



CA-17(44)/2024-25

29<sup>th</sup> May, 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 21<sup>st</sup> May, 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 21<sup>st</sup> May, 2024, intimating the link to the Audio Recording of the Conference Call held on 21<sup>st</sup> May, 2024.

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  
Q4 FY '24 Earnings Conference Call”  
May 21, 2024



**MANAGEMENT: MR. PRAVEEN NIGAM – EXECUTIVE DIRECTOR OF  
FINANCE AND ACCOUNTS – STEEL AUTHORITY OF  
INDIA LIMITED**

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



**Moderator:**

Ladies and gentlemen, good day, and welcome to the Steel Authority of India Q4 FY '24 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, Mr. Ashish.

**Ashish Kejriwal:**

Thank you, Manuja. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we welcome you again for Steel Authority of India's Q4 FY '24 Post Result Call. We are glad to have Mr. Praveen Nigam, Executive Director of Finance and Accounts. And along with that, we have experts from different departments like operations, marketing, raw material, etcetera. So that we will have holistic view. So I would request now Mr. Nigam for an opening remark, and then we can open the question-and-answer round. Over to you, sir.

**Praveen Nigam:**

Yes. Thank you, Mr. Kejriwal. Good afternoon, everyone, and welcome all our investors and analysts who are joining this result con call for the financial result of sale for the period Q4 and Annual FY '24. I believe you have already seen the results on the website of the company and the Stock Exchange with BSE and NSE. I would briefly run through 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 scenario for the global economy looked gloomy at the beginning of the year. There was supply chain disruption in the aftermath of the pandemic, Russia-Ukraine war triggered global energy and the food crisis, shortly the inflation followed by globally synchronized monetary policy, threatening all painted a bleak scenario I had pointing to a recession.

However, the economy showed a remarkably resilience as inflation subsides gradually, and the bank has ease monetary policies. These have showed a steady path for the economy with estimate for CY '23 at 3.2% and prediction for the next 2 years holding at the same level as per the latest IMF World Economic Outlook published in April 2024.

At the same time, the highest interest rate political conflict as were high debt level and withdrawal of the physical support for the downside risk to the same. As far as Indian economy is concerned, Indian economy continues to silver lining in the otherwise gloomy global economy by counting the forces of inflation better than the other economies, Indian economy had, they are better than its counterpart and this has maintained relatively -- relative stability in the domestic market.

As per the second estimate for this by industry of statistics and program implementation for financial year '24, the Indian economy has grown by 7.6% during the period. The projection by some of the major agencies like RBI, World Bank, IMF, etcetera, the economy is poised to grow 7% in FY '25, at 6.5% in FY '26, helping it maintained its position as one of the fastest growing amongst major economies. In fact, World Bank has improved its forecast for India in



FY '25 significantly from 6.4% in Jan 2024 to 6.6% in April 2024. At the same time, IMF has improved its forecast for the economy in CY '24 from 6.5% to 6.8%.

In respect to the world extreme scenario, the global steel industry was impacted during 2023 on account of several factors like high inflation, falling household, purchasing power, and rising geopolitical uncertainties. The higher cost and the tighter credit policies have contributed to slowdown in housing and manufacturing sector. The overall demand in 2023 has contracted by 1.1% over the previous year.

The demand in China, the biggest consumer of steel is a cause of worry as the real estate investment continues to decline. While steel demand declined by 3.3% in 2023 over previous year and is expected to remain stagnant in 2024, followed by contraction of 1% in 2025. Also, the steel growth in European Union remains the reason with the biggest challenge, multiple factors like geopolitical conflicts, high energy, commodity prices, etcetera, led to substantial 10% decline year-to-year. The reason is, however, expected to recover in the coming years with a growth of 2.9% and 5.3% in 2024 and 2025, respectively.

The overall growth in demand is poised to turn positive with World Steel Association forecasting is 1.7% and 1.2% growth in steel demand during 2024 and 2025 respectively, as countries like India, Russia, Germany, Iran, etcetera, driving that growth. As far as Indian steel industry is concerned, Indian steel industry has consistently been growing in terms of production as well as consumption numbers in the post-COVID era during financial year 2024 as well as crude steel production, as well as finished steel consumption has grown by more than 13%.

As per the World Steel Association, SRO, India has been one of the strongest driver of the demand for steel in 2021. The projection for 2024 and 2025, at 8.2% each suggests Indian steel demand will continue to charge ahead driven by continued growth in all steel using sector and especially by continued strong growth in the infrastructure and investment.

With the prices of imported coal declining of late, the industry can also have a sigh of relief on the cost front. At the same time, the prices of steel have also been operating in a narrow band, and there are cause for improvement in the coming quarters.

Now let me tell you something about the company's performance for the quarter. Coming to the performance of the company, sale has registered its best ever physical performance during financial year 2024. The performance of company during the financial 2024 stand as follows. Our crude steel production stood at 19.239 MT, which is an increase of 5% over CPLY, CPLY, it was 18.291 MT, Saleable steel production stood at 18.437 MT, an increase of 7% over CPLY. The CPLY season was 17.246 MT.

