JINDAL STAINLESS

2nd August, 2022

BSE Limited	**National Stock Exchange of India Ltd.**
1st Floor, New Trading Ring,	Exchange Plaza, 5th Floor,
Rotunda Building, P J Towers,	Plot no. C/1, G Block
Dalal Street, Fort, Mumbai - 400 001	Bandra-Kurla Complex, Bandra(E),
# 022 - 2272 3121, 2037, 2041,	Mumbai-400051
3719, 2039, 2272 2061	# 022 -2659 8237, 8238, 8347, 8348
corp.relations@bseindia.com	cmlist@nse.co.in SL
Security Code No.: 532508	**Security Code No.: JSL**

Kind Attn. Listing Section

Subject: Transcript of Earning call held on 28th July, 2022 – Disclosure under Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("SEBI Listing Regulations").

Dear Sirs,

This is further to our letter dated 26th July, 2022 w.r.t. the Q1 FY 23 Earning Call intimation for the financial results with the investors and analysts.

In terms of the provisions of SEBI Listing Regulations, please find enclosed herewith the transcript of the above said Earning Call. The same is also being uploaded on the website of the Company at the following weblink:

https://www.jslstainless.com/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

Enclosed as above

Jindal Stainless Limited and Jindal Stainless (Hisar) Limited Q1 FY 23 Earnings Conference Call

July 28, 2022

MANAGEMENT: **MR. ABHYUDAY JINDAL – MANAGING DIRECTOR, JSL & JSHL**
MR. ANURAG MANTRI – GROUP CHIEF FINANCIAL OFFICER, JSL
MR. JAGMOHAN SOOD – WHOLE-TIME DIRECTOR, JSHL
MR. RAMNIK GUPTA – CHIEF FINANCIAL OFFICER, JSHL
MR. GOUTAM CHAKRABORTY – HEAD IR
MS. SHREYA SHARMA – IR TEAM

MODERATOR: **MR. RAJESH MAJUMDAR - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Jindal Steel and Jindal Steel Hisar Q1 FY'23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

And I'll hand the conference over to Mr. Rajesh Majumdar from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Rajesh Majumdar: Good afternoon, everyone, and welcome on behalf of B&K Securities to the earnings call of JSL and JSHL. We are represented today by Mr. Abhyuday Jindal, Managing Director, JSL and JSHL; Mr. Anurag Mantri, Group CFO Jindal Stainless Limited; Mr. Jagmohan Sood, Whole-Time Director JSHL; Mr. Ramnik Gupta, CFO JSHL; and Mr. Goutam Chakraborty and Ms. Shreya Sharma from the IR team.

I would like to hand over the call to Mr. Goutam Chakraborty now for his opening remarks. Over to you, Goutam.

Goutam Chakraborty: Thanks, Rajesh, and welcome everyone. We'll begin this call with the brief opening remarks by the management and following which, we'll be having the forum open for the question-and-answer session. However, I would like to state that, some of these statements made in today's call may be forward-looking in nature. And the disclaimer in this regard is available in our result presentation that was shared with you earlier.

I would now like to hand over the call to Mr. Abhyuday Jindal for his opening remarks.

Abhyuday Jindal: Thank you, Goutam, and good afternoon to everybody. Hope you all are keeping well and are in good health. On behalf of the management team, let me welcome you all to the earnings call for Q1 FY'23 of Jindal Stainless and Jindal Stainless Hisar Limited. I will first share the key highlights of the quarter gone by, following which Anurag will take you through our operational and financial performance.

Q1 FY'23 has been challenging with many issues coming together, having direct and indirect impacts on our performance. First, it was ongoing the Russian-Ukraine war, which got extended and intensified. This has had significant impact on the global commodity prices, which saw very high volatility, sharp rise in energy prices resulted into inflationary pressure and tightening of liquidity as well.

Finally, despite influx of stainless steel imports in India and having very different market dynamics, the government imposed 15% export duty on stainless steel also along with carbon steel.

The domestic stainless steel industry faced a double whammy during Q1 FY'23, a continuous free flow of unwarranted stainless steel from China and Indonesia resulted in the share of imports rising to nearly 50%. On the other hand, 70% to 80% of our export product portfolio got impacted due to imposition of 15% export duty by the Government of India.

During Q1 FY'23, the combined export stood at 22%, which was lower than 26% clocked in the previous quarter. However, it remained higher at again 70% in Q1 FY'22 with SPD exports registered a 375 sales growth on a year-on-year basis. Despite the external factors, our business agility operational management, financial prudence and focused approach helped us to pose reasonable performance for Q1 FY'23. We continue to serve the domestic and international markets by widening our value added stainless steel product portfolio. We have catered to a robust stainless steel demand from key domestic sectors like automobiles, metro, railways, coaches and wagons.

