and Indonesia. Do you use to provide this information in present this time, I don't know why it got missed that?
- Anurag Mantri:** The imports in this quarter was close to 32%, 35% of the overall consumption in the country. Chinese imports continue to -- however, it used to be 60,000 in June came down actually to less than 40%, but again, it has crossed reaching almost 50,000 in September. So it's been up and down on the Chinese import side.
- Amit Dixit:** And Indonesia.
- Anurag Mantri:** Indonesia, we are seeing a declining trend in the import side. It used to be 20,000 plus, it's right now running at less than 10,000.
- Amit A. Dixit:** So with the decrease import pressure and our own volume growth, that should give you a lot of confidence actually to deliver good volumes in H2 also it imports well, I mean, or go down further, I guess?
- Anurag Mantri:** Yes. That's the reason we are revising our guidance of -- instead of volume decline, we are seeing at least the flat volume looks achievable at this stage now with our confidence level what we delivered in Q2.
- Moderator:** Thank you. The next question is from the line of Rajesh Majumdar from B&K Securities. Kindly proceed.
- Rajesh Majumdar:** Congratulations once again for decent set of numbers. So my question was, we have seen the effect of high-cost inventories also in this quarter, getting liquidated because of the high increase in volumes. So what would be the extent of that inventory liquidation impact? And since the prices are again forming now especially ferrochrome, etcetera, what kind of inventory-related loss can come back in 3Q and 4Q? That was the first question.
- Anurag Mantri:** Rajesh, in our business, actually, because it's a balancing between the volume and the realization and the margin. So it's difficult to segregate the inventory valuation number in a concrete manner. But typically, the trend which we have been saying, we get almost a time lag of 40 days to 45 days to pass on to the customer. So in a downward raw material trend, we always get a negative valuation impact, which was there in the quarter also because of the downward

movement in the prices, but quantifying that number looks rigorous so that's why that guidance we gave is actually 18,000, we are taking care of everything which could come into the play during these volatile times. So we are not segregating that guidance that in case of continuous trend, we will not be able to deliver such volumes.

**Rajesh Majumdar:**

And my second question was, sir, recently, we've been seeing a hardening of the spread in SS 300 series, particularly where the product prices have been firm and increasing somewhat, whereas from September onwards, there is a sharp decline in the scrap prices. And how -- I mean, I know you have a longer-term contracts and all that. So what is the impact? Because the overall impact on the spread is nearly INR 15,000-plus per ton. So obviously, entire thing cannot be captured in terms of the spot spreads. But what kind of impact on that can we see in 3Q or more in 4Q?

**Anurag Mantri:**

See, Rajesh, actually, the raw material is also, again, the source of raw material and we select on our supply chain is also a combination. So it's not -- it's difficult to -- because see, what happened when the raw material and the scrap prices starts falling, the spot prices of the finished goods also start adjusting immediately. And also because we have to lift a larger quantity of raw materials. So we have seen the movement we paused for some time in the scrap market, we see suddenly the prices falling down. But when we start gathering the quantity, the prices start going up immediately. So those scraps are available for the limited quantity. So that's a reason it's a very fine balancing of the various raw material sources for us.

**Rajesh Majumdar:**

No. But the widening of the spot spreads or the flattening should matter to you in terms of, right, the overall profitability of the product to some extent, I mean. Even if you are saying that the quantities impacted, impact the prices like, for example, SS scrap has fallen from nearly 304 for scrap and falling from 1.38 lakh to 1.18 lakh and the finished prices have actually gone up is about the 1.5 month data suggest. So that's been a sharp increase in the spot split. And my question is, sir, how much of the spot spread impact actually comes in for us. If you can get some kind of a judgment on that.

**Anurag Mantri:**

So let me give you two parts to this. One is that why it cannot be exactly reflected because one is that it also depends on the sales mix, which we are selling. So I'll be mentioned, like Auto, Railway, if you had more on the 400 series SS scrap will not matter that much. That's one part. Because it's always and for us, then we don't go with that as much of 400 series mix has to be sold or this much of 300. What we go with that how we capture the best margin orders for the across the various segment irrespective of the grade. That's what how our business strategy moves, which is helping us in terms of maintaining that more consistent volumes and the growth in the earnings side.