Saleable steel sales volume stood at 17.024 MT, registering a growth of 5% over CPLY. The CPLY figure was 16.197 MT. In fact, the domestic sale has grown by more than 6%, with export registering a decline of 22%. The turnover at INR1,04,545 crores has, however, grown by 1% as the decline in the price realization by 6% had an adverse impact on the same. On the profitability front, the company restored an EBITDA of INR12,280 crores, that is an



improvement of 31% over CPLY, the CPLY EBITDA was INR9,329 Profit before tax and profit after tax stood at INR3,688 crores and INR2,733 crores as against the INR2,637 crores and INR1,903 crores, respectively, during CPLY.

As regards sustenance and operational efficiencies in the area of operational efficiencies, the company has been making steady progress for reducing all of the crude cost, increasing the uses of CDI, bringing on the specific energy consumption, improving the blast furnace productivity, continuing with that drive towards improving the product mix, the production of semis in the saleable steel production stood at less than 15% by engaging conversion services in and around the plant of the demand sector, the percentage share of semis this year has been even lower by -- lower at 8%.

Going forward, the boost from the various measures being taken by the government and the infrastructure spending augurs well for the steel demand in the country with the overall outlook positive for 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 this word, I hand it back to Mr. Kejriwal for opening up question-and-answer session. I'm sure you all have lots of queries on the performance of the company. Thank you. Mr. Kejriwal.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from Hitech Group. Please go ahead.

**Amit Dixit:**

Good afternoon, everyone, and thanks for the opportunity. So I have couple of questions. The first one is on -- if I look at operating mix sorry other expenditure and employee cost, they seem to have gone down in this quarter Y-o-Y basis, Q-o-Q, if you look at other expenditure that basically constant despite sales volume going up significantly. So just wanted to understand the key drivers of both and what should we consider I mean what is the run rate that we should consider going ahead in employee cost in particular that was the first question?

**Praveen Nigam:**

Yes. As far as the employee cost is concerned you see there has been a constant decline as far the employees -- in terms of numbers are concerned. On an average in SAIL employees are reducing in the tune of 3,000 per year. That is one of the major reason for reduction in the employee cost.

**Amit Dixit:**

So what would be the employee strength now in this year-end and how much is reduced this year?

**Praveen Nigam:**

It is already available in the presentation what we have uploaded you can see the slide just a minute it is 55,989 as on 31st March. You can see the slide what we have uploaded.

**Amit Dixit:**

But sir 17% Y-o-Y decline in employee cost that is a significant decline that we see and particularly over Q3 over Q4 we always saw an increase because of actuarial provisions and all. So just wanted to understand from that perspective where employee cost is headed?

**Praveen Nigam:**

Apart from reduction in the numbers there have been actuarial gain on account of the lean we get encashment particularly. That is also one of the factor for reduction in the employee cost.



- Amit Dixit:** And what about other expenditure sir it has also been under control?
- Praveen Nigam:** Yes, other expenditure there has been reduction in the power and fuel cost and also certain provisions which we have you can say provided last year which we have not provided this year. That is one of the reason for reduction in the other expenses.
- Amit Dixit:** What could be that can you quantify those provisions, sir?
- Praveen Nigam:** The provision -- actually last year what we have made provision was to the tune of INR229 crores. This year, we have made a provision in Q4 of INR52 crores. So there is a decline of INR177 crores as far as provisions are concerned.
- Amit Dixit:** And the second question is on capex, sir if you could just give us the details of this 31-million-ton capacity increase that you are targeting where we are, what are the key configurations we have decided and what would be the capex plan for this year that is the second question.
- Praveen Nigam:** So you have actually in the capex two question what is likely expenditure in the current year. And what is our overall capex plan particularly what we have announced that from the present level of 20 million ton of crude steel we will be increasing our capacity to 35 million by the end of 2030, '31. As far as current year is concerned current year capex would be in the range of INR6,300 crores what we have planned. As far as our modernization or expansion plan is concerned there, we have already announced that we will be having a sales rise expansion.
- In the first phase, we are going for expansion of our Scoot steel plant where this approval of the board for the stage 1 is already available. For Bokaro Steel Plant and Durgapur Steel Plant pre-feasibility report has already been prepared. The Board has given also go ahead and we will be going further for firming of the project report as far as Bokaro and Durgapur is concerned and thereafter we will move forward.
- Amit Dixit:** Sir, as per the pre-feasibility report what would be the total expenditure that you envisage and what will be the peak year of that expenditure?
- Praveen Nigam:** As far as Scott steel plant is concerned in the Scoot steel plant it is around INR36,000 crores.
- Amit Dixit:** And in the other case?
- Praveen Nigam:** And in other cases still the consultancy is working on, we have not yet formed up the cost of other -- in other cases. But roughly, if you see, there is an increase of 15 million ton then if you see SAIL as a whole then it will be in the range of INR1 lakh to INR1,10,000 crores.
- Amit Dixit:** Okay sir great. Thanks so much. I will come back in the queue and all the best.
- Moderator:** Thank you. The next question is from the line of Somaiya from Avendus Spark. Please go ahead.
- Somaiya:** Thanks for the opportunity. First question, some clarification on the price revision on a provisional basis you have taken for the SAIL. So the INR17 billion that you have mentioned this quarter, so this is for both FY '23, '24? That's one. And with this, we are by and large



complete at least till end of FY '24 we don't expect any further provisions going forward? I just want to clarify on this?