In fact, in case of automobiles, we have increased by 40% on a sequential basis. Demand from metro sector continues to be steady with major national metro projects in the pipeline. Our in-house wing evolved improves stainless steel grades and finishes for the lift and elevator and auto segments. Additionally, we have further enhanced our digitization initiatives like product and MTC authentication for existing and end customers, online order booking and online payment portals.

Continuing with the development, I'm pleased to share that we have supplied our most cost effective and superior stainless steel for various infrastructure projects, such as Jindal Durasafe for India second and third stainless steel foot-over-bridge at Srikakulam and Andhra Pradesh and Bhayandar in Greater Mumbai. We are also supplying stainless steel for developing technologically advanced and state-of-the-art train sets for India's first Regional Rapid Transit System.

I am also happy to share with you that we are proud suppliers of stainless steel for construction of the Udhampur-Srinagar-Baramulla Railway Link tunnel project with its national importance. This will be the first ever application of stainless steel cable trays in the Indian Railway project and we see many more opportunities in this sector.

Let me now update you on the value accretive and critical acquisitions. JSL is going to acquire Jindal United Steel Limited as a wholly-owned subsidiary further enhancing its stainless steel manufacturing integration with all critical facilities now under one umbrella. This would result in improved synergies between both the entities preferred governance structure, thereby enhancing value for all our stakeholders. Further details in this regard will be shared by Anurag later.

Our focused approach to reduce our carbon footprint continues. On building a roadmap to achieve our ESG and decarbonization goals, EY has been appointed as a partner. During Q1 FY'23, we continued to engage in green initiatives as part of our operational excellence projects. In Hisar, we're also set to install a green hydrogen plant. Through these ventures we will be able to conserve power and reduce its carbon emissions considerably

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

Anurag Mantri: Thank you, Abhyuday. Good afternoon, everyone, and a warm welcome on the call today. We have shared the earning presentation with stock exchanges and today's call discussion will be on the same lines. As Abhyuday mentioned earlier, the quarter encountered with unforeseen macroeconomic challenges that impacted the overall performance of Indian stainless steel industry as a whole. However, our focused approach on niche product development and agile project mix helped us partly steer through these challenges and report a reasonable performance for the quarter. Our focus on ART and ABC segments have augured well as we could increase our share of business in automobile sector.

Coaches, wagons and metro segments of Indian Railway have been doing well and looking promising in the future as well. Going forward, we are committed to develop a strong stainless steel ecosystem in the country by focusing an awareness, skill development, new product development and identification of sustainable applications for stainless steel. Our focus remains on the development of special grid for the critical applications.

Let me now come to our operational and financial performance during the quarter. On a year-on-year basis, the pro forma combined revenue for Q1 FY'23, rose by 31% on year-on-year basis, INR 2,815 crore. EBITDA impact for the same period stood at INR 832 crore and INR 475 crore, respectively. As far as our performance of the subsidiaries are concerned, the combined EBITDA grew 50% on year-on-year basis to INR 87 crore in Q1 FY'23, despite many challenges.

Raw material prices continue to be highly volatile during the quarter. due to the ongoing Russia-Ukraine conflict and also the macroeconomic issues as well. After initial surge in the prices fell on account of unwinding of a speculative position increased control on the supply chain by government across the world to fight inflation. De-accelerating the Chinese economy due to the renewed COVID lockdowns and softening of logistic imbalances.

At the end of Q1 FY'23, our pro forma combined entity net debt stood at INR 3,513 crore, down by 26% as against the March '20 level. As we have been saying, we have been able to maintain our leverage ratios efficiently, despite disruptions. For the combined entity while the debt equity stood at 0.4x, the debt EBITDA remains at 0.8x. Interest cost for the combined entity declined by 10% year-on-year basis on account of a lower interest rate. For both companies, the credit rating for long-term facilities at AA minus and for short-term facilities at A plus are maintained.

On the merger update, let me intimate you that the post approval of shareholders and creditors of JSL and JSHL on April 23, 2022, the honorable NCLT has fixed the next date of hearing is 18 October, 2022. And we expect the process to be completed in due time over next four to five months. As Abhyuday mentioned earlier, JSL is going to acquire JUSL, Jindal United Steel Limited, which is a hot strip mill and cold roll unit. The proposed acquisition of 74% stake in JUSL shall be made at an aggregate consideration of INR 958 crore. The acquisition would be done in one or more tranches by June 30, 2023, subject to requisite approvals. JUSL has been operating the hot strip mill with its total capacity being enhanced to 3.6 million ton per annum. JUSL is also operating a cold roll mill with the facility of 4.2 million ton per annum for stainless steel applications.

We have been focusing on our core strength to mitigate various challenges. We believe that our strategic initiatives will be augmenting our performance in the long term, once the environment normalized.

With this, I would like to end my discussion and would request the moderator to open the floor for the Q&A session. Thank you.

