



CA-17(44)/2024-25

13<sup>th</sup> November, 2024

- The General Manager (MO) Bombay Stock Exchange  Through BSE Listing Centre	The Asstt. Vice President National Stock Exchange of India Ltd.  Through NEAPS
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**Sub: Transcript of conference call held with Analysts & Investors on 8<sup>th</sup> November, 2024.**

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

Dear Sir,

This is in continuation to our letter No.CA-17(44)/2024-25 dated 8<sup>th</sup> November, 2024, intimating the link to the Audio Recording of the Conference Call held on 8<sup>th</sup> November, 2024.

Transcript of aforesaid Conference Call is attached herewith.

Thanking you,

Yours faithfully,  
For Steel Authority of India Limited

(M.B. Balakrishnan)  
ED(F&A) & Company Secretary

Encl: As above



“Steel Authority of India Limited  
Q2 FY '25 Earnings Conference Call”  
November 08, 2024



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

**MODERATOR: MR. ASHISH KEJRIWAL – NUVAMA INSTITUTIONAL  
EQUITIES**



*Steel Authority of India Limited  
November 08, 2024*

**Moderator:**

Ladies and gentlemen, good day, and welcome to Steel Authority of India Q2 FY '25 Earnings Conference Call hosted by Nuvama Institutional Equities. 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 that this conference is being recorded.

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

**Ashish Kejriwal:**

Thank you, Yusuf. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we welcome you all for Q2 FY '25 Conference Call of Steel Authority of India. We are delighted to have Mr. Anil Tulsiani, Director of Finance, along with his team for this call. And I would like to thank the management for giving us an opportunity to host this call.

Now I will request Mr. Tulsiani for his opening remarks. And thereafter, we will open the floor for Q&A. Over to you, sir.

**Anil Tulsiani:**

Thank you, Mr. Ashish. Good afternoon, everyone. I welcome all our investors and analysts, who are joining this results con call for the financial results of SAIL for the period Q2 and H1 financial year '25. Though I'm sure most of you would have already seen the results on the website of the company and stock exchanges, I would briefly run through the same for the benefit of the house.

First, I will deliberate on the world economic scenario. The global economy has been reeling under the impact of several factors like high inflation and consequent monetary tightening policies to counter the same, rising geo-political uncertainties, supply chain disruption, etcetera. The scenario has, however, been showing a gradual improvement with headline inflation moderating leading to rate cuts by major central banks.

While this will support growth, economies need to watch out for downside risks like resurgence of monetary volatilities and deeper slowdown in China. These have led to revisions in the projections for global economic growth. IMF, in the World's Economic Outlook released during October '24, has retained the projections for 2024 at 3.2%, but the same has been revised downwards to 3.2% during 2025 from earlier projection of 3.3%.

The projection for emerging and developing economies are set to decline in 2024 and 2025 to 4.2% as compared to the estimates for 2023 at 4.4%. On the other hand, the advanced economies see a marginal improvement in the projections for the two years at 1.8% compared to estimates for 2023 at 1.7%.

Now coming to the Indian economy, the Indian economy has also been impacted on global cues with the GDP growth for Q1 FY'25 being estimated at 6.7%, down from 8.2% achieved during FY '24. However, bolstered by the strength of policy frameworks and increasing



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demand, it continues to fare much better than its counterparts. India has countered the forces of inflation better than other economies, thereby maintaining relative stability in the domestic market.

The sustained momentum in manufacturing and services, higher frequency of investment activity, government's continued thrust on infrastructure development, expansion in steel consumption, improved prospects in private consumption have all pointed to a robust outlook. The projection by major agencies like RBI, World Bank, IMF, etcetera., the economy is poised to grow between 6.5% to 7.3% over the next 2 years, helping it maintain its position as one of the fastest growing amongst the major economies.

Coming to the world steel scenario. The slowdown in China, this is the biggest producer and consumer of steel, has led to major impact on the performance of the global steel industry. The demand for Steel in China has been particularly impacted as investments in the Real Estate sector has been consistently coming down. The demand for steel is estimated to be 3.3% lower in 2023 than previous year and expected to remain negative at 3% in 2024 and 1% in 2025.

Meanwhile, the production in the country has also come down by 3.6% during Jan to September '24 over CPLY. The surge of exports from China has dented the international prices in a big way. And the performance of the industry in general and SAIL in particular has been impacted significantly on the back of international price trends.

