August 05, 2024

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Subject: Transcript of Earnings call held on 31st July, 2024 - Disclosure under Regulation 30 read with Schedule Ill of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("SEBI Listing Regulations")

Dear Sirs,

In terms of Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earning Call for Q1FY25. The same is also being uploaded on the website of the Company at the following web-link:

https://www.jindalstainless.com/financials/earnings-presentation

You are requested to take the above information on record.

Thanking you,

Yours Faithfully,
For **Jindal Stainless Limited**

NAVNEET RAGHUVANSHI
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"Jindal Stainless Limited
Q1 FY '25 Earnings Conference Call"
July 31, 2024

MANAGEMENT: **MR. ABHYUDAY JINDAL – MANAGING DIRECTOR – JINDAL STAINLESS LIMITED**
MR. TARUN KHULBE – CHIEF EXECUTIVE OFFICER – JINDAL STAINLESS LIMITED
MR. ANURAG MANTRI – EXECUTIVE DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – JINDAL STAINLESS LIMITED

MS. SHREYA SHARMA – HEAD INVESTOR RELATIONS – JINDAL STAINLESS LIMITED

MODERATOR: **MR. VIKASH SINGH – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Jindal Stainless Limited Conference Call hosted by PhillipCapital (India) Private Limited. 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 has been recorded.

I now hand the conference over to Mr. Vikash Singh from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Vikash Singh: Thank you, Sumit. Good afternoon, everyone. Welcome to Jindal Stainless Limited 1Q FY '25 con-call. From the management side, today we have with us Mr. Abhyuday Jindal, Managing Director; Mr. Tarun Khulbe, CEO; and Mr. Anurag Mantri, ED and Group CFO; and Ms. Shreya Sharma, Head, Investor Relations. Without any ado, I'll just hand over the call to Mr. Abhyuday Jindal for his opening remarks. Over to you, sir.

Shreya Sharma: Yes. Thanks, Vikash. Good afternoon, everyone, and a warm welcome on the call. We have shared our Q1 FY '25 earnings presentation with the stock exchanges, which is also available on the company's website and today's call discussion will be on the same lines.

Please note some of the information on this call may be forward-looking in nature and is covered by the disclaimer on Slide number 2 of the earnings presentation.

Now I would hand it over to our Managing Director, Mr. Abhyuday Jindal. Over to you.

Abhyuday Jindal: Thank you, Shreya, and good afternoon to everyone, and welcome to the Q1 FY '25 earnings call. Let me first discuss the key business highlights of the quarter ending June 2024, following which Anurag will take you through our operational and financial performance.

In the domestic market, we continue to experience healthy demand across all major segments. Continuing the volume momentum, we delivered the highest ever sales in Q1 FY '25 with 5% increase on a year-on-year basis. The company's co-branding scheme, Jindal Saathi 5.0 launched in Q4 FY '24, aim to create further pull for the brand in the ornamental Pipe & Tube segment.

Similar to this co-branding scheme, which is running in its fifth year, the company is planning to roll out similar schemes and other customer-facing segments. On the export front, quarter-on-quarter basis, the sales remained flat compared to quarter ended March 2024. We continue to serve the new markets across the globe.

The ongoing Red Sea issue extended transit times and freight cost from India and paucity of containers further affected our exports during the quarter. I'm happy to share we have also supplied special stainless steel to produce 100 Made in India freight wagon from Mozambique. This is a major step towards India's improving export capabilities and its growing prowess in manufacturing and logistics.

Now let me update about Chromeni. We have completed total acquisition of Chromeni Steels Private Limited, which has a 0.6 million ton per annum cold rolling mill located in Mundra, Gujarat, for over INR1,600 crores. We continue to focus on operationalizing our recent expansion plans.

On the ESG front, as an organization committed to ESG goals and our efforts towards sustainability and environmentally responsible operations were acknowledged at several industry forums. We also bagged many prestigious awards like International Safety Award from British Safety Council for the fifth time in a row for both our Jajpur and Hisar units, Responsible Business Award under the category Sustainability Performance from the World Federation of CSR Professionals.