Moderator: The first question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: I have a couple of questions the first one essentially is on volumes. So if I look at volumes understandably, I mean this quarter it was down. So would you be revisiting your volume guidance for FY'23? And the related question on this is, are you also contemplating delaying the 1 million ton expansion at Jajpur in view of regulatory uncertainties that persist at this point in time?

Abhyuday Jindal: So Amit, thank you for your question. First, in terms of volume guidance we feel that, I mean despite all the challenges as compared to last year, this year we should do about 5% to 10% less in volumes and in terms of, if you're saying our expansion that is happening, I think we will keep it on track, but maybe the ramp up we can slow down depending on the market conditions and these regulatory challenges. So if they get removed then we can increase the speed of ramp up. If we still see challenges pertaining export duties still remaining, then we can slow down the ramp up speed.

Anurag Mantri: So Amit because our expansion as you see was targeted to end in this financial year. So it's almost at the last end of the completion. And most of the costs are already committed and now we are doubling and I think overall, because there is no point in further delaying it because it's eventually we hope that situation will further improve.

Abhyuday Jindal: Yes, we don't expect export duty to be there for very long. So we are happy to continue our expansion process.

Amit Dixit: Great. The second question is essentially on JUSL. Now you mentioned that, I was under the impression that JUSL already has a rolling capacity of 3.2 million tons per annum, I mean we are using 1.6 because of our own stuff. So in order to expand it to 3.6, first of all how much CapEx would be needed? And if you could let us know your CapEx estimate I mean in light of a lot of things that have happened for this year and maybe next year? That would be very helpful.

Anurag Mantri: So JUSL, the current capacity is 1.6, which is getting enhanced to 3.6 million ton, at a CapEx of some around INR 350 crore to INR 400 crore that's the overall CapEx, it's actually around INR 350 crore, so that's what the process in JUSL capacity expansion. Overall, your second question was on the CapEx of Jindal Stainless Limited, so if you recall that out of the last year INR 1,100 crore committed CapEx, we did only INR 950 crore, so around INR 150 crore CapEx was spilling over to this financial year. And this financial year CapEx was also at around INR 1,100 crore, so almost INR 1,250 crore will be there in this financial year

Amit Dixit: The INR 350 crore to INR 400 crore is it a part of this INR 1,250 crore?

Anurag Mantri: No, INR 350 crore is not part of this. This I am talking about Jindal Steel and I talked about the INR 350 crore of JUSL CapEx.

Amit Dixit: And over I mean how much period would it be spread the INR 350 crore to INR 400 crore?

Anurag Mantri: The JUSL CapEx will be close to around 12 to 15 months. FY'23, I think because see, the CapEx spill over will be some of these staggered, but overall, I think by in the beginning of FY'24 along with the JSL capacity, it will be aligned.

Moderator: Next question is from line of Nishit Shah from Aequitas Investment. Please go ahead.

Nishit Shah: Sir, I would like to understand, how do you see the global demand supply scenario now?

Abhyuday Jindal: See, as of now whenever the commodity prices are falling, everybody gets into a destocking sort of situation and that is where the whole global stainless steel market is at right now and this is always the nature of our industry or the business. So we expect maybe this quarter also prices to be falling, then Q3 onwards again there should be some stability and demand should also come back.

Nishit Shah: My second question is, what is the CapEx plant for the green hydrogen plant?

Abhyuday Jindal: I can get back to you on that. That is I think maybe our partner would be investing and we would be getting into a sort of pay as we use model, but what investment we might have to do, that I can get back. It's not a very significant amount.

Moderator: Next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Okay. I was interested in understanding, you have listed that you faced double whammy both from the higher imports as well as sort of restriction on exports. Could you explain this situation across different product series 200, 300, 400, which one is more resilient and where you are seeing higher pressure?

Abhyuday Jindal: So the maximum pressure that we are seeing is in 200 series, that is because maximum dumping in 200 series is happening from China and that is where we are seeing from a domestic point of view from export because maximum export was in 300 series and with this 15% duty coming, the major impact on export has been on 300 series. Did that answer your question?

Kirtan Mehta: Yes, that gives a good insight. And what are the steps that you can take to sort of restrict the volume decline to only 5% to 10% of the year?

Anurag Mantri: So there are multiple things as with the mention in the call, in opening remarks. There are a few sectors in domestic market which we continue to focus was automobile and railways specifically which continue to show good demand which railway includes all throughout the metro, coaches, wagons, as well as the rail infrastructure, foot-over-bridges. So there is a good traction on the railway side where we will continue to focus. Automobile side is also showing a good traction. So these two segment, which are more quality based and certain approval restriction-based segments, where we will continue to focus.

Some of the special product divisions in Hisar, which obviously will continue to be on the more dominated by export market and which will continue to pursue all these segments. So it's a combination and the 400 series also in the mix which will continue to increase in the various segment applications. So with the combination of multiple things, we will have overall maintaining these type of volumes in the entity.

