



CA-17(44)/2023-24

21st November, 2023

The General Manager (MO) Bombay Stock Exchange Through BSE Listing Centre	The Asstt. Vice President National Stock Exchange of India Ltd. Through NEAPS
---	---

Sub: Transcript of conference call held with Analysts & Investors on 16th November, 2023.

Ref: Regulation 46 of SEBI(LODR) Regulations, 2015: (Security ID:SAIL).

Dear Sir,

This is in continuation to our letter No.CA-17(44)/2023-24 dated 17th November, 2023, intimating the link to the Audio Recording of the Conference Call held on 16th November, 2023.

Transcript of aforesaid Conference Call is attached herewith.

Thanking you,

Yours faithfully,
For Steel Authority of India Limited

(M B Balakrishnan)
Executive Director (F&A) &
Company Secretary

Encl: As above



“Steel Authority of India Limited
Q2 FY 2024 Earnings Conference Call”

November 16, 2023



**MANAGEMENT: MR. ANIL TULSIANI – DIRECTOR FINANCE – STEEL
AUTHORITY OF INDIA LIMITED**

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



Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of Steel Authority of India, 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 to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note, 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.

Ashish Kejriwal:

Thank you, Yashashri. Good afternoon, everyone. On behalf of Nuvama Wealth Management, we are delighted to have Mr. Anil Tulsiani, Director of Finance, along with his team, for Q2 FY '24 conference call. Now I would request Mr. Tulsiani to have his opening remarks, and thereafter, we can open the floor for Q&A. Over to you, sir.

Anil Tulsiani:

Thank you, Mr. Ashish. Good afternoon, everyone. Let me welcome all our investors and analysts who are joining this results con call for the financial results of SAIL for the period Q2 FY '24 and H1 FY '24. Though the detailed results are already available on the website of the company and the stock exchanges, I would briefly appraise you on the same before we move to the question-and-answer session, where we would be happy to address your queries.

Let me first apprise you on the economic scenario in which we have been operating. The global economy, we saw a sharp improvement in 2021 after the initial waves of COVID, was adversely impacted on account of multiple factors like the inflationary pressures and consequent tightening of the monetary policies, geopolitical tensions leading to disruptions in supply chain, slowdown in major economies like China and Europe causing major imbalances in the global demand supply, etcetera.

The inflationary situation in 2023 has eased to an extent vis-a-vis 2022, but the decline has been gradual, leading to a growth rate rising moderately. There are projections of further decline in the inflation, which is a sign of relief, although the rate is expected to remain gradual as the global economy continues to be impacted adversely due to the factors discussed earlier. International Monetary Fund in its latest World Economic Outlook of October '23 has projected a growth of 3% and 2.9% in 2023 and 2024, respectively, which is lower than the estimates of 3.5% for 2022.

Now coming to the world steel scenario. In line with economic situation, the global steel scenario has seen its graph falling drastically after the phenomenal rise in 2022. In fact, the world's steel output during nine months of the calendar year '23 has fallen by 0.1% over CPLY.

The world's steel narrative cannot be complete without the mention of Chinese steel industry. China after two straight years of decline in the crude steel production is poised to improve upon its performance in the current calendar year. The growth during nine months was 1.6% over CPLY. However, the worrying factor here is that despite this modest performance by the world's largest steel producer, its share in the global output has risen consistently and reached

the pre-COVID levels of around 57%. This highlights the contraction of the performance by the rest of the world, barring isolated performances by India and a few other countries.

However, the projections for steel demand points to a turnaround during 2023 and 2024, although again, a gradual recovery. World Steel Association in its Short Range Outlook published during October '23 has projected a growth of 1.8% and 1.9% during 2023 and 2024, respectively.

Meanwhile, Indian economy continues to fare better than its counterpart and this has maintained relative stability in the domestic market. The Indian economy registered GDP growth of 7.2% in financial year '23 and 7.8% during Q1 of financial year '24, which has helped it maintain its position as one of the fastest growing amongst the major economies. At the same time, the economy has countered the forces of inflation better than the other economies by judicious use of increase in repo rates by the RBI.

Indian steel industry has been one of the few to maintain a positive growth in both production and consumption of steel during financial year '23. The steel production grew by more than 5% and the consumption by more than 13%. During the current financial year as well, the increase in production and consumption has been in the range of 15%. The demand in India is projected to grow by 8.5% and 10.7% during the calendar year '23 and calendar year '24, respectively.