The developed world is projected to experience a 2% decrease in steel demand in 2024, as major steel using economies like the U.S., Japan, Korea and Germany face significant declines. At the same time, the demand growth for steel in the European Union also remains a big challenge. The demand is set to decline by around 5% in 2024 and by 0.7% in 2025.

The overall growth in demand for the world is poised to remain negative by 0.9% in 2024 before turning positive at 1.2% during 2025, respectively, as countries like India, Germany, Brazil, U.S. and Japan will drive the growth.

Coming to the Indian steel industry. Despite all challenges, including the softening of the steel prices, Indian steel industry has consistently been growing in terms of production as well as consumption. During H1'25 as well, crude steel production has grown by 3.6% over CPLY. At the same time, finished steel consumption has grown by 13.5% during the period over CPLY.

As for WSA, India has emerged as the strongest driver of demand for steel since 2021 and projected to grow at more than 8% during 2024 and 2025. Indian steel demand will continue to charge ahead driven by the continued growth in all steel using sectors and especially by continued strong growth in infrastructure investments.

The top line and bottom line for Indian producers have been impacted as the prices declined consistently till August 2024. As there have been signs of prices strengthening, especially for long products, especially after the monsoon season, the industry is hopeful of better results in



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the coming quarters. With the pricing of imported coal also remaining in check, the industry can also heave a sigh of relief on the cost front.

Now coming to the performance of the company for the half year. The company -- the performance of the company during H1'25 stands as follows. The crude steel production is at 9.457 million tons, which is similar to CPLY of 9.47 million tons. Saleable steel sales volume at 8.108 million tons registered a decline of 6.3% over CPLY of 8.651 million tons.

The percentage decline in the domestic sales has been lower at 4.5% to stand at 8.063 MT. With the NSR declining by around 5%, the turnover fell by nearly 10% over CPLY to stand at INR48,262 crores. On the profitability front, the company registered an EBITDA of INR5,593 crores, PBT of INR1,127 crores and PAT of INR844 crores.

With the concerns of rising borrowings, we are happy to share that the borrowing stands at a similar level as compared to Q1 financial year '25. Borrowings at the end of Q2 financial year '25 stood at INR35,596 crores. In fact, the borrowings during August peaked to INR39,163 crores, and since then, it has been reduced by almost INR5,000 crores, and it stands at INR34,224 crores at end of October 2024.

In the area of operational efficiency, the company has been making steady progress for reducing coal/coke for consumption, increasing the use of CDI, bringing down the specific energy consumption and improving BF productivity. SAIL is undertaking various drives towards decarbonization in 3 Phases. With the first phase having brought down the specific CO2 consumption by almost 20%, the company is now gearing up to bring it down by 12% to 2.19 tons per ton of crude steel by financial year 2030-31.

Continuing with the drive towards improving the product mix, the proportion of semis and saleable steel production stood at around 16%. By engaging conversion services in and around the plant/demand sectors, the percentage share of semis in sales has been lower at 9%. Order for a Bar Mill of 1 MTPA capacity at the Durgapur Steel Plant has been placed, which will further reduce the percentage of semis.

Going forward, the boost from the various measures being taken by government on infrastructure spending augurs well for steel demand in the country. With the overall outlook positive for the sustained growth in domestic consumption, we are hopeful of the realization and consequently, the margin will improve for the company in the quarters to come.

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

**Moderator:**

Thank you very much. We will now begin the question and answer session. First question is from the line of Amit Dixit from ICICI Securities.

**Amit Dixit:**

I have 2 questions. The first one is around the rail price provision and the benefit of INR1,637-odd crores that has been recognized in this quarter for prior periods. So just wanted to

understand what is the quantum of FY'23 towards rail price revision still left? And is there something for FY '24, if you can quantify it? And when do we expect to get the money for there?

**Anil Tulsiani:** Yes. This rail price increase, whatever is there, it is based on -- see, there's a system wherein we have -- normally, the railway gives us an ad hoc price for the rail for a particular financial year. Subsequently, the cost is finalized by the CA Cost. And after that, based on that, we put up the recommendation of CA Cost for a discussion with the railways. So this is for 2022, '23, where earlier, our ad hoc price was around INR75,000 and the CA Cost has now revised to roundabout INR89,000. And the benefit of this is roundabout INR14,000 per ton.

Now in this particular quarter, we'll be submitting the cost for '23, '24 also to CA Cost. And probably by the end of this financial year, we will be able to assess what will be the pricing for the rate for '23, '24. Now I think I answered both your questions.