Abhyuday Jindal: And if ask from a market standpoint of view, there is a capability or market available for us to meet 100% of our capacity, but we don't want to drop our margins, because what will happen then is, we have to significantly drop our margins to get that extra market share. So that is as a strategy, we would not like to do that, it also spoils the whole market, sentiments in the market. So looking at that we're going to take a 5%, 10% reduction in volume and not spoil the market and like we mentioned many times, that if this export duty is removed than this volume gap can also be reduced.

Kirtan Mehta: Right. In terms of sort of also understanding on the export market what level of exports could continue while the export duty still remains separately in sort of the parent company as well as Hisar?

Abhyuday Jindal: So if we were doing almost, let's say, 20,000 to 25,000 on average last year or 25,000 last year, we feel that at least between 12,000 to 15,000 we should still be able to export with these duties being there.

Kirtan Mehta: For these stainless or combined together?

Abhyuday Jindal: Stainless steel.

Kirtan Mehta: The entity JSS plus JSSH or is it only for the parent entity?

Abhyuday Jindal: Yes, both combined together.

Kirtan Mehta: And in terms of the price decline, how are you seeing the trends from June to July? Are you seeing any signs of stabilization market or this will continue through the quarter?

Anurag Mantri: The price in stainless steel is also a function of underlying raw material prices, it's not like straight-forward like a steel business. So typically underlying raw material prices when it comes down the price actually goes down and commensurate with that because eventually it's a pass-through mechanism with the time lag. So it all depends largely on the external and underlying commodity prices one is that. Second is that, overall, our realization will also be a combination of the product mix depending on the export, how the export we do SPD as well as in terms of the various segments. So because 300, 200, 400 series, obviously, the realization price are very different due to the different underlying raw materials.

Moderator: Next question is from the line of Ashish from Centrum. Please go ahead.

Ashish Kejriwal: Sir my question is on JUSL acquisition. After this acquisition, what kind of savings in the sense of conversion margins we can expect from there?

Anurag Mantri: So typically, Ashish, there would be improvement in our overall margins with the JUSL because of the integrated play. So we will probably update the guidance. Right now we are maintaining our guidance of 18,000 per ton on a standalone basis and once we complete this transaction depending on the market condition, we will just update our guidance appropriately.

Ashish Kejriwal: So, sir, what we are trying to look at is what kind of converging margins we are paying to JUSL right now in order to convert that slab into HRC and then coming back to it, at least we will save that. So what is the current status on that maybe in future we'll do that.

Anurag Mantri: So basically that margin is also an underlying combination of the underlying fuel prices also for them. So it ranges between, say, even to an extent say INR 3,000 crore to INR 5,500 crore, INR 500 per ton range on an average, that's what the trend is that. But it's also a function of the underlying energy prices for them.

Ashish Kejriwal: Understood. And second is, is it possible to share what kind of margins are or are we making enough margins in the export market and assuming that export duty remains then also we are maintaining our EBITDA pertain guidance of 18,000 to 20,000 or will there be any change in that?

Abhyuday Jindal: So export duty remains just holding on to our EBITDA guidance of 18,000 to 20,000. In terms of margin export, Europe with this 15% duties definitely margins are under pressure and it is not viable to sell, but in the U.S. market, we still see good margins there.

Anurag Mantri: And the special product division is out of the duty of less than 600, so that actually continues as it is.

Ashish Kejriwal: So you are saying, in U.S. even after paying 15% expo duty, our margins are good?

Abhyuday Jindal: Yes.

Ashish Kejriwal: Okay. and lastly, sir, in your interaction with the government bodies, obviously, any sense you are getting for removal of this export duty or we are still on the same page as we are in June?

Abhyuday Jindal: There is no commitment or clarification that they are giving, but from whatever we are hearing the impact that had to be created has already happened. Stainless steel prices significantly come down, world is under anyway looking towards recession or downward pressure. So feeling is that another couple of months they should remove it, but there is no commitment from their side that I can convey.

Moderator: Next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Now since you have announced the intention to acquire JUSL. Can you also start sharing the volume and the EBITDA that you did in this quarter and the net debt at the end of this quarter in JUSL? That's question number one. Question number two is that, this year in JSL, you committed to do almost INR 1,450 crore of CapEx, additionally I think, I don't know when this INR 958 crore will flow out, but add to that the net that that is going to come through on account of JSL acquisition, any other inorganic acquisition that you have to do. So what kind of net debt profile you are looking at by the end of the year? These are the two questions which I have.

Anurag Mantri: Abhijit, your voice was not very clear, but let me just try to summarize I think your two question which I understood correctly. One is, the last question was the net debt situation at the end of this financial year considering this JUSL payout as well as you've mentioned about CapEx you mentioned about.

Abhijit Mitra: The CapEx of INR 1,450 crore that you are doing in JSL plus JUSL.