Second part is that the scrap also the movement we have seen in the market, we or for some of the scrap buying, we see the prices going down, but the moment we start buying as a large buyer, we see that initial -- those price sources are actually limited in terms of the quantity. So it's much more complicated than it's like a similar way of stop buying, let me tell you because when you start getting the large order, we see suddenly the prices, the next order goes into the larger size.



- Abhyuday Jindal:** Also to add that domestic asset scrap is not our only source of nickel or a ash or scrap that we buy. So it is only domestic, what you're saying is correct, there's been a sharp decrease. But in the world market and other forms of nickel, there hasn't been anything or we need to look at all our sources.
- Rajesh Majumdar:** So let me just ask you a final question, Anuragji, would you have a higher EBITDA per ton for 2H as compared to earlier guidance because of all the factors of inventory and spread because its like since the actual numbers are more complicated will you have a slightly higher profitability figure for the rest of the year?
- Anurag Mantri:** Not right now. We will say that we will not change the guidance right now. FY '23, what 18,000, I think we will maintain at this stage, and we'll rather go for one more quarter this trend.
- Moderator:** Thank you. The next question is from the line of Ritesh from Investec. Kindly proceed.
- Ritesh Shah:** I have four questions. First question is, one is on JSL, JUSL, what are the incremental milestones that we have to look at? Secondly, if you can just help the debt and EBITDA numbers for JUSL for first half. So that's the first question. The second question is any update on MCL? Third question is if at all reduction in pledges by when can we see that? And the fourth question is what will make us, again, competitive on exports. We know that we have Section 232 Europe. There are additional duties which are there, given by European Union press, the government's 15% export taxes. So if the export volume has to move up, again, what is the carrier doing about it? Those are the four broader questions.
- Anurag Mantri:** Thanks, Ritesh. Sorry, let me just try to see if I missed some questions, I think you can again ask me that question, I think because you have asked too many questions. But let me try to see what I captured. One is that you asked about the JUSL debt and EBITDA. Where the JUSL current debt is around INR 1,965 crores and the EBITDA for the H1 was INR 275 crores. That's one question. Second question was on the pledge side, the reduction of the pledge. Reduction of pledge as we mentioned, the banks are completely aligned. I think it's taking a more a process time to how to actually navigate that into whatever has been released, but let me tell you the good story is that all the term debt, which was having a pledge has been repaid. So there is no term debt right now, which has a pledge right now in the JSL. The pledge, which is getting reflected now only on the working capital. So See, for term debt, it was easier because we repaid that thing and we got it replanned with the new debt, the none of the new debt we have given the pledge. So there's no term loan now existing in JSL, which has a pledge.
- Working capital thing, unfortunately, because of especially the LC thing, which is ongoing, there cannot be a 1-day cutoff for the repayment and taking the new facility. So it's a process which we need to obviously get the press released from the old CDR lender, which is led by SBI. So which we are actually in the process and they are assuring us because even in their new loan of term debt, which they have extended to us for the project, there's no pledge in that particular loan. So they have removed all the pledge and subsidiary pledge requirement of the new loan and disburse that new loan on debt basis.

So just I think, I know we have been saying that, and we are also a bit of disappointed by the progress at the PSU lenders on working capital side. But as a proactive step what we have done, we have repaid entire term debt in JSL, which was on a pledge and refinanced it with the new debt, which was not under pledge. JSHL, it is still existing, but we will be -- you are just waiting because of the certain assurance. Otherwise, we will do the same exercise in JSHL, and we will not have any of the share -- term debt, which will have a pledge.

**Ritesh Shah:** That's useful. Update on MCL please, and then the export question.

**Anurag Mantri:** See MCL, the matter is in court. So obviously, there was a bidding process, and it's been public news that the three key parties, but they are in the bids for actually us and two other players. And these are actually, we were the front runner. How in between, obviously, it was challenge at the court. And in between the lenders also offered a loan to the ARC to offload their loan, which was led by NARCL offer because resolution sometimes can go long. So that process was also run separately, but other matters isn't. So right now, there's, though I would say there's nothing to update on the progress of MCL. I think it will take its own course. Another thing was on export side that your question on export side is that how can we gain the volume in export market, is that the question?