**Praveen Nigam:** Yes, the provision what we have made in Q4 is, yes, INR1,714 crores which includes for financial year '22-'23 and also '23-'24. In that, if you see that the provisions pertaining to the period prior to Q4 are for '22, '23 is INR8,077 crores and impact of the 9 months is INR559 crores and pertaining to Q4 it is INR278 crores.

**Somaiya:** So going forward, we don't expect anything related to at least till FY '24 bookings. Is that the right understanding?

**Praveen Nigam:** These prices are actually provisional prices. You see there is a mechanism as far as the rail prices is concerned, there is one department known as CA cost and under the department of expenditure and the Ministry of Finance, they are deciding the cost which is -- prices this is to be given by the railway. So our figures are with them. They will decide finally what would be the prices. We are expecting a price better than whatever the provisional price given by the railway as of now.

**Somaiya:** Sir, can you just give what is the booking rate on a rupees per ton basis say for FY '22, '23, '24 and what we are planning to do for FY24?

**Praveen Nigam:** As far the prices precisely are concerned, I will give you offline.

**Somaiya:** Second question is on coking coal. Could you just give some color on -- I mean, what was the coking coal drop the quarter gone by and what you're expecting for this quarter and also if you could provide some color on the mix of coking coal sourcing that should be fine?

**Praveen Nigam:** As far as the prices of the coking coal are concerned, yes, if you see Q3 the coking coal prices were INR23,693 to be precise. And in the Q4, the cost was INR26,524 and in indigenous it was INR12,000. And in Q4, it was INR13,000.

**Somaiya:** The expectations for current quarter?

**Praveen Nigam:** The expectation for current quarter it will be roughly USD30 down as compared to Q4.

**Somaiya:** Got it sir. Helpful. I will join back the queue.

**Moderator:** Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

**Vikas Singh:** Just wanted to understand what kind of volume growth target we are targeting this year especially in the context that we have significant inventory also with us?

**Praveen Nigam:** We are targeting a production in excess of 20 million tons and as the sales are concerned, it would be 90 million tons.

**Vikas Singh:** So this includes some sale of the inventory as well because if I believe rightly, we have over 1.6 million ton of inventory at this point of time?



- Praveen Nigam:** Yes, you are right. We have over 1.6 million tons of inventory, and we are targeting to reduce our inventory, which is included here also. The inventory reduction in these two months, in particular, is to the tune of 2.09 lakh ton. At present, if you say our other inventory is 1.452 million tons.
- Vikas Singh:** Understood, sir. And sir, with this context, again, how do we see our net debt moving because significant inventory liquidation would also happen. And what is our target date for FY'25?
- Praveen Nigam:** You see, our total borrowing was to the tune of INR30,500 crores. In this quarter, the borrowing has increased mainly because of the high inventory, no doubt and also lower realization from the railway. At present, our borrowing is to the tune of INR35,000 crores. But we are expecting that by the end of this financial year because the coal prices are coming down, we will be realizing our rail prices also from the railway. And as far, we are expecting will not slide further, and it will maintain its position. So our borrowings should come down below INR30,000 level as it was this year.
- Vikas Singh:** Sir, just one clarification on the railway side. Did we also get the ad hoc price also, so that going forward all the billing would be at the new prices? Or we will still be doing billing at the FY'22 prices, just need some explanation there?
- Praveen Nigam:** The policy is that till the price are given by the CA costs. And thereafter, the approval of the CRB is given, all the billing is done based on the provisional prices only. As of now, our prices -- billing for '21-'22, '22-'23 and '23-'24 is based on the provisional prices only. Because FY'21, '22 is concerned, CA cost has given their recommendation. We are waiting further approval of the CRB, once the approval of the CRB is available, we will get the final bill. And '22-'23, '23-'24, CA cost has not yet finalized the prices. They have not given any recommendation. So we are waiting for the recommendation of the CA cost. Thereafter, it will be given to the railways for the approval of the CRB.
- Moderator:** The next question is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** One question on the Slide 27, where you have indicated the INR903 crores of quarter-on-quarter benefit from raw material usage, which was partly offset by INR894 crores of input price and cost. Could you elaborate on specific items which were included under the quarter-on-quarter benefit of INR903 crores raw material usage?
- Praveen Nigam:** So that EBITDA movement, what we have shown on account of coal, it is around INR452 crores and on account of users of other raw, it is INR196 crores. And there are others also like miscellaneous, etcetera. So that sum up to INR900 crores what we have shown in our presentation.
- Kirtan Mehta:** And what would be the impact, which has also shown next number INR894 crores, which is offsetting some of this benefit?
- Praveen Nigam:** Yes, this is actually regarding the input prices, that is NSR, that is a reduction in the NSR.