Anurag Mantri: JSL CapEx is not INR 1,450 crore, actually JSL CapEx if you recall, we always said that it will be FY'22 and FY'23, the payout of the CapEx will be INR 1,100 crore in each financial year. So that's exactly the number which is there in JSL CapEx side. The JUSL payout will depend on the approval process and it may be in tranches because we may go depending on the cash flow side of us, we will be probably in one or more tranches or maybe I mean two tranches or three tranches depending on how we progresses on that. And by June 2023 is which are expected to be completed.

Abhijit Mitra: Okay. And the numbers of JUSL if you can share for this quarter and the net debt which is outstanding there at the end of the quarter?

Anurag Mantri: The JUSL debt is INR 2,050 crore. The JUSL basically the numbers will be on the basis of the tolling volumes which we go. So as I told you that, one is that stainless steel tolling which is get done for JSL in that entity and the margins I just shared in the call. And then also there is a cold roll businesses separately in that also, which is again the stainless steel cold roll, it's in line with the whatever JSL margins remains on an average side. And on that top of it, whatever carbon is still on and off tolling which they keep doing for various outside carbon steel players.

So it's always varies with that. I think the expected run rate if I remove with our 2 million ton capacity reaching JSL, their EBITDA would be probably in the range of only on tolling itself will be close to INR 800 crore to INR 1,000 crore range. And cold roll is separate, 0.2 million ton cold roll is on top of it and the carbon is still tolling which they can continue to do with the outside entities will be separate.

Abhijit Mitra: Right. And so essentially the enterprise value that you have arrived that is INR 3,340 crore, right?

Anurag Mantri: So there were multiple things were there in the independent valuation, so when we took our opinions on this, so obviously one was the DCF because they are doing the capacity expansions similar asset if you see, typically the industry standard for putting HSM which lot of carbon steel player are right now doing is around typically $180 to $200 per ton is the CapEx cost. So put all together I think with 3.6 million ton capacity is, basically that number I already shared with you. So depending on the valuation method you can see the numbers.

Moderator: Next question is from the line of Ritwik Seth from ONE-Off Financial. Please go ahead.

Ritwik Shah: Yes. Sir, what was the production number for Q1 for both the entities?

Abhyuday Jindal: Production was lower compared to Q4 last year.

Anurag Mantri: Ritwik. Production number was around 423,000. Typically the sales number which we monitor. There is also expected shutdown in Q2 accordingly the production we continue to maintain.

Ritwik Shah: Right. So my next question was that, So we're looking at about 5% to 10% reduction in sales volume. So should we expect a moderate production for FY'23, so that we don't pile up on inventory, is that a fair assessment?

Anurag Mantri: Yes, that's the idea. There is no plan of increasing inventory in the anticipation, and that's what our business model is that we continue to monitor our underlying inventories across the entire supply chain, raw material WIP and FG and within the range so that at least even the commodity volatility doesn't get us to that extent and it is a pass-through model also as a conversion process. So we will continue to maintain the same strategy.

Ritwik Shah: Sir my next question is on, did we have any kind of inventory hit in the quarter because of higher nickel prices?

Anurag Mantri: See inventory positive or negative inventory evaluation is a normal phenomenon in this type of conversion business because when the raw material prices goes high, you typically see the positive evaluation and when it comes down, you see a negative evaluations happening, but it's on a long term basis it's average out in the 12 to 15 months' time. So in this quarter, the beginning we saw a huge surge in nickel prices and it came down, so it's a process, it's built up in the integrated manner in the EBITDA margin.

Ritwik Shah: Okay. And fair to assume that there could be some further hit in Q2 as well because where the current spot nickel prices are at the end of June?

Anurag Mantri: See, if you assume there would be a downward, I think answer is, yes, but frankly, we know we don't know.

Abhyuday Jindal: Nickel has been really volatile if you see with whatever is happening across the globe, if it continues in a downward movement, but nickel as you see has been hovering between $20,000 to $22,000 per ton. So it totally depends on how nickel market moves.

Ritwik Shah: Sure. And my last two questions on what was the CapEx which we incurred in Q1?

Anurag Mantri: Q1 total CapEx was INR 550 crore.

Ritwik Shah: For the merged entity, right?

Anurag Mantri: Yes.

Ritwik Shah: Okay. And sir, you mentioned to the previous participant on JUSL on the expanded capacity of 3.6 million ton. So once we are at a full ramp up assuming two years out for the merged entity of 2.9 million ton. What would be the tooling required for the merged entity of stainless? And then how much would be left for carbon steel?

Anurag Mantri: So the tolling will be largely for the Odisha capacities in JUSL, not for Hisar capacity, again it depends on the external market situation also, so minimum around say, if you take 2 million ton of capacity or 2.1 million ton capacity at the Odisha plant, so that will be the tooling for SS.