**Amit Dixit:** Sir, just a little bit of clarification now since for FY '23, there is a difference of INR14,000. We have already recognized INR1,637-odd. How much is remaining now to be recognized for FY '23?

**Anil Tulsiani:** No, for FY '23, there will not be anything. There will be some -- there will be a couple of rounds of talks with the railways. And if this price is agreed to, then we'll raise the invoices in line with this on the railways.

**Amit Dixit:** And when do we expect the cash inflow to happen?

**Anil Tulsiani:** It should happen in the -- probably from end of this quarter and will continue in the next quarter, the fourth quarter also.

**Amit Dixit:** And this will also reduce...

**Anil Tulsiani:** Sorry, will reduce now?

**Amit Dixit:** This will also reduce your leverage.

**Anil Tulsiani:** Yes. Sure, it will really reduce leverage.

**Amit Dixit:** Okay. The second question is around coking coal. So is it possible to let us know that -- what kind of coking coal reduction we saw in Q2? And what do we expect to see in Q3? Also, if you could highlight the realization uptick that we might see in Q3 based on the price increases taken so far?

**Anil Tulsiani:** In Q2, the pricing or the imported coal price, which we had, was at round about -- in the range of roundabout INR22,000. Okay. And if you see that in Q1, it was around INR24,000, so the average is coming to roundabout INR23,000 for H1. This is the thing.



And going ahead, we have got a projection of roundabout -- it is working out to roundabout INR20,000 in the month of October and November. But again, in the month of December, there may be a slight upward increase because the Platts and Argus indices are -- have increased a bit during these 2 months.

**Amit Dixit:** Okay. And what about realization, sir?

**Anil Tulsiani:** Realization, you want to know about the figures of October and November?

**Amit Dixit:** Yes.

**Anil Tulsiani:** October and November, the average realization has been in the -- in October, it was lower at roundabout INR48,000-odd. And in the month of November, it is roundabout INR49,500. It has mainly increased in November because of this thing, because of long products. Flat products, it still remains a challenge.

**Amit Dixit:** Okay. And how does it compare on an average with the realization in Q2?

**Anil Tulsiani:** With Q2, it is -- the Q2, the realization was around INR50,500 on overall basis, and H1, it was INR52,000.

**Moderator:** Next question is from the line of Sumangal Nevatia from Kotak Securities.

**Sumangal Nevatia:** Sir, my first question is on our sales volume. We've seen a very significant decline. And if we compare with all the peers and industry, which has reported, our performance is much worse. So what is the likely reason for this? Any reason why we are losing market share versus peers as well?

**Anil Tulsiani:** Yes. Actually, there has been a decline because basically -- I'll just give you the data for that. There has been a decline of around -- in the home sales, there has been a decline of around about 5.2% because of -- see, what has happened is that due to the lower exports from the country, more of the product has come into the market. So that has had an impact on our sales also.

But if you really see, in Q2, we have improved over the Q1. In Q1, we had around -- sales of roundabout 4.01 million tons. And in Q2, it has become 4.10 million tons. The impact is basically we have not been able to export much material. So that has also had an impact on our sales -- overall sales quantities.

But in the month of October, I would just like to tell you that in the month of October, we have been able to sell quite a lot of quantity. And this has helped us reduce our stock by around 1 lakh ton. So the sales during the month of October has been 1.648. So if we actually take it as - like going ahead for the entire quarter, it could end up to around 5 million tons.



**Sumangal Nevatia:** Understood. And sir, in previous question, you answered NSR. Was it blended? Or was it only long for any particular...

**Anil Tulsiani:** Yes. I gave you the blended answer.

**Sumangal Nevatia:** So roughly, we are looking at maybe around INR2,000 -- INR1,500, INR2,000 drop in 3Q. And on the cost side, you shared coking coal for October, November. But given the inventory lag, what sort of cost reduction we are looking in 3Q from coking coal front?

**Anil Tulsiani:** Coking coal front, we expect a drop -- see, because already -- I mentioned to you that in Q1, it was -- in Q2, it was INR21,681 and now we are getting at around about INR20,000. So if we continue, I think we should get the benefit of the lower coal prices in the month of October and -- September and October. We'll surely get into the month of November also for our consumption.

So it should be in the range of around INR20,000. So there should be a benefit of around, you can say, INR1,600 or INR1,700 on Q2 prices. And on H1, if you see, it will be around about INR2,000-odd.

**Sumangal Nevatia:** Understood. Got it. Sir, my second question is on the balance sheet. Our net debt -- I mean, we've not started any growth capex, but our net debt has been on the rise over the last 2, 3 years. What sort of annual capex are we looking at this year, next year? And when do we start the growth capex for the new expansion?