**Kirtan Mehta:** And the second question was about the utilization level of structural mill at two plants, universal section as well as mix section mill. Could you elaborate on the current utilization?

**Praveen Nigam:** Structural mill, particularly Burnpur and Durgapur. I have Mr. Puri. He is from the Operation Directorate; he will address your query.

**Management:** The structural mills at Durgapur that is MSM and the USM at ISP Burnpur, they have done their ever best in the utilization of our capacity this year. And the next year, going forward, the next year targets in ABP are still more stringent for them. And they are quickly ramping up towards -- a lot of enablers have been made available to these two mills, just to, because it involves a lot of foreign technology, which took a lot of time in their ramping up. But now the spares and all positions have been frozen, and we are going to grow in a big way in these two mills and a lot of growth is planned in the ABP in these two mills.

**Kirtan Mehta:** Would you be able to indicate the actual utilization level in terms of a number? Was it about 70% or some quantitative indication?

**Praveen Nigam:** Yes, what Mr. Puri has told that as far as USM of Burnpur is concerned, the improvisation is 70% of the capacity and MSM is in the range of 55% to 60%.

**Moderator:** The next question is from the line of Ritesh Shah from Investec. The participant is on hold. The next question is from the line of Nalin Shah from NVS Brokerage.

**Nalin Shah:** At one end, India is going through an infrastructure boom and at other end, we also have the China factor. So in light of these contrasting factors, how do you think FY'25 will pan out for steel companies?

**Praveen Nigam:** Yes. If you see that as far as FY'23, '24, as I told in my opening remarks that both production of crude steel and consumption of finished yield has increased by 13%. We are expecting that there will be a positive growth in '24, '25 also. Yes, China sector, you are saying, yes, since there is -- the economy in that China is not in a very good shape. And particularly with the imposition of certain restrictions by the US, which include steel also, there are every likelihood that steel from China will come to India and might put pressure on our Indian steel also.

But the kind of growth which we are seeing as far as our -- Indian steel consumption is concerned; we are still hopeful that whatever we are producing will get consumed within the country. Government impetus is already there for development and infrastructure, and we are expecting that this year also the growth will be to the tune of active 12% to 13% both production as well as consumption.

And whatever the import will be coming to China, that will have -- might have some impact, but that will not have any severe impact. Still, we are keeping a wide watch, or we are keeping an eye on the imports from China. In fact, you can see that in this particular quarter, the prices of the long products have already increased by 12% to 13%. This shows that there is a positivity in the market.



**Nalin Shah:** Yes, sir. And one more thing. I guess we have the position to sell the low-grade fines. So what impact would it have, sir?

**Praveen Nigam:** We have provision to sell the low-grade fines. You see, there is a heap in the Jharkhand and then it is also available in the Orissa group of mines. In the Jharkhand, we have got the permission for the internal consumption of those fines. We are not in a position to sell those fines. We have certain plans whereby these fines can be pelletized and after the palletisation, these will be consumed by our own plants. That palletization process is on, it is still under construction and other COMM method. This is what I can tell you.

**Moderator:** The next question is from the line of Pratim Roy from B&K Securities.

**Pratim Roy:** I have a couple of questions. Firstly, what will be the NSR for the 4Q, long and flat, both? And what kind of investment improvement we can expect for 1Q considering that you have just mentioned the long since prices have moved up by 13%. So what kind of -- by the end of this quarter, how much price increase we can expect. That is the first question, sir?

**Praveen Nigam:** In the Q4, the long was fetching an NSR to the tune of INR55,400 and the flat was fetching an NSR to the tune of INR53,700. As far as this Q1 of financial year '24, '25 is concerned, the long, what we have got is to the tune of INR54,600 and the flat, it is INR53,500.

**Pratim Roy:** So sir, you just mentioned 12% to 13%, increase in the long steel prices. So -- but you mentioned that the 1Q long price is INR64,600, if I'm not wrong, and 4Q to INR66,400?

**Praveen Nigam:** You see in the month of April, if you see what I said in the month of April, the prices of the long were in the range of INR51,700. What I told in the Q4 was the average of the Q4. But if you see in the month of April, the prices of the long was INR51,700, which has increased to INR54,600 in the month of May. So that is what I'm saying there is a possibility the prices in a month has increased as long is concerned. And similarly, the position in the flat also.

**Pratim Roy:** And second thing that what is the capex guideline for FY '25, that is INR6,300 crores, right?

**Praveen Nigam:** Yes, yes.

**Pratim Roy:** Yes. And if you can give me some material output, when we can expect a proper capex guideline and when we can expect that how much capacity will come by FY '26 or '27, around May or it will -- everything will come on FY '30, '31?

**Praveen Nigam:** Not exactly. Everything will come, by average, about '30-'31. You see as I told that as the IISCO Steel Plant is concerned, we have already got the approval from the Board. We are in the process of finalising the party. Tending process is on, and we are expecting that by the end of October, probably it will be in a position to firm up the party, and we'll get the approval, that is second stage approval from the Board, thereafter, the extension at the IISCO will start.