Ritwik Shah: Okay. So basically we will have another 1.5 million ton for carbon steel?

Anurag Mantri: Yes, that could be used.

Ritwik Shah: Okay. Would there be any difference of margins on the tolling or for stainless and carbon steel or both would be more or less similar?

Anurag Mantri: See because carbon steel is done outside, right now most of these are external customers, we cannot share the specific details on. But it depends on account to account, frankly, and depend on external market conditions also on these times. But more or less it moves in the same line with that.

Moderator: The next question is from the line of Vishal from Motilal Oswal. Please go ahead.

Ritwik Shah: Sir, my question was with regards to your plans for setting up a blast furnace. So if you could just elaborate to support the series 400 production. What is the plan for selling about blast furnace? And what kind of costing should we expect out of it?

Anurag Mantri: So Jindal Stainless will not be setting up any blast furnace. As I said earlier also that there would not be any blast furnace which Jindal Stainless will be setting. We'll be using for our 400 series requirement depending, it will be like a raw material price comparison, so we can always be buying it from separately from outside. But otherwise there is no plan of Jindal Stainless to set up the blast furnace.

Ritwik Shah: Sure. And secondly on your debt repayments, what is the schedule over the next 2 to 3 years and how do we look at whether we plan to accelerate the repayments or we think given our CapEx and the M&A cost pressures, the only scheduled payments would be done?

Anurag Mantri: Vishal, looking at the current situation, because we have a CapEx also ongoing. I don't think there would be a debt reduction beyond the schedule repayments, so we don't intend to pay beyond the schedule repayments at this stage. And currently the situation is in a comfortable situation. JUSL his schedule repayments are actually almost INR 175 crore over next year '23, '24, '25, and in fact, even '26, '27 is also prepaid in their installment. So there is no large repayment schedule in JUSL also.

Moderator: The next question is from the line of Ankit from Kotak Mahindra. Please go ahead.

Ankit Devda: Just wanted to understand on the EBITDA guidance which we have of 18,000 per ton, so with the export duty ongoing and 22,000 per ton which we have made. So we are saying that for the next nine months, we would be making somewhere around 16,500 to 17,000 per ton and is that understanding correct? And this is what we have seen in June month where we have seen the impact of export duty?

Anurag Mantri: See I think number wise, you stack up rightly. But as I told you that these duties came in suddenly as a shock, and right now that's why we want to maintain our guidance at INR 18,000 a ton because it's difficult to predict over next few months at this stage. But we are hopeful, I think the situation will improve and as it improves as you have always seen, we will be doing the reviews of these guidelines on a very regular basis and again in the next quarter, we'll be able to have more clarity on where we are heading.

Ankit Devda: Okay. And sir, why is the domestic volumes drop, is it only because of the imports or any kind of demand destruction we have seen?

Abhyuday Jindal: See, again, same thing is all across the globe when your commodity prices start coming down, everybody goes into a destocking mode because they don't know how much the commodity prices are going to fall or when they're going to stabilize. So people amount that they used to buy like as a customer used to buy just to give you example, 100 tons in a month is brought it down to 20, to 30, to 40 tons in a month only to see how the market, how the prices move. So that is the only factor which has drop down or slowed down the domestic market and like I mentioned, we can definitely increase our volume, but I'll have to take a hit on our margins again. So that is as a strategy we would not like to do that.

Anurag Mantri: So as Abhyuday mentioned is that, in earlier times, that practically there's no demand is not slow down neither it's being made up from destocking mode or the import and for us also hitting the volume is not a challenge because, see it's a basic difference between steel and stainless steel. Stainless steel, say for steel, probably the export is a compulsion. For us export was always our discretionary because the domestic market itself is a very wide gap. And if you see last quarter, almost 50% domestic market were actually catered by imports. So we could have actually garnered that margin, but we have to reduce then our margins and get into the some of the segment of substandard quality in which we don't want to go. So that's the balancing. Demand continue to grow on a standard basis across the various segments for stainless steel.

Ankit Devda: Okay, understood. And one last question on JUSL, last time we announced, we are doing a INR 2,500 crore blast furnace CapEx in JUSL. So is that plan on? Or are we not going ahead away with that? And if not, then what is the alternate we are looking at for meeting the requirement?

Anurag Mantri: So JUSL, we'll not be doing any blast furnace CapEx, there is no plan of JUSL doing any other CapEx, and on that basis, we are taking the JUSL, we'll be acquiring JUSL for their existing and expanded capacity for the strip mill as well as the cold roll unit. So there will not be any blast furnace in JUSL.

Abhyuday Jindal: So the idea is to have a fully integrated stainless steel company.

Ankit Devda: Okay. So we will not require additional blast furnace even in JSL or JUSL or we will out throw that part for that volume?

Anurag Mantri: There will not be any blast furnace as we mentioned in JSL or either JUSL.