**Ritesh Shah:** Sir, the question is, so government imposed 15% export taxes, that's one thing. Prior to that, European Union import taxes on India, China and Indonesia. We were still able to export into Europe despite that more. But at that point of time, we did indicate that we will still be competitive in the US market. So I think export market is probably important and probably more lucrative. So if we have to regain our competitiveness back, what are the regions that we are looking at? So when it was Europe, we did indicate about US, but US also has Section 232, so what are the other regions that we are looking at, say, hypothetically, if the domestic market is sluggish, is exports even an option for us. How should we look at it?

**Anurag Mantri:** Yes. Maybe because see, right now, there was obviously a recessionary risk and inflationary trend and all sort of things in both the market, but I'll let Abhyuday answer this question that how the recovery can come in export market.

**Abhyuday Jindal:** Yes. So Ritesh, thanks for your question. Basically, definitely, with the export duty overhang, it is going to be a big challenge for us. And like as you said, this section 232 in US and restrictions in Europe, as of now, it is a challenge, but because of our long-standing quality approval that we have, our customers are still sticking with us. They still want to still take some quantity. So despite selling at a very low margin export, we're still continuing that and we will still continue to the tune of, if it does get further sluggish domestic, we're seeing good demand, and we're seeing good play in all segments of our infrastructure and auto and railway. Railway especially Q4 always picks up. They always drag behind for the full year and Q4 is always a bumper time for railways. So we don't see any real sluggish or slowdown in demand in the domestic market that we're still quite bullish on. But with the export duty overhang increasing export sales with the way the world market is in sort of a recession right now, it is looking at a challenge. So we're quite bullish that domestic will volumes will be maintained and they will further grow. And

whenever required at very low margin, you can always push to export volume. As of now, we don't want to do that.

**Ritesh Shah:** Sure. If I have to just rephrase the question, given the volatility that we have seen in the commodity prices, I'm pretty sure that our mix on 200, 300 and 400 series would have changed on a quarter-on-quarter or year-on-year basis. Even if for that change, would you assure investors that our profitability when we look at it on an EBITDA per ton basis, it is something which is pretty much similar across the three grades and it would not have much bearing on the profitability going forward?

**Abhyuday Jindal:** So our overall guidance, we will still maintain. Between the three grades, there is definitely variation and there are certain segments and certain low-paying segments. But our overall guidance combined all three between 18 to 20,000 I think we will still maintain that.

**Moderator:** Thank you. [Operator Instructions]. The next question is from the line of Vikas Singh from Phillip Capital. Kindly proceed.

**Vikas Singh:** Sir, I just wanted to understand this 20% growth in FY '24, which you are envisaging, so is it taking into assumption that the exports have would resume or you do the scope that only from the domestic demand, you would be able to take up that let's say, 15% or 20% growth in FY '24. And if so, we are obviously talking about much higher growth than the industry level. So where this growth are coming from basically?

**Anurag Mantri:** See, one, let me just clarify that. It's not that we are guiding right now for the growth on FY '24 over FY '23. That's what I said, you will have to directionally, we should target that, but it's not the guidance right now. And we have to watch for another two quarters that's what I mentioned. So that's first clarification. Second, what we -- the question was asked about the capacity utilization. So earlier, we would have -- obviously, we would have ramped it up much faster. But at this stage, also we are working through ramp up at least the 30% of the enhanced capacity utilization during this period, 25% to 30%. That's what our endeavor. But I think our guidance of '24 number, I think that's watch -- overall, we can assure you that what we are working is that at least the new capacity which comes at the 25% to 30% of that utilization, which should be targeting to ramp up. But I think the next end of the next earning call will be the best time to give us the FY '24 firm guidance.

**Vikas Singh:** Sir, my next question pertains to our -- once the capacity comes in, in terms of 30% utilization or 50% or 100%, how is the operating leverage move, sir? Have we done any internal calculations, which you could give us also a kind of idea that what kind of the operating leverage would come into play?

**Anurag Mantri:** What do you mean by operating leverage? Are you talking about EBITDA per ton...

**Ritesh Shah:** The EBITDA per ton, the fixed cost element would get spread further. So some more savings would be coming in because of the higher utilization level.