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

Anurag Mantri: Thank you, Abhyuday. Good afternoon, everyone, and a very warm welcome on the call. As highlighted by Abhyuday, we delivered strong volumes amidst the challenging global scenario. Let me discuss the detailed operational and financial performance during Q1 FY '25.

We delivered the highest ever sales volume of 5,78,143 metric ton in million ton in Q1 increased by 5% on Y-o-Y and 1% on a Q-o-Q basis. The standalone Q1 revenue increased by 1% on Q-o-Q to INR9,585 crores.

Q1 EBITDA and PAT increased around 21% on Q-o-Q and to INR1,004 crores and INR578 crores, respectively. On the subsidiaries front. Our service center subsidiary, Jindal Stainless Steelways showed an improved performance on back of positive inventory valuations and increased sales through direct OEMs.

Iber also showed a better performance, improved performance as their inventory levels have reduced and we witnessed the price recovery in certain grades in their target markets. Overall, the total subsidiaries EBITDA is INR208 crores. To close, I reiterate that on demand outlook, we are expects domestic stainless steel demand will continue to rise with robust economic activities.

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

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 ISEC.

Amit Dixit: Congratulations for a good set of numbers. I have a couple of questions. The first one is essentially on our EBITDA per ton trajectory. So we have seen some nice round off after Q4. So just wanted to understand that the guidance that you have given for the full year FY '25 between 18,000 to 20,000, that still means intact, I suppose. And what were the key ingredients of the improvement in EBITDA per ton?

And also because you mentioned in your opening remarks that freight issue still very much persist and exports, we all saw that they were a tad lower. So just wanted to understand the key ingredients of this increase and how do we see it going forward in the next couple of quarters?

Abhyuday Jindal: So Amit, definitely, we are sticking to our guidance for the full year to achieve between 18,000 to 20,000 per ton. And one of the reasons that there was some improvement in our margins is because we did see an uptick in nickel. So Q4, over the calls, we showed and we discussed that however consistent 9 months, there was a fall and a sharp fall in December. But already in March, April, we saw a nickel little going up. So those are one of the factors that has led to an increase in EBITDA plus again focusing on high-margin sectors, high-margin grades so that we are able to extract more margin from our customers.

And also, again, export, we have only exported those grades where we're getting healthy margins. So these are, I think, a couple of factors if anything else Mr. Khulbe would like to add. But these are the major 2, 3 factors that have led to EBITDA increase for this quarter.

Amit Dixit: Okay. Great. That's very heartening to know. The second question I have is on the ramp-up of Rathi. And what kind of EBITDA contribution was there in this quarter? And also, Rabirun, if you could highlight the ramp-up progress?

Anurag Mantri: Rathi, we just started the operation, Amit. I think -- so it's getting stabilized. I think it's a bit early to share because the current EBITDAs are not really representative, but we stick to our guidance, what we have been saying about the Rathi of EBITDA per ton basis, that eventually, I think, 4,000 to 6,000 what we should be targeting in this segment per ton basis.

Rabirun, I would say a bit early days. What we have been trying to work out the plan, how it should be moved forward. So let's wait for some more -- 1 more quarter for the Rabirun plan to be crystalized.

Abhyuday Jindal: But Rathi is ramping up in a smooth manner and things are now looking quite positive from Rathi perspective also.

Amit Dixit: From the numbers, it looks like that the overseas subsidiaries, the Spanish one has done quite well in this quarter.

Anurag Mantri: Yes. Because as I mentioned in my opening remarks, their inventories -- old inventories have been exhausted. And some of the grade they are showing an improvement in the rates in some of the European markets. So hopefully, now we should see a more normalized level next quarter onwards.

Abhyuday Jindal: So that gives us the confidence that export market is showing an uptick. A little bit of this Red Sea and our container cost and all these things are taken care of, then definitely, we feel export volume can pick up. So that is a very good lens to see that how European market is performing.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: Congratulations for a good set of report.

Abhyuday Jindal: Thank you.

Kirtan Mehta: The first question was about the enabling provision that you've taken about the INR5,000 crores for raising the equity-like instruments. So what is the intent there? And when do we plan to execute?