In the initial phase, you can understand that only the drawing and design, etc., are shared. So, this year we are not expecting much expenditure as the capex is concerned, as well the modernisation is concerned. As far as our expectation goes, from '26-'27 and particularly '27-



'28 and '28-'29, the major capex will come, and as far as the facilities are concerned, as far as Burnpur is concerned, we are expecting by 2029.

**Pratim Roy:** '27-'28?

**Praveen Nigam:** Yes. Yes, 2027 or '28, late we will be in a position to start commissioning of the facility at IISCO Steel Plant. And thereafter, gradually all the facility will get commissioned by 2030-31.

**Pratim Roy:** Okay. And sir, lastly, as I had one question, what is the debt guideline for FY '25 that you have mentioned, it will be around less than INR30,000 crores. So we will be at the same range for FY '26, or it may go up or something like that? Or any deleverage ratio that we are maintaining for the upcoming years?

**Praveen Nigam:** You see, we have always been saying that we will keep our ratio of 1:1 as far the debt equity is concerned. Our present borrowing is in the tune of, as of 31st March, INR30,000. This has increased to INR35,000 because I said the lower realization from the railway and because of the piling of the inventory also, but what we are expecting that this inventory will get regulated in this year and the prices on the railway will also come to us. Secondly, the prices of coal, which has come down substantially, if this remains in the same range, then our borrowing will come down further and it will be lower than INR30,000 crores by the end of March '25.

**Moderator:** The next question is from the line of Rashi Chopra from Citigroup.

**Rashi Chopra:** Just on the NSR again. To clarify, you said that the loan realization was INR55,400 in the quarter, right?

**Praveen Nigam:** Yes.

**Rashi Chopra:** And the realization of INR54,600 that you've given, is that an average of April May, or is that just a May relate?

**Praveen Nigam:** It is mid-month of May.

**Rashi Chopra:** And April was 51,000?

**Praveen Nigam:** 51,000, yes.

**Rashi Chopra:** Okay. So on a blended basis, it's still lower than the fourth quarter?

**Praveen Nigam:** It is still -- it is -- you said blended, it is still lower. But if you see the current what are prices we are, it is overing. As a long is concerned, it is mid-month it was INR54,000, but as of now, whatever the feedback we have from the market, it is in the range of INR58,000. So that is what we are saying that there is a positivity in the market, the prices in the long has increased as compared to the April, and we are expecting that this positive sentiment will remain in the -- remaining months also in this financial year.

**Rashi Chopra:** Okay. And how do flats stack up here? So what was April mid-month?



- Praveen Nigam:** Flat, from April to May, if you see mid-month in the April, it was in the range of 51,500, and in May mid-month, it was 53,500. And flat more or less, is maintaining its position, is not increasing the way long product has increased.
- Rashi Chopra:** Okay. And sorry, just the average NSR for the quarter was what? Blended for flats and long?
- Praveen Nigam:** Quarter means quarter 4, right?
- Rashi Chopra:** Yes.
- Praveen Nigam:** Our quarter 4's the average NSR, both long and flat taken together, was in the range of 54,500.
- Rashi Chopra:** Okay. Just on the cost side, you mentioned that the imported blending coking coal cost was INR26,500?
- Praveen Nigam:** Yes.
- Rashi Chopra:** This compares to quarter 3 at 23,700, right?
- Praveen Nigam:** Yes.
- Rashi Chopra:** So there was an increase in the coking coal cost, but in that slide, the bridge that you showed, you said there was a INR450 crores improvement on the coking coal side. So was there a change in the blending ratio? I mean how was that decline explained by an increase?
- Praveen Nigam:** No, no. You see the slide; this is 453 on account of the users. Users in the sense that we have made improvement in about blend and also improved our techno-climate parameter. For that, this improvement has come. Am I able to clear?
- Rashi Chopra:** Yes, I understood that. Okay. Just one more question on the capex side. This year, what did you say the target was? I missed that.
- Praveen Nigam:** 6,300 approx.
- Rashi Chopra:** And what was this largely on?
- Praveen Nigam:** It will be more mostly you can say sustenance capex, and there will be some payment, as I told that we are expecting that IISCO Steel Plant, this party will be finalized and expansion will start maybe from October, November. In the initial state, some payment may be made, but largely on the sustenance capex.
- Rashi Chopra:** Okay. IISCO's capacity 4 million tons, right?
- Praveen Nigam:** Yes.
- Rashi Chopra:** In the -- apart from IISCO, Bokaro and Durgapur, are you also trying to set capacities?