**Anurag Mantri:** Right now, so effectively, if I -- as you are asking for FY '24 EBITDA per ton guidance. Let me tell you, which is a bit early for us to say right now because, see, ultimately, it will be a fine combination as you would have seen in the last two quarters. We'll have to have a very fine balance in between our volume and the price segment, which we want to go. We have opportunity. India is still dominated by imports in SS. So technically, we can sell the entire volume, but at what price point and what price product quality we will compromise that will have to be a very, very fine balancing. And we want to keep our thing into the premium and niche segment and more on the quality segment, not getting into a substandard quality segment and complete on the price.

So it's a bit complicated than what it looks like. And that's what I'm saying it's difficult to have an EBITDA per ton guidance that incremental savings, which will be able to achieve to increase the EBITDA per ton guidance at this way. I think let's wait for some time how we move development in the external market moves and how the other segments in the domestic market moves. And we will give you that guidance on -- so when we give the guidance, we take care of all the things in terms of the inventory valuation in terms of the various savings which will be coming from the -- which will to operating efficiencies and sourcing efficiency, if we keep working on.

**Vikas Singh:** Sir, just one more question. In terms of -- in the Jindal Stainless our subsidiaries had made losses. So just wanted to understand, is it there are some one-offs which translated to the loss at the EBITDA level? Or how are they doing right now? Has the situation improved?

**Anurag Mantri:** Yes. So I think global subsidiaries were actually, as we mentioned, the global markets are actually under downward pressure in stainless steel. One was because of across the economies which are facing the recessionary risk and inflation pressure. So we see some challenges on the European market. Abhyuday, you want to explain to this.

**Abhyuday Jindal:** What was -- sorry, can you repeat the question?

**Vikas Singh:** Yes. So I was talking about the basically, European subsidiaries are making losses in some other subsidiaries also total loss in the JSL level is up there....

**Abhyuday Jindal:** So our service center has still done well. Our service center has still done well despite the challenging situation in the domestic market service centers still fully performing and done well. Lifestyle business because it's being a consumer-driven business and lot other prices that we were fixed. So there we face certain challenges, but now what we have done in lifestyle business is also, we have gone and discussed with various government agencies and we've got a price variation clause done.

So that we were taking care of any kind of future aberrations that happened because of this. So both our domestic subsidiaries, definitely JSHL has done well. Q4 guidance for lifestyle started looking very good. We're seeing all our orders coming back in black. So that will also perform well. the global subsidiaries are under a bit of pressure right now, and that will take, I would say,

another two quarters until the global demand is back up and running or the export duty moves out till then there will be pressure on those two subsidiaries.

**Vikas Singh:** Sir, just one last clarification. So we did not see any one-offs like some of your peers, one-off inventory losses or any kind of one-off losses during this quarter?

**Anurag Mantri:** Vikas, as I mentioned that the inventory losses are difficult to be separated for us. It's inventory losses is like to the negative inventory valuation, which is in the falling raw material prices that where the prices it was there in Q2 and even Indian company as well as the across, because then in the falling recession prices, you will always have a negative inventory valuation. But those numbers cannot be quantified because it's blended with the part of EBITDA by the time it gets passed on.

**Moderator:** Thank you. The next question is from the line of Ritwik Sheth, One Up Financial, kindly proceed.

**Ritwik Sheth** I have a couple of questions. Firstly, what is the capex for the rest of the year in H2 and for FY '24?

**Anurag Mantri:** The capex in H2 should be in the range of around maybe INR 600 crores to INR 700 crores.

**Ritwik Sheth:** Both the entities combined?

**Anurag Mantri:** Yes, both the entities combined around INR 600 crores, INR 700 crores capex we can trade.

**Ritwik Sheth:** And F '24, what will be the maintenance capex?

**Anurag Mantri:** Maintenance capex between these two companies combined together runs close to INR 350 crores of the number.

**Ritwik Sheth:** And sir, my next question is on JUSL, what is the expansion states there to 3.6 million tonnes. And when will it be completed?