Anurag Mantri: So Kirtan, it's enabling resolution to prepare ourselves for the organic and inorganic growth opportunities. Because as we mentioned that domestic market is expected to expand and especially the new sector anticipated to grow even more faster and which will be driving the demand in stainless steel across. So to meet those expanding market demand and uphold our market position and market share, we have planned strategically -- we need to plan strategically for the future.

So accordingly, we'll see. It's more enabling resolution, I would say, at this stage. And depending on how we move on the opportunities and on our demand side and we'll accordingly see -- because the focus for us is that to maintain a very strong prudent balance sheet and financial ratios.

Abhyuday Jindal: It are very important for us to maintain, which is the main reason for this resolution we have taken.

Kirtan Mehta: So we would utilize this opportunity either for sort of improving our balance sheet or if you thought any inorganic acquisition opportunity, which is basically in line with the business, is that the right way to think about?

Anurag Mantri: It will be a combination, but it all depends on the market opportunity. Right now, it's only enabling resolution as we've mentioned.

Kirtan Mehta: Sure. There is also a mention about basically sort of repeating the success of co-branding into some of the consumer-facing verticals, you have started with ornamental pipe. So how do we plan to broaden ourselves into this kind of attrition, what are the areas that we are considering to expand?

Abhyuday Jindal: So we've already -- like we did with Pipe & Tube and that has yielded very good results for us. Now we are looking at all kind of consumer-driven segments. So it could be from utensils, to hollowware, to maybe stainless steel bottles, so this is -- at the moment, we're exploring. There's a lot of interest coming from the market and looking at the positive results of P&T, within, I would say, next 2 quarters, we would be hopefully launching something in this domain.

Kirtan Mehta: And would this be a competition to our consumer? Or would it more basically sort of branding with them?

Abhyuday Jindal: This is we become an enabler for our customers. We are not entering into our customer shoes. We want to grow our customer, we want to support stainless steel domestic downstream consumption to increase. So this is where we come. We co-brand with our customer. We help them market the product, we create a marketplace. So a lot of activities we did for P&T. Same thing we will do for in other segments also.

Tarun Khulbe: In fact, as numbers gets our support to market their products. And that's why in P&T, in co-branding like we have around 35 partners working with us on this co-branding scheme.

Abhyuday Jindal: And they have also been consistently been able to increase their volumes through this partnership, which we also want to extend that to new segments.

Kirtan Mehta: Understood. One last question from my side. In terms of the import competition, you mentioned that we have vacated some of the spaces where we are seeing a sort of cheap competition from cheaper imports, so which are the segments? Are there any addition to the new segments where we are facing this competition?

Abhyuday Jindal: We have not exited. It is only we have reduced our quantities because we see enough growth in our other high-margin high-paying segments. So that is why we are diverting our quantities to those sectors. So we have not exited. We are just limiting because imports are going to come.

Kirtan Mehta: So are we facing this in more number of segments than earlier or is the segments remain more or less similar?

Abhyuday Jindal: It's still in the similar segments. Still in the similar segments where they were -- something was happening, it's still continuing in the similar segments.

Kirtan Mehta: And how do you think that the BIS certification norms that have been introduced could help? Are we seeing any signs of sort of some of the suppliers backing out?

Abhyuday Jindal: BIS is a very welcome step. It is only some challenges are there in the execution from the government side, which we are in constant dialogue and supporting them to improve that. If it becomes -- if execution improves then that effectiveness will clearly be visible.

Tarun Khulbe: Yes. Actually, the government, while their intention is good, they have already made it mandatory but they also have to make their systems to get it implemented on the ground in the stronger way, which we are also helping the government and we can see that they are working on it.

Abhyuday Jindal: Yes, so it's a very welcome move from the industry perspective.

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

Ritesh Shah: A couple of questions. Sir, firstly, on JUSL, what was the volume throughput this quarter? And what should we be looking at for this fiscal, the throughput number?