The domestic industry has, however, felt the impact of volatility in the prices in line with the global trends. The coking coal prices, which had cooled in Q1 of financial year '24 are currently hovering in the range of \$300 per ton for hard coking coal and around \$200 per ton for PCI. The pricing of steel have also been operating in a narrow band due to pressures of imports of cheaper steel.

Coming to the performance of the company, SAIL has registered its best-ever second quarter physical performance during Q2 financial year '24. The performance during the first half has also grown accordingly. Crude steel production during Q2 stood at 4.8 million ton as against 4.3 million ton in CPLY, a growth of 12%. Crude steel during H1 stood at 9.5 million ton as against 8.6 million ton in CPLY, a growth of 10%.

Saleable steel production during Q2 stood at 4.8 million ton as against 4.1 million tons in CPLY, a growth of 17%. Saleable steel production during H1 stood at 9.2 million tons as against 8.2 million tons in CPLY, a growth of more than 12%.

Sales volume during Q2 stood at 4.8 million tons as against 4.2 MT in CPLY, a growth of more than 13%. Sales volumes during H1 stood at 8.7 million tons as against 7.4 million tons CPLY, a growth of more than 17%. Domestic sales during Q2 stood at 4.7 million tons as against 4.1 million tons in CPLY, a growth of more than 14%. The exports, however, declined to 0.07 million tons from 0.11 million tons in CPLY. Domestic sales during H1 grew by around 19% to reach 8.4 million tons.

On the financial front, the company registered a growth of 13% over CPLY in the sales turnover to stand at INR29,560 crores during Q2 financial year '24, which is again the best ever Q2. The sales for H1 also are the highest recorded in any H1 ever. The improvement in



the turnover was aided by the benefit of rail price revision for financial year '22 of about INR1,750 crores, which was long overdue. There was consequent improvement in the profitability as the company turned back into black during Q2 financial year '24 compared to the loss during CPLY.

The profit before and after tax during the quarter stood at INR1,696 crores and INR1,241 crores, respectively. H1 profit registered an improvement of more than 250% over CPLY despite taking the hit on account of liability under Vivad se Vishwas Scheme II of INR415 crores. PBT and PAT during H1 stood at INR1,898 crores and INR1,390 crores compared to INR523 crores and INR391 crores, respectively in CPLY.

In the area of operational efficiency, the company has been making steady progress for reducing coal, coke consumption, increasing the usage of CDI, bringing down the specific energy consumption and improving BF productivity. Continuing with the drive towards improving the product mix. The proportion of semis and saleable steel stood at less than 15%. By engaging conversion services in and around the plant/demand sector, the percentage share of semi in sales has even lower at 8%. As a responsible corporate, we have been taking several measures for environment conservation over the years.

Drives like Zero Liquid Discharge, eco-restoration of areas/regions around the plants/mines, plantation of trees and saplings, use of alternate sources of energy like hydropower and solar power, etcetera, will continue as we move towards sustainable and green steel.

The company has been engaged in numerous CSR activities across the country and primarily in the vicinity of our plants and units. The activities are undertaken and conformity with the Companies Act as well as the DPE guidelines.

Going forward, the challenges from higher coking coal price during Q3 prevail, but given the current price trend, the cost should come down in Q4 financial year '24. With the outlook positive for a sustained growth in domestic consumption, we are hopeful of realizations and consequently, the margin will improve for the company in the quarters to come. Further, we are also expecting the benefit of revision and the provisional price of rails by the Indian railways for the current supply. This will add straight to the top line as well as the bottom line of the company.

With these words, I hand it back to Mr. Kejriwal for opening the Q&A session. I'm sure you all have a lot of queries on the performance. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session We have our first question from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit:

Yes. Congratulations for a good set of numbers. I have a couple of questions. The first one is on coking coal. So, if you can let us know the coking coal cost that went into P&L in Q2? And how is it likely to evolve in Q3? Also, I'd like to understand that we have seen BCCL raising its production and sales. How does it help us because BCCL is a primary subsidiary for coking coal in India? That is the first question.