**Anurag Mantri:** So JUSL expansion is on time, I think by end of this fiscal year, that also should be completed.

**Ritwik Sheth:** So it will be at 3.6 million, right?.

**Anurag Mantri:** Yes.

**Ritwik Sheth:** And it seems that debt has decreased from March '22 numbers. Is that understanding right?

**Anurag Mantri:** In JSL?

**Ritwik Sheth:** No. In JUSL.

**Anurag Mantri:** Slightly, yes. Debt has decreased slightly, yes.

- Ritwik Sheth:** And sir, what would be the pro forma net worth of the company? I believe there will be some cancellations. So if you can share that number?
- Goutam Chakraborty:** Around INR 10,400 crores.
- Ritwik Sheth:** So the investments in JSHL will get canceled out, right?
- Goutam Chakraborty:** Yes. Will cancel out, and then there will be some addition also. The total impact will be around INR 10,400 crores, which is pro forma number. The actual number when it concluded -- might be different, but so far, pro forma number is this one.
- Ritwik Sheth:** And sir, please, 1 last question on JUSL. We mentioned that sometime in FY '24, we'll be acquiring we'll be completing the acquisition. So does that time line stay?
- Anurag Mantri:** Yes.
- Ritwik Sheth:** So we'll be paying out that INR 950 crores and will be getting in the debt of about INR 2,000 crores.
- Anurag Mantri:** Yes.
- Moderator:** The next question is from the line of Ankit Devra from Kotak Investment. Kindly proceed.
- Ankit Devra:** Just a couple of questions. One, on the JUSL acquisition, any specific milestone or by when we expect to pay out anything in H2 or everything in FY '24?
- Anurag Mantri:** So we have got the shareholder approval now, and we expect to close this in FY '23 itself. We gave the time line till June '24 last time -- June '23 last time. But I think long priority in our approvals have been received. We will close this transaction during this financial year.
- Ankit Devra:** Okay. And in terms of capex in JUSL, are we undertaking any blast furnace capex or something? There were some press releases around orders given to BF projects or something? So current capex or...
- Anurag Mantri:** No, there is no blast furnace. This JUSL will be coming with the hot strip mill and cold rolled unit as it is to the existing capex.
- Moderator:** The next question is from the line of Hitesh Arora from Unifi Capital.
- Hitesh Arora:** Just two questions. the NCLT status, what happened in the last year in -- I mean what's the expected are we still confident of closing this by the financial year, the merger.
- Anurag Mantri:** See, the hearing is to take into account of all the NOCs received from the various regulators, which is the tax authorities, GST authorities and all these things, which has been filed already, filed the note different certificate, we have got from all -- has been tied to the court. Hearing is on 11th. Now I'm not too sure whether this will be closed in this hearing or may have another

short gearing, which is we have seen typical pattern in the Indian court. But even with that, short gearing, we are -- now we know that all the authorities have submitted by NOCs to the court. So it's more of court process. And we hope to complete the transaction in FY '23 as per the guidance.

**Hitesh Arora:** And just then on the JSL and JSL Hisar, just what -- so we've given a guidance of 18,000 or maybe 18,000 to 20,000 per ton EBITDA. What's the downside risk to the guidance? What can go wrong from here for us not to achieve the 18,000- 20,000?

**Anurag Mantri:** For FY '23, I think 18,000 is right now an achievable guidance, looks like. Obviously, the downside risk is always there due to general market condition. But this time, I would say, 18,000 because we have crossed the two quarters. And looking towards the next 2, 3 months, we are confident of delivering 18,000.

**Hitesh Arora:** And for the next year, we'll see as it comes closer to the time. Would that be right? .

**Anurag Mantri:** Sorry. I didn't get you.

**Hitesh Arora:** The next year -- for next financial year, we'd see closer to the time.

**Anurag Mantri:** Yes, I think -- that was because there are too many volatility happening across on even policy front as well as the global front.

**Hitesh Arora:** But we should be all thing equal, we should be getting another say, or INR 3,000 crore odd INR 3,500 crore additional on account of the merger benefit -- acquisition benefit of JUSL, which would be in the polling charge, that should also come to us all things you need to?

**Anurag Mantri:** Yes.

**Moderator:** Thank you. The next question is from the line of Dhaval Shah from Anvil Wealth Management. Kindly proceed.

**Dhaval Shah:** Congratulations on good set of numbers. Am I audible? Yes. So I had a few questions. Firstly, on why there is an employee cost reduction in this quarter, any one-off? Or can you throw some color on that? Also, if you can share some details on the coal cost this quarter versus the last quarter and the current prices and how the sourcing is done?