**Anil Tulsiani:** For this year, we have actually projected to the ministry of roundabout INR6,000-odd crores of capex. But next year, of course, it will go because many of our major capex -- we'll be freezing most of our contracts for our IISCO modernization also and also some of the major projects, which we have taken up, like the blast furnace of -- revamping of the blast furnace of Durgapur and the bar mill at Durgapur.

So the major expenditure for this will start coming in from next year onwards. So next year, we are -- I'm not able to predict the exact figure to you, but it should be surely more than what it is for this particular financial year.

**Sumangal Nevatia:** Got it. And sir, if I can just squeeze in one more. For the last few years, we've just been able to sell around 2 million, 2.5 million tons of iron ore, and we are holding around 40 million tons of iron ore inventory, which we have basically recording in the balance sheet at around INR4,000-odd crores. Sir, I mean, are we -- I mean, what are we looking practically over the next 1, 2 years? And are we looking to write it off because this is unnecessarily inflating our book value and impacting our return ratios.

**Anil Tulsiani:** There is no question of writing it off. Actually, it's an asset, which we have got. And this is an asset, which is not just -- which was -- like it came into our book sale on about 3 years ago, but it is an asset, which is there. Iron ore fines are not going to diminish its value since they are



lying out there for another 3 years because they are stocks -- we have stocks which are -- you can say, are more than 40 to 50 years old also. So they were just valued around 3 years ago.

And yes, we have a plan of reducing these stocks. We have already got our pellet plant and manifestation plant at Goa in the pipeline. So once that comes in, so there will be a depletion of around about 3 million to 3.5 million tons of iron ore from Goa, which is a main place where majority of the stock is there. And now we have got permission also to dispatch from there to our steel plants also. So we are gradually dispatching material from there to our steel plant.

**Moderator:** Next question is from the line of Amit Murarka from Axis Capital.

**Amit Murarka:** So just on rails notional price booking, just wanted to understand generally how do you do it. Like typically, let's say, if pricing is going up, is it also possible in that phase that there is overbooking of rails realization and then there is, let's say, some write-back that happens later? Is that also possible? Or you always book it on a conservative basis?

**Anil Tulsiani:** Actually, what happens is we have got a system of railway pricing. Like normally at the beginning of the year, the railways normally tell us that -- this particular ad hoc price for a particular year. So we consider that for raising our invoices on them.

Subsequently, we take up immediately -- because that is based on some historical data. Then we take up with the railway that the prices have gone up or there are indications of the prices and the cost going up. And we request for -- request the railways to give us an ad hoc price. So once the revised ad hoc price is given, we do the accounting on that, invoicing as well as accounting on that.

Subsequently, when we submit our details to the CA Cost organization. So once the CA Cost finalizes the prices for us, we submit it to the railways. Now based on whatever prices have been finalized by the CA Cost, we have discussions with the railways. So when we have discussions with the railways, so there are some sort of negotiations with them.

And normally, a few -- you can see some -- certain percentage of prices, they request for a reduction, which we negotiate and we finally come to our final price. So that is the final price for a particular year. So this is the basis on which we work. So basically, each and every step, whatever is the price available with us, we do our accounting on that.

**Amit Murarka:** Understood. So also to understand, let's say, the notional price, that ad hoc price that railways would have shared with you, let's say that price is actually higher than the current market trends. So would you kind of then advise the railways about it and accordingly book the realization at a lower price? Or where you look now?

**Anil Tulsiani:** Amit ji, normally, what happens some -- for example, we just give the railways that our price is going to be X figure. So railways is also a bit conservative. Normally on that, they'll reduce



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another INR5,000 or something like that and give it to us as an ad hoc price. They will not give us that exact price. So then once the CA Cost finalizes it, then we get the benefit of that.

**Amit Murarka:** The bottom line, it is always lower than the real market price and there is always a higher recovery that comes in the...

**Anil Tulsiani:** Yes. Except when the final pricing negotiation goes on with the railways. So at that point of time, we have to -- we normally have a reduction effect. That's when we take it into the particular quarter where the impact comes in, where we finalize it.

**Amit Murarka:** And the final price that is decided, is it a cost-plus mechanism? Or is it simply linked to how, let's say, the historical prices have been?

**Anil Tulsiani:** No. It's cost. Absolutely. CA Cost, Chief Adviser Cost is the agency who actually takes all the cost details from us. And based on that, the cost -- the pricing of the rails is right.