Anil Tulsiani: Yes. Thank you. Actually, the coking coal prices, which were around INR27,800. This is -- we are talking about the imported coal. It was in the range of around about INR27,800 in Q1. They came down to the levels of INR23,000 in Q2. But again, the prices have started going up. And we expect that the average cost of this imported coking coal will be in the range of INR27,000 per ton as far as consumption is concerned.

And coming to BCCL, we have got sort of an MOU with them regarding coal. And most of our coal -- indigenous coal is supplied by BCCL to us. And we have a pricing arrangement with them, which is basically linked with the price of imported coal.

Amit Dixit: Sir, is it possible to quantify if you are getting some -- if you're getting higher supply from BCCL? And what would be approximate ballpark difference between international price and BCCL?

Anil Tulsiani: Yes. You can say that we are getting around about 15% of our coal, which is indigenous in nature. Out of which some you can say 3% to 4% will be from our own washeries and collieries. And the rest is supplied by BCCL. And the price differential between the two because we have got some upper and low bands where -- of the supply is being made by the BCCL. So, the upper band is around INR12,500, which we are operating now.

Amit Dixit: Okay. Okay. Got it. The second question is essentially on the benefit of this revision provisional rail prices. So, while we have booked around INR1,750 crores this quarter, is there a further benefit that we can expect for FY '22 and -- in this -- in Q3 or Q4? And will some benefit of Q3 -- sorry, FY '23 will also come or FY '23 will come next year?

Anil Tulsiani: Basically, what has happened is that we have taken the entire benefit for FY '22. Now for FY '23 and continuing on in FY '24, we have been getting a provisional price of INR67,500 per ton. Whereas the fire price finalized for FY '21-'22 is around about INR85,300. So basically, what will happen is that we will be getting -- we will be approaching the railways to give us an ad hoc increase until we submit the cost data of '22-'23 to the CA Cost Office and it is finalized. So, we will be requesting for an ad hoc increase for '22-'23 as well as '23-'24 since our costs are much more.

Amit Dixit: Sir, just to be clear, sir, you said INR57,500 per ton we are getting for FY '23-'24?

Anil Tulsiani: INR67,500.

Amit Dixit: INR57,500?

Anil Tulsiani: INR67,500. 6-7.

Amit Dixit: INR67,000. And we are -- and the price increase that we have got for FY '22 is INR87,300?

Anil Tulsiani: INR85,300.

Amit Dixit: INR85,300. But sir, since FY '22 prices have also come down, so do you expect to get INR85,300 only or prices for FY '23-'24 would be a little bit lower?



- Anil Tulsiani:** We will not be able to comment on the FY '23-'24. But regarding the FY '22-'23, it is basically -- the entire thing is based on our costs, which is being intimated to the CA Cost Office who verifies that. So, we don't see that there will be any reduction from that since -- in the financial year '22-'23, the cost of coal had also gone up substantially as compared to '21-'22.
- Moderator:** Thank you. We have a next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.
- Kirtan Mehta:** Strong performance on the sales and production side. One follow-up on the rail pricing. In terms of -- we are currently sort of getting a provisional price of INR67,500. Against that, what would be our current cost-based rail cost at this point of time?
- Anil Tulsiani:** We would not like to disclose our cost. But then based on our costs and on return on our equity and all the -- whatever is the calculation made, for financial year '21-'22, they had initially given us INR67,500 as the ad hoc pricing for that and finally gave us INR85,300 -- so based on, again, our costs in '22-'23 and subsequently in '23-'24, we'll be again working it out and submitting it to the CA cost Office for their evaluation and finally giving us the price.
- Kirtan Mehta:** Right. So right now, FY '23 as well as FY '24 billing is also getting done at INR67,500 only? Or is that a different number?
- Anil Tulsiani:** That is at INR67,500.
- Kirtan Mehta:** And FY '23, have we already submitted our cost workings to them? And is it waiting for their approval? Or we are yet to submit it?
- Anil Tulsiani:** We will be submitting it shortly. Actually, we are waiting for the finalization of the '21-'22 cost. So, once it is finalized, based on whatever assumptions are there, which are acceptable to both the CA Cost Office and SAIL, we will rework and submit for '22-'23.
- Kirtan Mehta:** Understood. Another question was about the semis. During the opening remark, you mentioned that currently proportion is 15%. But using the external conversion services, we are able to reduce it to 8%. Could you give us more colour on what exactly the semis' proportion in the sales currently is? And where are we deploying the external conversion services?
- Anil Tulsiani:** External conversions, we have got our wet leasing arrangements also, and we also have our conversion agents who convert mainly our long products. It's basically for the long products. So, we have got conversion agents for our TMTs and also for our structurals. So, we have it converted by them and sell it on our brand name. So, semis are basically sales, which are used out there for that. And besides this, we also have had some semis which we provide to our customers who use it for other purposes also, not using our brand name.
- Kirtan Mehta:** Understood. So, is our semis proportion in the sales mix is down to 8% after using the conversion agents?
- Anil Tulsiani:** Yes, yes, yes.