**Anurag Mantri:** So employee cost was just some provision thing which we do on the certain thing, which was actually a certain adjustment on the provision. Your second question was on that one was employee cost, second was?

**Dhaval Shah:** Coal cost for power.

**Anurag Mantri:** Power. Actually, we did a very flexible thing on the power side.

**Shreya Sharma:** So for the overall coal cost, if we look at the linkages cost and the other costs on the spot prices were pretty much on a higher side. But strategically, how we plan it is that we also procure the

power from the grid. So are power cost is mixed cost in the terms of the per unit cost and own production cost for us, which has come down as compared to the last quarter, if you look at it.

**Dhaval Shah:** Okay. So can you share the per unit cost.

**Anurag Mantri:** Yes. See, because it's -- we keep doing the cost efficiency on a flexible way, depending on the fuel prices. Where we have mentioned that sometimes we actually put a pause and then put it from the grid and when the case was higher and then do the blending things. So that's how we manage that entire cost.

**Dhaval Shah:** And sir, if you share some lights on this Hygenco India tie-up or JV, how that deal is structured? And is there any capex or money we need to invest into that?

**Abhyuday Jindal:** So I can maybe quickly answer this. There is no capex involved at all from our side in this. It is a total investment done by Hygenco, and it's a power purchase agreement. So it's a very pilot scale project. We wanted to test this project out. And if it does well and create good amount of green hydrogen then we will go for a larger scale setup. So this pilot scale is -- yes.

**Dhaval Shah:** So there's no capex or any investment from...

**Abhyuday Jindal:** No capex from our side.

**Dhaval Shah:** Yes. And sir, 1 more question, if you could answer. Sir, can you just throw some light on the capital allocation policy over a longer period of time because we will be done with the capex by end of this year and we will be generating roughly good cash flows. So how it will be -- are you looking for further capex or some payout or some color on that would be helpful.

**Abhyuday Jindal:** So definitely, I think, Anurag, you can take this up, but we would like to give some dividend next year, that is still on our cards. And Anurag, maybe you can answer this question.

**Anurag Mantri:** So as we mentioned last time that the Board approved the new dividend policy where we first mention that obviously, to target dividend up to 20% of the pack on a progressive basis in the future, because -- but only after the merger, we will consider that. And capex side on this thing, it's always normal as you saw, we -- even in the capex cycle, we continue to maintain the ratio very prudently. So I think that's what you should take it more as a debt because as a growth, we will always continue to look for the right approach, but obviously at the right ROE and in terms of the overall balancing our ratio.

**Dhaval Shah:** And sir, 1 more question, if I could ask. Sir, on JUSL, you said that the capex will be completed by end of this year. So is there any capex -- whatever the capex for H2, is there any debt required or it would be fulfilled from an internal accrual generally for JUSL?

**Anurag Mantri:** No, there would be an additional debt all in JUSL.

**Dhaval Shah:** Can you quantify it, approx?



- Anurag Mantri:** It would be probably INR 200 crores to INR 300 crores.
- Dhaval Shah:** And capex for H2 in JUSL?
- Anurag Mantri:** It's ongoing. It's all -- as I told you that it's what the numbers will be drawing the loan accordingly.
- Moderator:** Thank you. [Operator Instructions] The next question is from the line of Chetan Shah from Jeet Capital. Kindly proceed.
- Chetan Shah:** Yes. So I just wanted to know the JUSL debt number. Is it 1,955?
- Shreya Sharma:** It's 1,965.
- Chetan Shah:** 1,965.
- Moderator:** Thank you. The next question is from the line of Suraj Kokate from Axis Bank.
- Suraj Kokate:** I just have a couple of questions. The first one is on finance cost of JSL. So I see that it has increased by around 19% this quarter on a sequential basis. If you could provide some detail on this -- and second one is that some of the recent media articles suggested that government is planning to improve an anti-dumping duty from stainless steel, stainless steel supplies from China. So are you aware of these events? Or -- and how likely is the possibility of implementation of this? And if this is implemented, what could be the impact on volumes?
- Anurag Mantri:** So let me answer first on the interest cost. This quarter, there was one-off items of around INR 8 crores and the JSL cost, which was -- one was on the interest on the income tax advance tax, which was because last year, obviously, as we progressed on EBITDA the advanced tax because at the end of the year, the EBITDA increase in initial advance tax was than the shortfall. So that was on this thing as well as there was one interest payment on the settlement with the NESCO, which is the power utility company. So that was the one, which was there, which is coming into interest cost.
- And some of the other costs, which we do actually as part of the working capital management, actually, the income from the debtors and discounting is going into the other income. So it's not getting net of in JSL. That's how it's been reflected. Second question was on this anti-dumping. I don't know what are you referring -- are you referring to some of the court case which happened in Gujarat?
- Abhyuday Jindal:** ADD and CVD on pipe and tube coming from China. That is what your question was?
- Suraj Kokate:** Right.
- Abhyuday Jindal:** Yes. So that does happen, see, because we are not very -- not very big in to pipe and tube ourselves. We are a supplier to them. So this is a welcome move, and it's a good positive sign for us. because that would help us further push our volumes, and this is exactly what we have