Anurag Mantri: So JUSL, let me just give you as of this quarter, throughput number is -- because the JUSL EBITDA comes from multiple things. So the job work itself was close to 500,000 or 497,000, a little less than 500,000. And -- but they also have their other windmill and other products, so which -- how the EBITDA combination comes up.

Ritesh Shah: Right. And sir, for the full year, how should we look at this number?

Anurag Mantri: Okay. So JUSL, there is -- because JUSL based on the margin, there was a margin-based discount, which was there, so which has accrued to now JSL. So therefore -- and there is also a INR15 crores -- in this quarter, there is an exceptional item of INR15 crores in this quarter in JUSL.

So that is -- one is that the current quarter is not actually a fully normalized number. Second, because JUSL does not have much of the requirement -- cash requirement at this stage because their loans and servicing is not much, and it's a long-term loans with not much repayment. And there was a quantity-based discount slab in the contract, so which has triggered, which has made the upstreaming of the cash more efficiently also.

Ritesh Shah: Right. Sir, my question was more pertaining to the volumes, throughput for the full year that we can look at, given there's a lot of spare capacity sitting on the asset, so how are we looking to ramp this -- ramp up this number of 0.5 million tons?

Anurag Mantri: No. So JUSL right now is completed. No external work, which is there because earlier it keep coming in the pocket. But right now, we are not running any external job work, frankly. Means, sometimes it comes, sometimes it doesn't come, but at least immediately, we don't see anything. It's largely a JSL tolling.

Ritesh Shah: Sure. And sir, just switching to JUSL, we see the cash balance declining on a sequential basis, how should we comprehend this?

Anurag Mantri: So JUSL has also given -- if you see it on a net debt basis, JUSL has given certain ICDs to JSL because if you see that net debt has increased at both JSL and JUSL level, the best way to look at it and look at the combined net debt level, which we gave the guidance on the combined level only.

Ritesh Shah: Sure. Another question, specifically on Chromeni. Were there any losses booked during the quarter? And how should we look at the ramp-up of this asset for the full year?

Anurag Mantri: Let me -- I think it was some smaller -- very small part of interest and depreciation, but let me just give you the number, but not much significant number in this quarter, I'll say.

Ritesh Shah: Right. And how should we look at the ramp-up of the asset, sir?

Anurag Mantri: So it was around 34 -- sorry, I got the number. I think it was around INR34 crores of the losses, which were booked in this quarter in Chromeni. Interest and depreciation basically, that's what.

Abhyuday Jindal: We are hopeful, Ritesh, that by Q3 this year, sometime, we should start the operations.

Ritesh Shah: Okay. That's helpful. And sir, just last question on downstream assets. You indicated that the ramp-up of Rathi has been -- you're happy with that. Sir, how are we looking at RVPL? Because in our prior calls, we have indicated that we are putting it on a backburner given we ventured into Chromeni. So if I had to look at all the 3 buckets together, Chromeni, RVPL and Rathi, how are you looking at it on allocating time management bandwidth and ramp up?

Abhyuday Jindal: So obviously, see, Chromeni being wider stainless steel, which is obviously our mainstay focus and priority, I would say, would go to Chromeni. And secondly, Rathi because Rathi being a new entry into long products for us, that focus is also there.

And also the way management will be split is, Jajpur team will take care more of Chromeni plant and Hisar team will take care more of Rathi plant. So that is the way we have planned. And there is no -- I mean, I think these assets are not taking away so much management bandwidth as of now.

Anurag Mantri: It's in the main stream of our business. And also there is a interdependency. So I think it's part of the same entire manufacturing ecosystem. So it will -- all this will be looked at more at a -- so we'll be monitoring as we were monitoring earlier when JSL, JSHL was there simply the Chromeni is also now part now of its one management team, which will be looking at this.

Ritesh Shah: Sure. And sir, I'll just squeeze in 1 question -- 2 questions. Sir, what is the status on JCL? And we were looking to monetize Indonesia downstream assets. If you could please provide an update on both?