**Amit Murarka:** So it's a fixed margin business in a way, is it?

**Anil Tulsiani:** Yes, yes, it's a fixed margin business.

**Amit Murarka:** Understood. And the receivables again would be subject to railway budgets, right, I mean, how good the budgets are, if the budgets are...

**Anil Tulsiani:** Yes. Actually, normally, what happens is railways have -- we haven't faced much of a challenge for budgets from the railways because ours is a very small portion of the entire railway budget. But there were some challenges in the year 2021 when the -- '19, '20 and 2021 when the budgets were exhausted. So then they give us extra budgetary support in the beginning of financial year 2021.

**Amit Murarka:** Understood. And also lastly, could you also refresh about the capex plans for this year and next year?

**Anil Tulsiani:** Well, this year, like I told you that we'll be having a capex of roundabout INR6,000 crores -- around INR6,000 crores. Though initially, we had estimated in our budget estimates for '24 at INR6,300 crores. So we expect that it should be around about INR6,000 crores. We have spent how much? I can just give you the -- we have already spent roundabout INR2,250-odd crores in the H1 period. And normally, the capex picked up when we -- during the second half.

**Amit Murarka:** Sure, sure. Understood. And the big capex program will mostly start from FY '27, the expansion program...

**Anil Tulsiani:** Not for -- not FY '25. I think some major expenditures will start coming in from '26, '27. '25, '26, we may -- we will have these initial advances, which we have to give. And for the drawings and engineering and all those things, we will have to give some money for that. And some expenditures, I had also told you earlier that we have already placed orders for some of

the major packages, so like the bar mill at Durgapur and the blast furnace also at Durgapur and also stand charging battery for Rourkela. So the -- some progress payments will start coming in from next year onwards, '25, '26 also.

**Moderator:** Next question is from the line of Kirtan Mehta from BOB Capital Markets.

**Kirtan Mehta:** This quarter, we are seeing an improvement in the structural steel production to 16% from historical trend of 8% to 9%. What has helped to increase the structural steel production this quarter?

**Anil Tulsiani:** Actually, what has happened is that we have got 2 major new mills. One is an MSM at Durgapur Steel Plant. And the other one is the -- just the Medium Structural Mill and then we have the Universal Structural Mill in IISCO. So these mills have now stabilized, and the products have now also been accepted in the market. So because of that, there has been quite a good increase in the volumes of sales of these products.

**Kirtan Mehta:** But in terms of the profitability, when we look at around INR3,100 per ton, this is still not sort of fairly good profitability. So what will be the reason that despite the increase in structural steel production, we are not seeing the corresponding increase in the profit?

**Anil Tulsiani:** In the profit means -- see, basically, what is happening is that the price of flats has not gone up during -- these flat products has not gone up during this quarter. So this is a major challenge, which is there. As far as longs is concerned, which also includes the structural, the improvement in prices is there. And further in the month of October also, we see a further improvement in prices, firming prices of long products.

**Kirtan Mehta:** Typically, this structural product from MSM and the USM, how much additional realization it will generate over the benchmark indicator?

**Anil Tulsiani:** It will -- see, what happens is now -- see, we have got basically these 2 major mills, which are there -- from this, we will be trying to market the products. There will be some mills for -- where we'll be gradually phasing it out. Like we have a section mill in Durgapur. So the products from that will be gradually phased out over the years. So you can say that whatever indication of the pricing is that it is of these major mills only.

**Kirtan Mehta:** Another question in terms of when we look at the saleable steel in Q1, it was around 4.2 million tons against the crude steel production of 4.7 million tons. That has changed to 4.6 million tons during this quarter versus crude steel production of around 4.8 million tons. What is the reason for lower saleable steel availability during Q1?

**Anil Tulsiani:** Yes. We will just tell you what has happened is our hot strip mill at Bokaro, it was under major maintenance. It was, of course, a planned maintenance during Q1. So that is why there is a difference of the saleable steel and crude steel.