been telling the government that more people have become traders. They have started shutting their pipe and tube making facilities here and started trading materials from China. So that would definitely be a very positive and welcome move by us.

**Moderator:** Thank you. Next question is from the line of Saket Kapoor from Kapoor & Company. Kindly proceed.

**Saket Kapoor:** If you could provide us, historically, what was our domestic and export mix as we have seen that we are currently more -- 95% towards the domestic market to the 2, 3 years average, if you could provide?

**Anurag Mantri:** See, Saket, as we mentioned with our agile model, we keep fluctuating in our export and domestic mix depending on the margins and the volumes that we can get. So typically, you see that quarter four of last year, we reached to almost as high as the export volume of 30%.

On a full year basis, FY '22, export volumes were 21% and currently, this quarter it has come down to 5%. So it's quite fluctuating. Last quarter, it was still in Q1 was 17%. H1 overall, we still maintain 12% now. I can keep giving you that many numbers, but I think overall, the blended volumes and the margins which we target.

**Saket Kapoor:** So sir, just wanted to understand the customer profile there in the export market, but this kind of a shift in towards the domestic market, how are the customers in the export market than Fed. And what actually happens to those customers? Who are buyers of our products earlier if we take the long-term averages also?

**Abhyuday Jindal:** The consumer -- our customers are still with us. Despite all these challenges and disruption, there has been a recession and a slowdown in their market itself. And like I said, we have long-standing approvals, long-standing supplies, quality supply that we have given. So it's only a short-term aberration that is there. As soon as export duty or the European market picks up again, then are volumes and our suppliers for these customers will again start.

**Saket Kapoor:** And two small points. Firstly, sir, what are the benefit in terms of the acquisition of JUSL? And how is it going to be funded? Anything's going to be consumed in FY '24? The one which we have taken...

**Anurag Mantri:** The transaction, as we mentioned, that it will -- we are targeting to close in FY '23 itself. And will it make us a completely integrated stainless and steel play and also eliminate all the related party transaction. So with JUSL, just to give you the ballpark number, FY '22 to almost INR 1,700 crores transactions were there for the related party because it was doing a job work. So all these will help us to improve the governance and eliminate all these rated party transaction and which would have increased further with our increased capacity. So it will make us completely interested standstill share with all facilities into the listed entity. That's how I think...

**Saket Kapoor:** It's going to be a cash transaction complete, so this INR 958 crores aggregate value that you have put.

- Anurag Mantri:** Yes, it will be a cash transaction.
- Saket Kapoor:** And who is the ultimate beneficiary in the transaction? For JUSL who is owning the share.
- Anurag Mantri:** OPJSTPL is the company, which owning this company.
- Moderator:** That was the last question. Thank you. We would now like to hand the conference over to the management for closing comments.
- Anurag Mantri:** Let me thank everyone for attending this call. Sorry, Abhyuday is actually just on the call. So I'm taking this on his behalf. We have been focusing on our agile business strategy to mitigate the external challenges. I'm confident that our strategic steps will augment the future performance of the company. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or like to know more about the development, please feel free to contact our Investor Relations team. Thank you once again for taking the time to join us on this call. Have a great time ahead.
- Moderator:** Thank you. On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us. You may now disconnect your lines.