- Praveen Nigam:** Yes. We are also trying to set capacity because whatever we have planned this year is higher than what we have achieved in the current year. So we are -- there are certain facilities which we are trying to set. And -- yes.
- Rashi Chopra:** Sorry, how much will that add, this swatting of capacity?
- Praveen Nigam:** Swatting of capacity, how much it will add. Yes, you see we have a new -- we will be having a new cluster at Rourkela steel plant, which will add 1.4 MT. We are also upgrading up a blast furnace at Durgapur Steel Plant, which will add around 0.9 MT. We are also having a new Coke ovens battery in IISCO Steel Plant, which will add 0.4 MT. So this is what we are going to increase as far as the capacity is concerned.
- Moderator:** Thank you. The next question is from the line of Ridhi Pancha from Chankya Capital. Please go ahead.
- Ridhi Pancha:** My first question was approximate how much energy is required to produce 1 ton of liquid steel for SAIL?
- Praveen Nigam:** How much energy is required to produce 1 ton liquid of steel? 6.31 gigacalorie. That was the ever best we achieved last year, 6.31.
- Ridhi Pancha:** And my second question is how much does iron ore per ton cost for sale given that SAIL has the same iron mine?
- Praveen Nigam:** Iron ore cost. Yes, it would be in the range of INR1,300 to INR1,400 per ton and plus royalty on that.
- Ridhi Pancha:** Sorry? Can you come again, please?
- Praveen Nigam:** INR1,300 to INR1,400 per ton plus royalty.
- Ridhi Pancha:** How much is the royalty percent if you could provide?
- Praveen Nigam:** Actually, there are -- we have a mine in different states like Jharkhand. We have in Odisha, and we have in Chhattisgarh as well. So the royalty in Jharkhand is higher because the mines got renewed after 2015. In Rourkela, it's still lower because the old lease are continuing. And in Bhilai also, the royalty is high. So give -- the average figure of the total royalty, we will give you offline.
- Ridhi Pancha:** Okay. And just one last question. So for electric arc furnaces, SAIL uses industrial scrap, right? So just wanted to know whether this scrap is similar to mild steel scrap? Or is it something else that we use? And what is the cost per ton to SAIL for that?
- Praveen Nigam:** As such, it doesn't produce its steel through arc furnaces. It is mainly BOF route only for producing steel. So what are you referring to in particular?
- Ridhi Pancha:** On the west side, it says that one of the sources is industrial scrap excess steel that is trimmed by the auto and appliance standards. So that is bought under auction by SAIL.



- Praveen Nigam:** We are producing in our alloy steel plants and our ferro-alloy plant. We are using arc furnaces. So alloy steel plant we have at Durgapur, that is using steel scrap for mainly the generation from the plant itself. And as far as the cost is concerned, cost, we will share offline. Cost, we will not share online.
- Moderator:** Thank you. The next question is from the line of Tushar Chaudhari from Prabhudas Lilladher. Please go ahead.
- Tushar Chaudhari:** Sir, we were also adding 1 million ton of casters in Bhilai and Rourkela each, I think last few quarters, we were discussing. Any update on that? Plus, there was one TMT, also DSP.
- Praveen Nigam:** Yes. As far as Bhilai is concerned, that 0.8 MT, it is another tile. And far as Rourkela is concerned FY'25, we are expecting that casters will come.
- Management:** The Bhilai one is capable of producing beams and blooms growth. So the beam part has been already commissioned and the bloom part is under trials. It has been tried for normal steel, but it is under trials for real steel.
- Tushar Chaudhari:** And the TMT, DSP?
- Praveen Nigam:** DSP, TMT, there are 2 proposals. One is, I think, under the comp basis and then another is we will be constructing on our own, that is MEP. Both are still under process, Not yet freeze. Yes, 1 million ton is on MEP on our overall, and 0.4 is on home basis. But it will take time. It will take time.
- Tushar Chaudhari:** Okay. And sir, I missed the breakup of INR1,700 crores, which we have given. How much was the FY'23 portion in that railway price revision?
- Praveen Nigam:** This INR1,700 crores railway price, there are 3 portions. If you see how much pertains to Q4 of '23-'24, it was INR278 crores and rail price pertaining to prior to Q4, in which 9M figure of the '23-'24 was around INR550 crores and the impact of that '22-'23 was around INR877 crores.
- Tushar Chaudhari:** 827?
- Praveen Nigam:** 77.
- Moderator:** Thank you. The next question comes from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.
- Kamlesh Jain:** Sir, one question on the part of capex. like the SAIL completed the capex span of roughly around 10 years. And today, we are getting those volumes in real time. So now with the government being very focused on divestment part, like, say, sometime like RINL was also on the selling block, then NMDC's Nagarnar plant is also sale. So how sure are we on this particular project like on this capacity expansion?
- And if you can like say throw some light on the part that when this commissioning or ordering will happen because, honestly, like over the last 5 years, we have been only on the



maintenance capex. We are able to play around INR4,800 ore capex every year. And despite that, our debt has performed to FY'22 levels.

There are reasons that coking coal prices have also gone up, but if you see rest of the players, their capex -- there, like I said, debt was at multiyear low despite heavy on the capex side. Everybody is expanding capacity, and they have a lot more visibility on the capacity expansion. While in our case is where the primary shareholder is on the divestment part, how sure are we on this capex guidance which we are highlighting?

**Praveen Nigam:**

Regarding this modernization expansion front, what we have announced from 20 million to 35 million tons, as I've already told that it will be done in the phases. I have already explained that as far as IISCO are concerned, we have already got the stage 1 approval. We are in the tending process, and we are expecting that our tending process will complete, and party will be finalized by -- maybe by October.