- Kirtan Mehta:** And what is the reason for increase in the semis proportion to around 16% this quarter, which was sort of trending down to 13%, 14% in the earlier quarter?
- Anil Tulsiani:** It could be -- it is similar as the thing because, see, what is happening is we have produced flats, which are also considered as semi. So that production has entire -- has actually changed this ratio to some extent. That's for the Bokaro, where we were not able to take HR Coil. We were not able to produce the finished products.
- Kirtan Mehta:** Understood, sir. In terms of the expansion projects that we are undertaking in IISCO and Durgapur, what stage of approval we are in at this point of time?
- Anil Tulsiani:** Actually, the Durgapur Steel Plant, yesterday in the Board meeting, the Board has considered a proposal of brownfield expansion of Durgapur Steel Plant also.
- Kirtan Mehta:** So we have now the Stage 2 approval to go ahead with...
- Anil Tulsiani:** We don't have Stage 2 approval. See, we have Stage 1 -- well, we will be having the Stage 1 approval for this brownfield expansion of Durgapur. And we already have the Stage 1 approval for IISCO Steel Plant also.
- Kirtan Mehta:** Right. And how far we are from the Stage 2 approval now?
- Anil Tulsiani:** Stage 2 for -- Durgapur should take another -- you can say, 8 months or something, 6 to 8 months because we'll immediately start on the tendering and then come back to the Board for the Stage 2 approval. And in case of IISCO Steel Plant, already out of the major technical packages, I think out of 14 major technical packages, I'm not sure of the figure, but it should be 14, out of which already 8 packages we have tendered out. So we'll start getting the offers now and evaluate it. Probably by middle of next year, we'll be able to freeze that also.
- Kirtan Mehta:** Right. So probably the capex spend will start after basically in the second half of the next year once we get the Stage 2 approval.
- Anil Tulsiani:** That is what I had already explained earlier also that maybe the initial payments, like the upfront payments of -- against some -- some milestone payments will be made next year, say, '25, '26 by the end. And some progress payments of already the projects which are already for which we have placed orders, like the stand charge battery and the mills and the blast furnace at Durgapur, they will start in '25, '26.
- Moderator:** Next question is from the line of Pallav Agarwal from Antique Stock Broking.
- Pallav Agarwal:** I have a question on the segmental data. So if I look at the segment assets and liabilities for this quarter, it is sharply lower than previous quarters across all plants. So is there -- has there been some reclassification or is it -- or there's some error in reporting these numbers?

- Amit Agarwal:** Yes. Pallav ji, this is Amit. Actually, yes, you've noted it correctly. There has been some inadvertent error while reporting those numbers. We've already taken action against that, and the revised numbers will shortly be put up on the website. Maybe you can refer to the Q2 numbers that are -- H1 numbers that are being displayed there. These are the numbers, which will hold true for Q2 as well.
- Pallav Agarwal:** Okay. At least in terms of the assets liabilities, that should be the same.
- Amit Agarwal:** Yes.
- Pallav Agarwal:** Okay. So the other question was on the coal cost that you mentioned of INR20,000 that you expect. So this is really imported coal or this is a mix of both imported and domestic coal?
- Anil Tulsiani:** No, this is imported coal.
- Pallav Agarwal:** And what will be the mix right now of imported and domestic?
- Anil Tulsiani:** See, basically, we are having a 85%, 15% mix. 85% of imported coal and 15% is indigenous coal.
- Pallav Agarwal:** And how would the domestic coal...
- Anil Tulsiani:** Indigenous domestic coal, it's in the range of roundabout -- it is also linked with the imported coal prices. And it will be in the range of around about INR13,000 to INR13,500.
- Pallav Agarwal:** Sure, sir. Sir, lastly, so what is the utilization levels that you're operating at in terms of crude and saleable steel? Because if I remember, we had some, I think, debottlenecking at the billet caster or something at this plant. So are you operating close to optimum capacity right now? Is there some headroom still available?
- Anil Tulsiani:** No. Actually, we are basically operating at a very good capacity. So we will be having an annualized crude steel production of around 19.2 million tons. So this is more or less -- I think it will be more than 95% of our capacity.
- Pallav Agarwal:** Okay. So unless we go for the next year of expansion, volume growth may not really happen in a material way?
- Anil Tulsiani:** It's not like that. Actually, we have got some of our debottlenecking schemes also, which will be coming up now. And we are trying to sweat our assets also so that they go up by -- means another 2.5 million to 3 million tons are added during these coming 2 to 3 years.
- Moderator:** Next question is from the line of Rashi Chopra from Citi Group.
- Rashi Chopra:** Just on the NSR, you mentioned that the average was about INR50,500 in this quarter. Could you split it up for flats and longs, please?