Moderator: The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir, my first question has three parts. One is, how should one understand the rationale on timing for JSL, JUSL? That's one. Secondly, what were the other options that were considered prior to the transaction which has been mentioned in the press release, how did they funnel to this particular transaction? And third question I have on the valuations, I'll take it later. So I think these are three buckets in the first question.

Anurag Mantri: Okay. So your question is on the options for acquiring JUSL various options. That's what your question Ritesh?

Ritesh Shah: Sir, first question is on the timing, why do it now, why not later, what is it that prompted us to do the transaction now?

Anurag Mantri: Okay. So good question I think and answer actually is that if you see every time because this is one critical part of the stainless steel process which used to be outside in the promoter entity and every time when we used to even go for related party approvals, everybody used to raise concerns on these related party transactions. And we were hearing from all my shareholders the same thing that this should be always be in the main entity JSL and only 26% stake is not good and it should be in complete control of JSL. So it's based on accordingly, so it's better to get it done sooner rather than keep running these related party transactions for a longer period.

And so it's a preferred governance structure as Abhyuday mentioned its opening remarks. So from our perspective, I think the shareholders perspective, because last year itself the related party transactions of JUSL were almost INR 1,700 crore, so rather than getting into these type of transactions, and which would have increased much further because of the higher capacities of JSL. So in our opinion I think probably it's a very, very transparently transparent structure and should based on the feedback from the various shareholder which we received that it should be corrected sooner than later.

Second question was on the options, is that the acquisition option, right?

Ritesh Shah: Yes, sir. What were the other options that you would have considered prior to the proposed transaction of JSL buying out JUSL.

Anurag Mantri: Proposed option in the sense, proposed option for consummating this transaction?

Ritesh Shah: No sir. I'm saying, say it could have been a potential merger that is one variables and the other variables, probably I have a few in mind, but I'd like to hear your thoughts.

Anurag Mantri: Yes, okay. So you're right, I think the merger could have been one option and which we evaluated deeply along with even our lender. So just to give you the JUSL capital structure, they have almost 20 year loan and it's highly ballooned towards the feg and last, in fact, till FY'28, most of their loan installments have been prepaid. So it's a highly ballooned structure with almost at around 11 years plus, with 20-year door-to-door.

The merger with the lenders, when we were discussed with lenders, the merger would have created because we'll have to bring this debt at par with the JSL repayment structure which means at least we'll have to accelerate the payment with at least INR 500 crore to INR 600 crore cash outflow starting from this year itself. So from that probably somewhere I think in link with your timing also because both side it would have hit the thing, and then next two, three years there would be an additional repayments of almost INR 1,000 crore in cash repayments. So that's one part, because merger we would not have been able to protect the current balance sheet structure which is a very robust balance sheet structure of JUSL, that's one part.

Second merger is always through a NCLT process and which would have gone almost, we have seen what's happening in JSL, JSHL merger the way NCLT is taking in these routine merger cases not on priority as compared to the resolution cases, it would have dragged almost two to three years' time over. So these were the two large part, which obviously in consultation with lenders and how the structure should be evolve. So I think it would be a very, very good for even JSL shareholder because there's no schedule repayment liabilities in JUSL, so there's no cash strain on next at least three to four years for JUSL.

Moderator: The next question is from the line of Rajesh Majumdar from Batlivala & Karani Securities. Please go ahead.

Rajesh Majumdar: So I just had one question sir. What is the overall peak debt that you envisage after taking into account the JUSL debt and the INR 948 crore loan we are paying? And how many quarters do you see the peak debt lasting, because as per your guidance, you've given sir, INR 18,000 kind of EBITDA per ton which translates to roughly INR 3,300 crore, INR 3,400 crore, maybe an operating cash flow of INR 2,500-odd crore. So depending on that calculation, what do you see the peak debt of the company at and for how many quarters?

Anurag Mantri: I think this JUSL transaction will also be in tranches, it may not be in one tranche itself and I think it will spread over to maybe a two tranches or three tranches depending on how we progresses. The peak debt is also a question of the EBITDA. I think we guided the volumes will be probably down by 5% to 10% and INR 18,000 EBITDA per ton. But how it moves out? I think accordingly the free cash flow will be there. There is no other CapEx right now committed except for the current CapEx which is going on which will be close to INR 1,450 crore in this financial year.

With this I think if the EBITDA run rate and the volumes picks up and it continues like that, there will not be any significant increase in the peak debt at such maybe a INR 1,000 crore, INR 1,200 crore not beyond that. But also it's a question of how the EBITDA moves, how we ramp it up overall capacities. So it's difficult to predict frankly in uncertain times that how long it will continue, but we will continue to maintain very prudent ratios and monitor that. So idea is not to have a significant increase in debt EBITDA or debt equities like that.

Rajesh Majumdar: So do you have any ratio in mind of net debt to EBITDA peak with something like that or which we can use, say 1.5 or 2?