Bokaro and Durgapur pre-feasibility report is already over, and we are in the process of going for stage 1 approval from the board and thereafter, we will move further Rourkela and Bhilai Steel Plant. We have learned from our past experience that there were delays in the expansion, the time overrun was there. Taking learnings from that, we are pretty confident that this year, whatever we have planned, we will be in a position to commission all of our facilities as per the plan and by 2030-'31, our facility will increase from present 20 million tons to 35 million.

As far as the debt is concerned, what you have referred that debt has increased, yes, we have seen debt has increased. We are concerned about that. But the primary reason for the increase in debt in this particular year, particularly as I told that our net debt has increased, if you can see our results to the tune of almost INR3,000 crores to INR3,500 crores, because the realization from the railway was not available, which we are expecting will be available in this financial year and also piling of the inventory, particularly in Q3, because of the low demand. Since the demand is picking up, we are expecting that all this inventory will also get degraded. The litigation from these 2 sources will also help us in reducing our debt.

Second, the prices of coal in both 2023-24 were pretty high NSR was continuously dipping, which we are seeing a better positive picture, a better position in '24-'25. The prices of the coal has come down substantially, which are hovering the range of around INR239 to INR240, which we are expecting will continue this year. So there will not be much stress as far as imported coal prices are concerned. This will further help us in reducing our debt. So we are expecting, by the end of this particular year, our debt will be substantially lower to 2023-24. That is INR30,000 crores.

**Kamlesh Jain:**

Yes. And secondly, on the side of, like, how much capex cost per ton we are looking at because these are mainly brownfield projects. And even in the past, SAIL has committed only to the brownfield expansion. So if I see the EBITDA per ton today, it is roughly around \$60. And if I assume we spend roughly around \$900.

So like on the ROE front, our return parameters doesn't justify to expand capacity and rather focus on curtailing down the cost despite having the fact that we have our captive ore mine. So



even in that scenario, we are making \$50, \$65 per ton. How does it justify to expand capacity rather than working more on the cost side?

**Praveen Nigam:**

As far the capacity expansion is concerned, we are more focusing on the value-added product, which will give us a better NSR. On the cost also, we are continuously monitoring and trying to improve our efficiency, which will, in turn, help us in revising our costs. As to the expansion, you said how much is the per ton. As I told that 15-million-ton expansion, we are expecting to the tune of INR1 lakh crores to INR1,10,000 crores. This roughly would be in the range of 7,000 to 7,500 per million ton.

**Kamlesh Jain:**

And so what additional improvement are we seeing in our product mix? Because we are already at the best product mix in the last 7 years, 8 years, like the semis have gone down to 8%, which earlier used to be at roughly around 18% to 19%. And even major portion of the semis is conversion in the open market. So there are also the semis, which are really not semi. It is getting converted by the re-rollers. So what additional improvement are we seeing on the product mix once the expansion comes online?

**Praveen Nigam:**

As I told that we are more focusing on the value-added production. If you see that in 2023-24, our value-added production was to the tune of almost 9.5 million ton. But we are expecting that going forward it will increase to 11 million ton. So more focus is on the value-added products. Also in the -- we are focusing on the reduction in the cost, improving our techno-economic parameters. These all will help us improving our bottom line.

**Kamlesh Jain:**

Great, sir. Thanks a lot.

**Moderator:**

Thank you. The next follow-up question is from the line of Somaiya from Avendus Spark. Please go ahead.

**Somaiya:**

Thanks for the opportunity again, sir. First question is in terms of employee costs. So you did mention close to 3,000 headcount reduction per year. So what kind of annual savings does that bring in?

**Praveen Nigam:**

Annual saving by reduction in the employee cost, Reduction in the employee number?

**Somaiya:**

Yes.

**Praveen Nigam:**

Exact number, it is very difficult to give because there is a mix because in the sense that there is a continuous increase in the DNS announced of the existing employee and number also reducing, so to tell exactly what will be the impact for employee is difficult to tell at this time, sir.

**Somaiya:**

Not a problem, sir. Broadly, FY'24, our employee cost, is that the run rate that you're looking forward going forward that can be more or less in and around that number, factoring for normal wage revisions offset by headcount reduction?

**Praveen Nigam:**

Current -- going forward, current financial would be to the range of INR11,000 crores to INR11,500 crores considering all the aspects.