Kirtan Mehta: And how much do we spend externally with -- what would be the average cost of conversion that we pay out externally? So, what would be the margin difference on the conversion -- externally converted items?

Anil Tulsiani: See, it's basically what is happening is that we have our this thing, our cost for the semis, which we have got. And we have our contracts with our conversion agents, which are finalized based on a proper tendering process. And then again, whatever we go and sell in the market, it is based on whatever is the prevailing market rate for those particular products. So, the margins are always there in that.

Kirtan Mehta: Understood. Just 1 more question was on the -- our universal section mill and the mid structural section mill that we have been operating, what would be the utilization rates on those mills at this point of time?

Anil Tulsiani: They've improved a lot. Actually, we have planned for more than 6 lakh tons of -- from the medium structural mill and even a similar quantity from the universal structural mills also. And the growth of production from these mills has been, you can say, phenomenal in the last two years to three years. The exact figure, I can just give it to you off-line if you want it later on.

Kirtan Mehta: Sure, sir. So, which is the plant where -- as of now but we are not seeing the corresponding improvement coming into the respective plant profit level. So, is it primarily because of the higher coking coal cost that we are facing? Because of that this is not visible into the plant profit levels?

Anil Tulsiani: Yes. It is basically on two counts. Though, as I have mentioned to you, in the second quarter, the price of imported coal has come down by around over INR5,000, okay? But then the NSR fall has also been quite a large quantum. the NSR debt, which was there in Q2 as compared to Q1, has been around, you can say, INR3,000.

Kirtan Mehta: Okay. Right. And 1 more question, if I may. Would you be able to give us a colour on the current sort of the flat and long product realization? And how does they compare with the QT averages that we have realized?

Anil Tulsiani: Yes. Actually, the differential is in the range of INR3,000 to INR4,000. The flat being higher than the long.

Kirtan Mehta: This is the current differential. And how was it during the Q2?

Anil Tulsiani: Then I'm talking about -- actually in the Q2, it was -- the flat was in the range of INR55,000 as compared to INR51,000 of long. And if you take for Q1, again INR57,500, it was almost INR54,500.

Kirtan Mehta: Right, sir. And would you be able to indicate the current pricing levels as well?

Anil Tulsiani: Current pricing actually in the average of the month of October was INR56,000 -- around INR56,000. In which, the long was INR54,000 and again, the flat was INR57,000.