Anurag Mantri: Yes. So net debt to EBITDA I think internally we always maintain that at least, we should never cross two ratio of 2 at any point of time. But I think we have a sufficient headroom, idea is not to in fact reach towards there. But I think that the 2 is the net debt to EBITDA which we have been always kept internally in mind depend and during this is still the CapEx phase and depending also on the EBITDA situation also, because it's a function of that, but what is that we are saying trying to maintain is that it should not cross that net debt to EBITDA of 2.

Rajesh Majumdar: And sir, last question, post merge after the cancellation of that inter corporate debt, what will be our debt now with the combined entity?

Anurag Mantri: he combined entity debt after cancellation is close to INR 3,500 crore right now..

Moderator: Next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir, my question was sir, the idea behind JSL, JUSL was to review the party transactions. My question is to Abhyuday sir**,** sir, eventually if we place a steel mills say under a promoter entity, again it is something which is likely to pop up and again investors will come back to us saying, that there is a limited party transaction. This is something which could be like three years, four years out. How would we tackle that scenario?

Anurag Mantri: If we understand correctly is that, you are saying that it's also a related party transaction, so this concern will pop up, is that what's your question?

Ritesh Shah: Yes. So it could pop up three years out, but again it comes back to the same problem.

Anurag Mantri: Yes, Ritesh. So I think just to give you the number, last year the related party transaction approval for this type of transaction was INR 1,700 crore plus, and it would have doubled actually with the doubling of volume of this. So rather than the transaction value is currently INR 950 crore, so just to put the number in perspective the recurring approval of this type of transaction every time we were hearing and every time, in fact, whenever it goes for the related party approval, all the investors report used to say that, it should not be with the related party and it should be brought and we have a written report from the various advisors which have been published like that.

So I think from our perspective, we have addressed one side of the concern of investor which you are hearing from the investors and it's always good to have an integrated play that's what we believe that's in the long-run it's in larger interest rather than keep doing these type of transactions with the companies which is 74% owned outside. So that's what our perspective.

Moderator: The next question is from the line of Aashav Patel from Molecule Ventures. Please go ahead.

Aashav Patel: Sir my question is the JUSL INR 350 crore CapEx which we are already undergoing, so the loan for the same has already been reflected in the balance sheet or that would be incremental investment from our side?

Anurag Mantri: So the loan current outstanding of INR 2,050 crore does not include debt, but they have already tied up loan which has been tied up, so which will be in the JUSL entity, not in JSL and they will be drawing that line eventually debt loan. So that's already tied up debt for them because before starting the CapEx they tied up their CapEx loan.

Aashav Patel: Sure. So effectively we will be infusing additional INR 350 crore on top of the INR 958 crore which we are infusing in JUSL, is that right?

Anurag Mantri: We will not be infusing anything, they will be taking that loan which is the commuters or they'll be drawing the loan as per their requirement during the CapEx phase.

Aashav Patel: Okay. And sir, as far as I recollect, JUSL was demerged from JSL in 2014. So can you please give me rough enterprise value at which it was calculated while demerging JUSL from JSL?

Anurag Mantri: I think I don't have the value right now, but I can ask Goutam and Shreya to give you the details I think, we can work it offline.

Aashav Patel: Sure. So the capacity has not changed overall past 8 years, right, at JUSL?

Anurag Mantri: There's a big change in the capacity, that time there were no cold roll mill into JUSL, so there is a bit now 0.2 million ton cold roll mill in the JUSL, plus the capacity earlier was 1.6 million, which is getting to 3.6 million ton per annum. And just to give you the number, I think right now many carbon steel players are putting this HSM capacity of single side that I think you guys are much better placed with their number, but I think as per our understanding, $180 to $200 per ton is typically the rate of these type of facilities currently in the market.

Aashav Patel: Sure, okay. And sir, last question, we also demerged Jindal Coke Limited during our restructuring. So any plans to even acquire the same going forward?

Abhyuday Jindal: Related to our stainless steel business, so we are keeping it outside only.

Anurag Mantri: That’s not linked with stainless steel business.

Moderator: Thank you. I now hand the conference over to Mr. Rajesh Majumdar for closing comments.

Rajesh Majumdar: Thank you. I thank the management team of JSL and JSHL for answering the questions accurately and to their best. I would like to request the management team for closing comments if any?

Anurag Mantri: Yes. Thank you. Let me thank everyone for attending this call. We have been focusing on our core strength to mitigate the adverse impacts that have been created in the external environment. I'm confident that our strategic steps would augment the future performance of the company. I hope we have been able to answer all your questions, otherwise we can take them offline, and should you need any further clarification, please feel free to contact our Investor Relations team. Thank you once again for taking the time to join us on this call, and have a great day. Thank you.

Moderator: Thank you very much. On behalf of Batlivala & Karani Securities India Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.