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- Anil Tulsiani:** Yes. For this quarter, the long will be around INR52,000 and the flat will be roundabout INR49,000.
- Rashi Chopra:** And on a spot basis, what is the [inaudible 0:38:18]? Where are flat and where are long?
- Anil Tulsiani:** In the month of October, it was -- for the flat, it was around INR46,500 to INR47,000. And for the flat, it was INR42,500 to INR53,000 -- long side. For the long, it is INR52,500 to INR53,000.
- Rashi Chopra:** This is October. And November as we speak?
- Anil Tulsiani:** November, a slight marginal improvement. Marginal improvement in both the cases.
- Rashi Chopra:** Then on the volume side, how much finished steel inventory you have at the end of the quarter?
- Anil Tulsiani:** Come again. I didn't get your question.
- Rashi Chopra:** The finished steel inventory, which was about 1.84 million as of June -- the end of the June quarter, what is that standard as of September end?
- Anil Tulsiani:** It's at 1.93 million.
- Rashi Chopra:** And what sales volume are you targeting for the full year now, FY '25?
- Anil Tulsiani:** Around 18 -- between 18 -- around 18, we can say.
- Rashi Chopra:** Just lastly, on your last question, on the growth plan, are you maintaining that -- the 35 million ton target by FY '31?
- Management:** Yes. We are still maintaining it.
- Anil Tulsiani:** And we are going in line with that.
- Rashi Chopra:** Okay. So as of now, it's sweating capacity by about 3 million tons. You have IISCO at 4 million tons, Bokaro at about 2.5 million and Durgapur about 1 million.
- Anil Tulsiani:** 1 million. And then we have got Rourkela Steel Plant, which will also be coming in. So that is also there around 3.8 million tons.
- Rashi Chopra:** When is this expected?
- Anil Tulsiani:** This will be -- we are awaiting for some clearances of land. So once those clearances of land come in place, so then after that, we'll take up this expansion plan. But then it is planned within -- by '31.
- Moderator:** Next question is from the line of Rahul Gupta from Morgan Stanley.

- Rahul Gupta:** A couple of questions. First, just taking forward this expansion pipeline. I remember you've talked about Bokaro expansion as well of 2.4 million tons. Any update on what's happening on its approval? Durgapur, you got first round of approval. But any update on Bokaro?
- Anil Tulsiani:** Bokaro will be -- actually, a PFR has already been made for Bokaro Steel Plant. And the final DPR, it has already been prepared, but it is under examination.
- Rahul Gupta:** Got it. Another question that I have is on coking coal. I remember last quarter, you talked about some long-term coking coal contracts booked, which would have run off by December or January. So what -- and what's the update on that? The reason I ask this question is because you talked about coking coal -- international coking coal prices coming up by INR1,600, INR1,700 quarter-on-quarter. So just trying to weave both the data over here.
- Anil Tulsiani:** See, basically, these long-term agreements, we have a system of having a long-term agreement for 3 years, which is extendable by another 2 years. So the majority of these are now in the year '24, '25. They'll be coming to end, but then we'll be continuing this contract with these long-term suppliers.
- And the pricing, of course -- see, the pricing is very clear that it is a percentage or discount or a premium on the Platts and Argus index. So that will be negotiated. This is normally negotiated by all the steel companies during normally the -- for this -- for a financial year, just in the quarter but prior to the beginning of the financial year. So that is what we are doing.
- And regarding these agreements, already, we have taken up with all the suppliers to finalize these agreements, which are mainly the commercial terms, which will be finalized before we go in for these negotiations with the suppliers regarding the quantities and the rates, which will take place in the month of April.
- Rahul Gupta:** Okay. Got it. So just trying to understand this better. So when you had done this contract earlier this year, so where are prices now versus the contracted prices then?
- Anil Tulsiani:** See, as I explained to you, all our prices are based on the indices. Okay. So whatever is the price which is arrived -- I suppose I have a supplier from whom I have negotiated and taken an X percent discount. So this X percent discount prevails for throughout the year based on -- and the base of that is the Platts and Argus index.
- Moderator:** Next question is from the line of Pratim Roy from B&K Securities.
- Pratim Roy:** I have just 1 or 2 questions. Just firstly, I just want to know how much more rail price revision benefit you can expect in the second half. That is the first question. And the second question is that what kind of debt reduction you can expect in the next 2 to 3 years as coking coal prices is happening and there is no major capex in the pipeline. So how much debt you can expect to be put down next 2 to 3 years? These are the 2 questions, sir.

**Anil Tulsiani:** Yes. Regarding the pricing of rail, the system, which normally is there is now -- see, it's -- steel cost has submitted its pricing to the railways for '22, '23. Now '23, '24 rail pricing has to be submitted by CA Cost to the railways. So for that, the railways have to submit request to the CA Cost to finalize the pricing. So that, we are now following up with the railways to request the CA Cost to start that activity.