- Moderator:** Thank you. We have a next question from the line of Rajesh Majumdar from B&K Securities. Please go ahead.
- Rajesh Majumdar:** Sir, I had actually a question on your overall debt and capex. It seems that the cash flow from operations has improved substantially this first half but there has been no debt reduction. And the capex rate is still very high. So, what is going on in terms of our debt plans? And we are still doing a significantly high rate despite all our major expansion program coming to an end. So, what is going to be our long-term plan in terms of steel production, capex and debt, if you could give us some light on that?
- Anil Tulsiani:** The capex during the first half was in the range of INR2,000-odd crores, INR2,100 crores, you can say. And for the year '23-'24, we are likely to end up with a capex of INR5,500 crores, which is more or less in line with the capex which was there in '22-'23.
- Now coming to a debt reduction, actually, if you would see our figures, as on 31st March '23, the debt was in the range of INR25,500 crores. It went up to almost INR29,500 crores as on 30th June. And then again, we have brought it down to the 31st March levels of INR25,500 crores. And we expect that by the year-end, we'll be probably having a debt around about INR22,000 crores.
- So, this INR22,000 crores -- a reduction of, you can say, INR3,500 crores with a capex of INR5,500 crores during this period. This is what we are looking at.
- Rajesh Majumdar:** And this is despite coking coal price increase this quarter which you had already mentioned, right?
- Anil Tulsiani:** Yes. Yes. This is including that.
- Rajesh Majumdar:** And sir, how much of the capex is maintenance capex and how much of it is gross capex? And what is the guideline for that?
- Anil Tulsiani:** At the moment, the growth capex is quite minimal. It is mainly the maintenance capex. The growth capex, we expect it to start only after, you can say, from maybe '25, 2025 onwards.
- Rajesh Majumdar:** Will we increase our capex significantly in FY '25 including the growth capex in that year?
- Anil Tulsiani:** No, no, not much because see -- I'm not talking about '24-'25. I'm talking about '25-'26, where there will be some payments -- payment outflows for the design engineering part, you can say, of the first moderation, which is going to come up. That is for ISP, we will be having the expenditures on these design engineering part of it and some supplies and some civil jobs and all. That will take place in '25-'26. And subsequently, it will peak from '27-'28 onwards.
- Rajesh Majumdar:** And our normal maintenance capital is about INR4,000 crores, INR5,000 crores still, right?
- Anil Tulsiani:** Yes. Between that range. It is that much only.
- Rajesh Majumdar:** So '26 onwards, our growth capex will pick up, is what you're saying?



- Anil Tulsiani:** Yes.
- Rajesh Majumdar:** So, what is our estimate of cash flows -- annual cash flows in that year that we are looking at in terms of full capacity? And what is the kind of annual cash flows we're looking at to fund that kind of growth capex?
- Anil Tulsiani:** Yes, it will be in the range -- because we are envisaging investment in moderation and expansion of more than INR1 lakh crores. So, when it peaks, in those particular years, it may be in the range of INR25,000 crores in each year.
- Rajesh Majumdar:** This is -- cash flows?
- Anil Tulsiani:** Yes, that is the cash flows.
- Moderator:** Thank you. We have our next question from the line of Rashi Chopra from Citigroup. Please go ahead.
- Rashi Chopra:** Sorry, if I repeat question. I missed some of the data points on the NSR. So, could you just please highlight again what we average NSR for this quarter? What was it for flat and long?
- Anil Tulsiani:** Yes. For this quarter, the average NSR was INR53,400. And if you take -- if you bifurcate it between flat and long; for flat, it was INR55,190 or INR55,200, you can say; and for long, INR51,300.
- Rashi Chopra:** And you indicated that the October prices are INR57,000 for flat and INR54,000 for long, is that correct?
- Anil Tulsiani:** Yes.
- Rashi Chopra:** Okay. And what are your expectations -- I mean, for November, December, like given that there is still some premium to import parity?
- Anil Tulsiani:** Actually, there is a lot of pressure of imports, which are now coming up. So, November, we are trying to at least retain the prices, whatever was there in the month of October. December, we cannot predict the future. So, though we would like to -- we would like to say that December onwards, the infrastructure activities and all the building activities start picking up. So maybe we may get some sort of improvement in pricing during these two months -- during the month of December.
- Moderator:** Thank you. We have our next question from the line of Aditya Welekar from Axis Securities. Please go ahead.
- Aditya Welekar:** Sir, if you can just reiterate our capex expansion plans and plant-wise, how we are -- currently where we are in the stage of approvals and what will be the sequence of capex and start of expansion? When it will start? From which fiscal year? And our internal threshold when we go for an expansion, what will be our internal ratio with respect to our debt management?



So -- because we have seen in the past that in the expansion phase, the debt was slightly -- I mean, the debt control is one of the concern -- area of concern. So, from that perspective, when we go for the next phase of expansion, how we will look at our capital allocation and our debt control?

Anil Tulsiani:

Yes. initially now, first of all, but going in for sweating of our assets, where actually we'll be trying to improve our existing utilization of our existing assets by some minor investments. And then after that, we are going in for the greenfield expansion of IISCO Steel Plant.

For that, we will be most probably will be coming to the Board for its in-principal approval maybe by the end of this quarter or maybe at the beginning of the next quarter. So, we start with the expansion of IISCO Steel Plant, for which we'll get approvals and then we'll go in for tendering.