- Somaiya:** So that is what you are expecting going forward also. So just wanted to?
- Praveen Nigam:** Yes.
- Somaiya:** Got it. Sir, second question is the domestic demand. So you did mention prices are getting better on the long side. So what on the ground you are seeing as a change between April to May? Is it surely demand-driven? Or there is also a bit of a restocking demand help that is happening? Or there has been a bit of a supply constraint on the secondary side? Or there has been a cost pass-through? Which of these factors are driving this sharp uptick in the last 1 month?
- Praveen Nigam:** I have with me Mr. [inaudible 55:23]. He's from the marketing side. He will answer your queries.
- Management:** Good morning to all of you. Since April, the prices of long products have increased, and there's a significant change in the trend of the long product prices. And we hope that because of the good consumption trend, consumption has increased by 13% over [CPLY 55:45]. We expect the consumption to continue.
- There is a lot of visibility with respect to infrastructure growth in this current financial year, with stability of the government and with a lot of infrastructure push, and primarily, the secondary prices have gone up. Secondary market, secondary players, they control around 70% of the total long products.
- So secondary prices have gone up primarily based on cost push because of domestic coal prices increasing by around INR2,000 per ton from INR9,000 to INR11,000 per ton. So that is the main driver of the prices in the long product segment, and the demand from the infrastructure is likely to be very robust.
- Going forward, I see long product sustaining, the demand is sustaining and the prices also sustaining. At current levels, how much further increase will be a matter of speculation. But going forward, we see a good demand in the long products segment. Flat products will continue to remain at similar position because the flat product is primarily determined -- the prices are determined, to a great extent, by the import from China and other countries. But in long product, it is mostly domestically driven, infrastructure push and cost push. We'll see that prices will remain similar. Thank you.
- Somaiya:** Got it. Sir, one last question on cash taxes. So it has been quite minimal. So what is our expectation? How long will this difference continue in terms of cash taxes?
- Praveen Nigam:** Can you repeat once again?
- Somaiya:** The cash taxes that we pay is currently very minimal. So I mean this benefit, how long can it continue?
- Praveen Nigam:** This answer I will give you offline, because right now, I'm not having that figure with me.
- Somaiya:** Okay, sir. Thank you that's all for my side.



- Moderator:** Thank you. Due to time constraints, that will be the last question for the day. I now hand the conference over to Mr. Ashish Kejriwal from Nuvama Institutional Equity for closing comments. Over to you, sir.
- Ashish Kejriwal:** Yes. Thank you, everyone. Thank you very much. And again, on behalf of Nuvama, we thank the management of SAIL for giving us an opportunity to host this call and thank you for your detailed answers. From my side, I only have 2 questions, and then we can give a closing remark. What could be our finished steel capacity as of FY'24 end, and how you are seeing this increasing year-by-year till the time our ISP Bumpur capacity comes in? That's the one question.
- And second is in terms of inventory days, our inventory days seems to be among the highest in the street as compared to our peer groups. So can we do something over there to reduce the number of inventory days?
- Praveen Nigam:** First, I will take your second question regarding inventory. Yes, inventory, what we are holding is higher than even whatever the norm we are having. We are concerned about that, and we are trying to bring down. If not possible, at least substantially. Presently, yes, it is at a very high level.
- Ashish Kejriwal:** Because not only presently, we look at on the -- over last five years, seven years also, there seems to be very high as compared to the industry standard. Seems to be more than 3 months on an average. In fact, sometimes it's 4 months also?
- Praveen Nigam:** When we talk about the inventory, we are talking about only finished steel inventory. You see financial '21-'22 and '22-'23, our inventory holding was to the tune of almost 18 days to 20 days, which actually has increased in this financial substantially. There, we are focusing to bring it down for that.
- Ashish Kejriwal:** And sir, second, finished steel capacity?
- Praveen Nigam:** Yes. Finished steel capacity, actually, we call this saleable steel, so saleable steel capacity as far as our -- this -- we see about 5 steel integrated steel plants is concerned. It will be to the tune of 19.04 million, and operating capacity would be to the tune of 15.57 million ton, and if taking a smaller plant that is a specialist plant also, then our operating capacity would be to the tune of 19.09 million ton. And the growth percentage, if you see that the growth percentage was superior will be to the tune of 9%.
- Ashish Kejriwal:** So this 19.09-million-ton capacity, how it is moving in the next two years?
- Praveen Nigam:** Next financial year, we have a plan as our annual business property concern is 20.09 million ton. And with the addition of this cost RSP, we are expecting another 0.4 million ton in increase. And if you see year wise, can we give it separately offline?
- Ashish Kejriwal:** Thank you so much sir, and any closing comment.



**Praveen Nigam:**

Yes. Thank you, Mr. Kejriwal. Yes. As we have said that the forecast of the Indian economy by various agencies have been quite encouraging, and the upgrade in that same is strengthening the belief that the economy will continue to do well. In fact. In fact the forecasts are not holding good for just a few years, there are reports which are forecasting India to become the third largest economy in the world in the near future.

The steel demand forecasts are also quite promising at 7.7% in CY'24. And the focus of the government and the infrastructure spending is a big boost to the economy in general and the steel industry in particular. The residential sector is also expected to grow back by affordable housing projects and urban demand.

Private investment is also improving on the back of the production-linked investment schemes. India's capital goods sector is also expected to benefit from the momentum in the infrastructure and the investment in renewable energy. Automotive and the consumer durable are expected to maintain healthy growth driven by sustained growth in the private consumption.

The company remains committed towards a successful performance, including improvements on the decarbonisation, improving capacity utilization, value addition and achieving cost competitiveness. And I thank all our investors for their opposing faith in us and I am hopeful that the same shall continue in the future as well. Thank you, Mr. Kejriwal.

**Moderator:**

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