Anurag Mantri: So JCL, see, one part of the transaction is completed, which is 4.87%, the balance stake we are expecting to be completed by as per our guidance of -- by September. So what we mentioned 4.87% has already been completed that transaction. And I think hopefully, we should be by -- so we take the guidance of September, by September-October, we are on track. There were certain process-related clearances which were required because -- from the regulators, in terms of RBI and all this because some shareholders are overseas shareholders, which are in the process. I think by September-October, we should be able to finish this transaction. .

Okay. In terms of your second question was on Indonesia assets sales. Now Indonesia asset sale, I think it's on track. And right now -- so we are working -- that liquidation process is on. We are working on 2 parts. One is that we are selling. Right now, we have got a buyer who is actually buying the entire plant and machinery.

And then -- so once we are in the process of selling that plant and machinery, that process has already started dismantling of the machineries and everything has been started. The second part was then after this is completed, then we'll look for the land monetization.

Moderator: The next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities.

Ashish Kejriwal: Sir, 2, 3 questions. In this quarter, we have done 5% volume growth because obviously...

Anurag Mantri: Ashish, your voice is echoing, not clear much.

Ashish Kejriwal: Okay. So I was just asking that now in this quarter, we have delivered 5% Y-o-Y volume growth. Obviously, domestic operations were up 14%, but because of export, it was down. So you have earlier guided for 20% volume growth. So do we still stick to that guidance? And if yes, where we are seeing that growth coming in for the next 3 quarters? That's my first question.

Abhyuday Jindal: Absolutely, we are sticking to that guidance, Ashish. And it's in our same -- we see because of this positive budget also in terms of infrastructure outlay, railways, again, is a big mainstay for us. So the coaches have all increased production, and they want to create more railway infrastructure.

So railway, definitely, we see as a big way, other infrastructure sector also, this quarter, our P&T sector did not grow as fast as we expect. But again, Q2 is always a better sector, time for P&T segment also. So most of our sectors, we feel that they're going to grow quite well. And what also happens is during election time, some ministry slowed down their offtake and everything which we saw in this quarter.

So that was another reason why that jump didn't come. And H2, we expect export to also pick up. We are working on 2, 3 models and policies that will further make exports more profitable for us.

Ashish Kejriwal: Okay. So we are confident about 20% volume growth.

Abhyuday Jindal: Like we've proven even in earlier years, volume and demand, we're expecting continue to remain strong..

Ashish Kejriwal: Okay. Sure. Sir, the second thing is, obviously, when you're are confident on volume growth, I hope this is not on the cost of lower margin. And is it possible...

Abhyuday Jindal: For guidance of 18,000 to 20,000.

Ashish Kejriwal: Yes. So in fact, my second question was that only. Are we seeing any green shoots to see that we can have upper end of the EBITDA per ton guidance?

Abhyuday Jindal: That would depend more on export. I think just to -- it's a little wait and watch to see if our export volume again picks up to around 15%, 16% of our total volume, then maybe we can revisit.

Ashish Kejriwal: Okay. No, so because these 2 questions are interrelated. So first, you are saying 20% volume growth is possible only if exports pick up. And if exports pick up, we can have upper end of the guidance?

Abhyuday Jindal: No, I never said that. I said that, that will further help us picking up volume. But like we have proven even in earlier years with export duty, with COVID time and everything, that domestic there is enough scope for us to push our volumes in domestic market also. It's only with export, we see overall improvement. .

Ashish Kejriwal: Okay. So you're saying with export, our EBITDA per ton guidance can improve. But in terms of volumes, we are -- even if exports are not improving, we are confident?

Anurag Mantri: Yes. Ashish, let me put it in this context. Like if you see the guidance, therefore, there is a range of guidance 18,000 to 20,000. I think just 1 quarter has passed, and this guidance we gave was just a quarter back. I think we are expecting to deliver 20%, that's what Abhyuday mentioned is that 20% volume growth and the 18,000 to 20,000 of EBITDA per ton guidance because -- and if you see this quarter, we have done the highest ever sales volume.

In the third or fourth quarter, we are expecting export market also to be picked up. But those things are our expectations. Obviously, we can't comment on those numbers right now.