Once that activity starts, we submit the details to the CA Cost. And then normally, they finalize it within 2 to 3 months' time. So this is regarding how the price will be finalized. If the CA Cost is able to indicate the pricing for '23, '24 within, say, 31st March '25, then we'll be taking the benefit of that in '24, '25 as it will get carried over to the next years. And regarding the debt reduction...

**Pratim Roy:** [inaudible 0:45:47]

**Anil Tulsiani:** Regarding the debt reduction, we are -- from today's level, like it's round about INR34,500, we are planning a reduction of around about another INR4,500 crores to INR5,000 crores in the remaining part of this financial year provided the markets support us.

**Pratim Roy:** In this financial year, we are expecting that INR5,000 crores debt reduced...

**Anil Tulsiani:** Yes, INR4,500 crores to INR5,000 crores from today's level. So you can say it should be in the range of INR29,000 crores -- INR29,000 crores to INR30,000 crores.

**Pratim Roy:** At the end of this financial year, right?

**Anil Tulsiani:** Yes, yes.

**Moderator:** Next question is from the line of Vikas Singh from Phillip Capital.

**Vikas Singh:** Sir, now that we have also decided to grow the Durgapur plant as well, just wanted to understand with IISCO and Durgapur already the finalizations happened. What is the peak level of debt which we will be comfortable with? Because as you see that our interest cost is very high and we are very susceptible to the EBITDA levels.

**Anil Tulsiani:** See, we have planned our entire expansion considering a debt-to-equity ratio of 1:1. So in that, the maximum debt, I think, we will reach is -- this will be at around INR1 lakh crores. The debt equity, just 1 sec. Please hold on. The debt will be -- in the year, it will maximize at -- in the financial year '28, '29 and the debt equity ratio at that point of time will be around INR1.1 crores.

**Vikas Singh:** Understood, sir. And so sir, any update on our raw material and pellet plant site, if you could -- like to give?

**Anil Tulsiani:** See, pellet plant, there are quite a few pellet plants in the offering. Some are coming on COM basis, construct, own and manage, and maintain -- so construct, operate and maintain. So this -





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- one plant is coming up at Bhilai of 1 million tons, then we are having another plant, which is coming up at Rourkela Steel Plant. So this will also be there of roundabout 2 million tons.

And then we have one large plant, which we are planning to set up at Gua Ore Mines. So this plant also -- it's basically a 4 million ton pellet plant, which we are planning out there. So this is also -- there's -- also some jobs have already been started by our consultants to prepare the final DPR for this. And besides that, for IISCO and Durgapur pellet security, we will also be having a COM plant of this.

**Vikas Singh:** Understood. Sir, just one last question. Though we have heard about a INR1 lakh crores capex number, as of now, we only understand that the scope would be INR35,000 crores. So could you give me what -- how much plant size we are thinking about spending this bifurcation of this INR1 lakh crores over plant size?

**Anil Tulsiani:** See, the DPRs of the other plants have not yet been frozen. So this is just an indicative figure, which we have taken for the time being. And once the DPRs are frozen -- and maybe not only the DPR, once orders are placed, we will come to know what is the actual capex outflow for these modernization and expansion projects. So for the time being, we are only considering this on some sort of an assumptive basis. It is -- the moment any of the projects is frozen or the expansion plan is frozen, then only we'll be able to declare of what is capex.

**Vikas Singh:** Understood, sir. Sir, just 1 clarity on these assumptions of INR1 lakh crores, this INR1 lakh crores assumption is average or on the higher side? Basically, just wanted to understand, once we start finalizing, what is the probability of this number going up?

**Anil Tulsiani:** We really do not know what is going to happen. This is our calculations. This is the calculations by our consultants and our team of experts and all. So we maintain that for the time being.

**Vikas Singh:** Thank you.

**Anil Tulsiani:** Let that be the last question. We'll take balance offline.

**Moderator:** Okay, sir. Ladies and gentlemen, we will take this as a last question for the day. I now hand the conference over to the management for the closing comments.

**Anil Tulsiani:** Thank you very much. Quite a lot of good questions asked by the various analysts. And I appreciate their -- the thinking about sales. And I assure you that this company is improved in the coming months with a lot of emphasis on cost reduction and profit maximization. And so thank you, everyone. All the best.

**Moderator:** Thank you. On behalf of Nuvama Institutional Equities, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.