And subsequently, we are also going in for some brownfield expansions that will take place, maybe in Durgapur Steel Plant, and also to some extent in Bokaro Steel. So, these will also take place subsequently. So, the expansion plans are such that we'll be phasing it out over the next three years to four years.

So that we don't have that liquidity crisis which we had faced in the earlier expansion, where we had taken up three major expansions at IISCO, Bhilai and Rourkela at the same time. So that is the thing. And the other guidelines, which we have finalized in our vision document the 2030 that we will try to maintain a debt-to-equity ratio of 1:1. So all our calculations will basically depend on the debt equity ratio of 1:1.

Moderator:

Thank you. We have our next question from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh:

Sir, just wanted to understand our net saleable capacity. We will peak out at 19 million tons or there is some scope of squeezing out some more volumes?

Anil Tulsiani:

Yes. That's what I was telling me about that we'll be sweating our assets. And we'll be seeing wherever there is an opportunity to improve our production and -- means utilization on our equipment by some debottlenecking schemes and all that. We'll be taking that up within the next couple of years. So that we can...

Vikash Singh:

Sir, can you quantify something?

Anil Tulsiani:

Pardon?

Vikash Singh:

Can you quantify what could be the debottlenecking additional volume?

Anil Tulsiani:

Casters at Rourkela -- even at Bhilai having the casters out there. So, these will help because we have got certain extra facilities available like a blast furnace hot metal capacity is more. So, we can actually use the blast furnaces more and get more steel produced through these steel -- steelmaking units. We can do that. And we may -- we are also planning to go in for finished products like we as -- we are trying to set up a TMT bar mill at Durgapur steel plant also. And



certain other finishing facilities also will be improving on their efficiencies to improve the finished product.

Vikash Singh: So as of now, these are only plans, so no concrete action has been taken and that's why you can't give us quantity which could increase, right?

Anil Tulsiani: The casters and all, they are already under implementation.

Vikash Singh: Okay. How much extra can...

Anil Tulsiani: The only thing is that TMT mill what we are planning to set at Durgapur Steel Plant, that will be going in for -- means -- we'll be able to finalize that in the next few months.

Vikash Singh: Sir, in casters, just a follow-up on casters. Any quantity which you can get, this much of extra can come out in terms of finished steel?

Anil Tulsiani: In both the plants, it will be around about 1 million tons. So, you can say, 2 million tons.

Vikash Singh: Understood, sir. Sir, secondly, if I look at the Slide #20, our semi sales seems to be increased on sequential basis quite sharply. So, I couldn't understand the specific reason for the same?

Anil Tulsiani: Vikash Ji, there seems to be some error in that slide. We have already asked that to be corrected. The current proportion, I'll just let you know. This would be around 14.6%.

Vikash Singh: Semis?

Anil Tulsiani: Semis.

Vikash Singh: So incrementally, everything comes down to the flat?

Anil Tulsiani: Yes.

Vikash Singh: Understood. And just 1 more thing. Can you just give us an update on the -- our mining assets, basically Gua, which we wanted to do a 10 million tons, and even Rowghat? Can you just give us some update on the same?

Anil Tulsiani: Yes. As far as Gua is concerned, we had gone in for a tender for appointment of MDO out there. But we have not been able to get a response out there. But in case of Rowghat also, the - - interim mining has begun already out there. And we are able to evacuate around about 30,000 to 35,000 tons per month from there. But the main project, which is there, it will start -- we have already appointed an MDO for that particular project also. And some tree-felling activity have started out there. And we hope that in the next three years to four years, we'll be able to get sufficient material from Rowghat also.

Vikash Singh: Understood, sir. And just 1 last question. Any update on the Jharkhand inventory sell?

Anil Tulsiani: Not yet. We have not been able to get the clearances for that. But we are hopeful that during this financial year '23-'24, we will get the clearances for evacuation from that to some extent.