Ashish Kejriwal: And thirdly, in terms of, is there any net debt-to-EBITDA guidance that we will not cross that because as far as our numbers or current expansion plans are concerned, maybe we can be debt-free company by FY '23, but when we are evaluating...

Abhyuday Jindal: As we have always focused maintaining our financial ratio, there has always been a clear focus of the organization for last, I would say, 7 years, 8 years now. So that is still -- we would stick to that guidance and not definitely let our ratios go off track.

Ashish Kejriwal: So if you can recall, Abhyuday, it's net debt-to-EBITDA is below 1, which we are guiding?

Anurag Mantri: No. So if you see, Ashish, in our guidance and capex and capital allocation policy, which is there in our presentation also in the public domain, we have guided below 1.5x net debt to EBITDA. That's our stated capital allocation policy because we said that it's a combination of dividend, growth and the new opportunities which we keep targeting, that's how we will be doing these capital allocation, I mean these 3 ways to enhance the entire stakeholder's value.

Now that guidance is 1.5 and our rating agencies also have been updated towards that. But as Abhyuday mentioned, the focus right now, we are actually below 1.0x and we would like to remain in that range, actually.

Ashish Kejriwal: Yes, understood. And sir, lastly, what is FY '25 capex guidance and how much we have done in quarter 1?

Anurag Mantri: Okay. So capex guidance, if you recall last call, we said that the FY '25 capex was to be around INR5,200 crores. There's one development subsequent to that. If you recall, that time, the balance, 46% stake of Indian partners was not crystallized, which we have bought it later at...

Abhyuday Jindal: Of Chromeni.

Anurag Mantri: Of Chromeni, sorry. Which we bought it at INR278 crores. So with this now, the capex for the full year is expect -- it will be now INR5,500 crores. And for funding, the same capex, we said that the debt -- that could increase to INR5,200 crores to INR5,300 crores. Now the number has increased by INR300 crores as the capex number has increased by INR300 crores. So we are saying that debt could go up to INR5,500 crores net debt, I'm talking about, for this financial year end.

Ashish Kejriwal: Yes. And then Q1 FY '25, how much we have done?

Anurag Mantri: Q1 FY '25 already has increased to almost -- because most of the capex have done. I think that Q1 is INR4,900 crores.

Ashish Kejriwal: INR4,900 crores? I'm talking about capex, sir. capex out of this INR5,500 crores, which we are guiding for FY '25 -- yes, not net debt.

Anurag Mantri: I thought you are asking the net debt number. Okay. So total capex outflow for this quarter was around INR2,200 crores.

Ashish Kejriwal: Okay. And this includes, obviously, Chromeni purchase of INR1,600 crores, which we have done?

Anurag Mantri: INR1,600 crores-plus of Chromeni also, which has already gone out.

Moderator: The next question is from the line of Anupam Gupta from IIFL Securities.

Anupam Gupta: A couple of questions from my side. Firstly, a bookkeeping, what was the mix for the volumes for this quarter for 200, 300, 400 series.

Shreya Sharma: So Anupam, I read in the order of 200, 300, 400 series. So it was 36%, 45% and 19%.

Anupam Gupta: Okay. That's fine. The second question was on ourNPI. So what is the status now? Are you sticking to that second quarter commissioning and what sort of ramp-up we look at for NPI.

Tarun Khulbe: Yes, Anupam, this is what we had stated previously, and we are expecting that in this Q2, this should happen.

Abhyuday Jindal: I'll be -- me and our CEO will be making a trip soon also, and I'll share some pictures with our larger stakeholders.

Anupam Gupta: Sure. So any sort of volume we should build in for the second half of this year end?

Anurag Mantri: I think so, initially, it will be a ramp-up. I would say what we have been saying overall at a group level that, let's stick to those guidance because we just -- we'll be just starting and there would be obviously a ramp-up phase to that. I think our guidance right now, what we have said, includes all these sort of plus and minuses from all the new acquisitions, what we have said.

Anupam Gupta: Right. Okay. And just one last question. So FY '25, you said 20% growth, which will take you to over 2.5 million units -- million tons. So based on your 3 million ton capacity plus Chromeni which has come in, what sort of volumes should one look at for FY '26 possibly? I'm not saying, for a guidance, but possibly what kind of volumes you can potentially do from this capacity?