- Moderator:** Thank you. We'll take our next question from the line of Somaiah V from Avendus Spark. Please go ahead. I'm sorry, his line got disconnected. I now hand over the call to Mr. Ashish Kejriwal from Nuvama. Please go ahead.
- Ashish Kejriwal:** Sir, one question from me before we can pick up two more questions, which are in the queue. Is it possible if you can give a volume guidance for this year? And in terms of capex plans also, like, for example, IISCO, how much capacity we are putting in and what kind of our capex will be involved at least in the first plant? And besides that, the sweating of assets involves -- what kind of capex and incremental volume from there and the timeline, that will be helpful, sir?
- Anil Tulsiani:** First, if we talk about the capex of ISP, the DPR is under preparation and under finalization. So, we are analyzing the DPR mainly to cut down the cost. So, it will be too early for us to comment on this.
- Regarding the sweating of assets, we have got an expenditure of around about, you can say, INR15,000 crores to INR20,000 crores, which will take place in the next four years to five years on these additional debottlenecking schemes and like the casters which are coming up and other. Even we are planning Coke Oven -- Stamp Charged Coke Oven batteries also. So, there will be certain expenditure involved for these.
- Ashish Kejriwal:** So, sir, when we are talking about INR15,000 crores to INR20,000 crores, how much additional steel volume can be generated from there?
- Anil Tulsiani:** As I told you, it will be around about 3.5 million to 4 million tons. 3.5 million tons, you can say.
- Ashish Kejriwal:** Okay. And this will be in phases or it will come at one go in...
- Anil Tulsiani:** It'll be in phases. It will gradually come over the next three years, you can say.
- Ashish Kejriwal:** And starting from FY '25 or '26?
- Anil Tulsiani:** From FY '25, you can say. '24-'25, there will be some facilities and then '25-'26, also...
- Ashish Kejriwal:** Okay. Okay. And sir, this year's volume guidance, if you want to give?
- Anil Tulsiani:** Volume guidance, I think, 19 million tons.
- Ashish Kejriwal:** You're talking about sales volume?
- Anil Tulsiani:** Production. Production. Sales also should be in the same...
- Moderator:** Thank you. We'll take our next question from the line of Somaiah V from Avendus Spark. Please go ahead.
- Somaiah V:** So, first question is on the domestic demand between first half of this financial year and currently what we have seen, has demand kind of come off this first half? That's the first

question. The second part to that is that you did mention import -- a bit of an increase in imports? This import parity pricing differential has been there for quite some time. What is changing now which is adding a lot more pressure from the import side?

Anil Tulsiani: Yes. Regarding the demand part of it, there is a very good demand as far as domestic is concerned, like we have not increased our stock levels or anything like that. On the contrary, from the Q1 stock levels, we have been able to bring it down by around about 3 lakh tons -- around 3 lakh tons. And regarding the -- what was your second question about?

Somaiah V: Imports added pressure. So...

Anil Tulsiani: There is a lot of pressure for that -- there is a lot of pressure building up for that. But then if you -- actually, see, that the quantity of imports will be quite less as compared to the total production in India. So, it will have an impact to -- no doubt that it will have an impact. But we are just hoping that it should not have a major impact on the local producers...

Somaiah V: Got it. Sir, this softening in prices in the last 1 month in the industry, so I mean, is it more to do with imports, while you still see domestic demand quite strong compared to first half? Is it primarily driven by import pricing pressure?

Anil Tulsiani: Yes. See, the flat products will be driven by the import pricing -- because long products is slightly not affected by these -- by the imports, but the flat are being affected to some extent because of the import pricing pressures.

Somaiah V: Got it, sir. Sir, second question on the cost, whereas your coking coal has gone up, thermal coals on the relatively lower side. So, is there -- within the industry, there is a dynamic that, probably a DRI player or a secondary player are seeing their cost kind of coming lower when compared to the traditional integrated players?

Anil Tulsiani: Yes. Actually, the price differential is there. So that is why there is a price differential when you go for the NSR pricing also. The longs which are produced by the primary producers, they demand a premium as compared to the secondary producers. And basically, 1 more thing is that they are also not operating at capacity. They also are operating at lower than the capacity because maybe the demand is not there for that product.

Somaiah V: Got it, sir. Sir, also with respect to the railway provision. So, what was the original -- I mean, the number that we have taken for FY '21-'22 vis-a-vis the number that we have got per ton? And also, what is the quantum for FY '21-'22?

Anil Tulsiani: It was INR67,500, which was a provisional pricing which we had taken earlier, and we got a pricing of around about INR85,300. And we had actually sold around about 0.92 million tons to the railways during '21-'22.

Somaiah V: Got it, sir. Sir, 1 last question on the opex front. You did mention that coking coal during the quarter had come down INR4,000 to INR5,000 per ton -- so -- but when I see on opex per ton, the number is only marginally lower. Is there any other increase in opex that kind of offset this full benefit? I mean...



Anil Tulsiani:

Some marginal increase was there in the stores and spares expenditures and the expenditure on account of salaries and wages also, there were some increase. But otherwise, there is not much of an increase. Basically, if you see, though the volumes had gone up, but the net sales realization being lower.

So, it was -- because of that, that the profitability has not improved to the extent. But as far as salaries are concerned, they have gone up by around about INR280-odd crores. This is basically because we have taken -- in the first quarter some provisions were not considered since the profitability was not there.

But with the improvement of profitability, some incentives and bonuses are to be given. So that has been considered for the entire half year during the period and so also for the pension also, which was considered at a base of 3% and which we are now considered at a higher rate of 8%. So, the impact is for the entire year. And some expenditure on stores and spares and repairs and maintenance has been higher because in this particular quarter, some higher maintenance has been done and also the production has been substantially higher.

Moderator:

Thank you. We have a next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta:

In terms of the -- you mentioned two casters, one at Rourkela and the another one, I think, at Bhilai. Would you be able to give a timeline or target date for starting this caster? How would the ramp-up of 1 million ton production would be the -- would it ramp up within three months to six months? Or could it take longer there?

Anil Tulsiani:

Bhilai will come soon. Probably the benefits of that will start accruing from the year '24-'25, maybe initially at a capacity utilization of 60%, then it will gradually ramp up to 75% and 90% after. And Rourkela will take two years.

Kirtan Mehta:

Right, sir. One more follow-up was on the sales and production level. You mentioned that production would be 19 MT for this year, and sales would be around that. But as we don't have much inventory in our system, would sales target for the year be lesser than that?

Anil Tulsiani:

No -- if the production is 19 MT and we have 1 million ton of inventory, so we expect our sales also to be in the levels of around 19 MT. You can say we can consider around about 18 million tons to 18.5 million tons.

Kirtan Mehta:

Understood, sir. And last question on the run rate for the employees cost from here on. Is the Q2 numbers include basically some of the additional provisions for the Q1 as well, what should we take as a run rate going from here on a quarterly basis?

Anil Tulsiani:

Yes -- you can consider that for the entire year that the employee-related expenses will be to the tune around about INR12,000 crores.

Moderator:

Thank you. We have a next question from the line of Pratim Roy from B&K Securities. Please go ahead.



- Pratim Roy:** I have 1 question that you mentioned the 2 million ton debottlenecking is possible and another 3 million ton to 4 million ton is capex with extra capacity will come in three years to four years. So, for FY '25, you made a comment on that, the 19 million ton production and 18.5 million ton sales. So, for FY '25-'26, if you can give some ballpark number, how much sales guidance we can expect or any idea about that?
- Anil Tulsiani:** See, as -- see, basically the caster in Bhilai will be stabilizing by that point of time. So, we expect at least 1 million ton more from '25-'26 onwards. And after that, Rourkela when it comes, so you can expect maybe from '26-'27 onwards, another 1 million ton from there.
- Pratim Roy:** Means for FY '25, 1 million ton addition and then '25-'26 onwards 1 million ton addition. And this 3.5 million to 4 million ton extra production...
- Anil Tulsiani:** See, '24-'25, we cannot have that because once the casters are there, it takes some time to stabilize and ramp up. So, we'll not be getting that much production from there. But once it is stabilized and realized then in the year '25-'26 we can get 1 million ton extra.
- Pratim Roy:** Okay. And all over, it will come from FY '26, not '25?
- Anil Tulsiani:** Yes. '26.
- Moderator:** Thank you. As there are no further questions, I now hand over the call to Mr. Ashish Kejriwal for closing comments. Over to you.
- Ashish Kejriwal:** Thanks, you. And thank you, everyone for attending the call and special thanks to the management for their insightful remarks over the company as well as the industry. So, any closing remarks, sir, you want to give?
- Anil Tulsiani:** Yes, just 1 sentence, that the company remains committed towards improving operational efficiencies and with the market expected to be more benevolent in the coming quarters, I'm hopeful that the good times await us and our investors. Thank you.
- Moderator:** Thank you. On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.