Anurag Mantri: So FY '26 volume guidance, I would say, right now, we have stick to only our current year guidance, Anupam. So I think -- but as you say, obviously...

Abhyuday Jindal: Growth will definitely come, but give us till maybe Q3 to give some better guidance.

Anurag Mantri: So let the Chromeni starts and all these things that will help us to build better. But I think right now, as Abhyuday mentioned, let's wait for some time to give the Q3 -- sorry, FY '26 guidance.

Anupam Gupta: So just one follow-up there. So let's say, of the 3 million ton, one should look at utilization as best between 85% to 90%, that is the best case or it can be different than that, in terms of your capacity not the market demand?

Anurag Mantri: So our sales volume, if you say, sales volume in terms of the capacity, yes, we'll be with our 20% volume guidance in FY25, you can say that we'll be reaching to a capacity as compared to production. But obviously, we keep doing the mix of other slabs and production also. So I think the way to best look at it is the sales volume.

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

Ritesh Shah: Quick couple of questions. One is can you help with JCL EBITDA for last fiscal and year-end net debt number? Should I bounce off another question, I think Abhyuday can answer it probably?

Anurag Mantri: JCL EBITDA for the -- you mean to say the last quarter, quarter 1, right?

Ritesh Shah: Sir, FY '24 and Q1 FY '25, if you can give both that would be useful.

Anurag Mantri: FY '24 JCL EBITDA was INR173 crores, but Q1 EBITDA was just INR2 crores because coke is right now into the losses.

Ritesh Shah: Okay. And the net debt number?

Anurag Mantri: The net debt number of JCL is, I think -- we'll share the net debt number, I think it will be somewhere around INR375 crores to INR400 crores, but we'll have to check that because it's associate company, so it doesn't get clubbed into the JSL number.

Ritesh Shah: Sure. Sir, my second question, can you highlight the debt maturity profile and the average cost of debt? And do we have any plans -- scope of the average cost reducing going forward?

Anurag Mantri: So Ritesh, if you see what we keep doing is that our average maturity of the debt is right now close to 4 years plus, almost 4.5 to 5 years. And what we keep doing is that whenever the nearterm maturity loan, we keep refinancing with the newer loan. So it improves, helps us, give us the headroom and improve the balance sheet with the average tenure and typically, currently, the mostly loans we are borrowing it in a domestic market because obviously, with the SOFR increasing and forward rates combination, the domestic loans -- so actually I'll give you the perspective, the 7.65% is the right now SBI MCLR and we are borrowing the new debt more or less close to that.

So we are borrowing at a very finer rate for the long-term debt. On the working capital side, we have been doing a combination of treasury operation because we actually borrow and then we do back-to-back credit on the working capital to our vendors and the customers, which helps us to earn some spreads. So with that, we have actually reduced the working capital borrowing cost to less than 4%.

Ritesh Shah: That's useful. My third question was, do we have any tax offsets? One, on Chromeni, second on Rathi and third is RVPL? Are we looking at any benefits in this fiscal, next fiscal on the back of sales?

Anurag Mantri: You mean to tax shelter?

Ritesh Shah: Yes. So I would presume there could be deferred tax assets sitting over there. So it gives us some tax shelter or some savings.

Anurag Mantri: So see, there are -- obviously, we are right now because when you acquire, there are obviously unabsorbed depreciation and the losses sitting in these companies. But right now, we are evaluating with our consistent, how much is the best we can actually utilize. So I think give us some time because actually, we are just spending -- so these assets were acquired under the resolution route, and there -- it all depends on their old litigations, how they have actually settled in the past and books who they have been maintaining. So we are just trying to work it out that.

There are obviously certain tax shelters, but I think it's -- give me some time before I give the firm number because we are still in discussion with our consultants that how best we can actually utilize those things. On JCL, you asked about the number, so I have the number now, JCL has a long-term debt of around INR320 crores and working capital debt of INR91 crores, so around INR411 crores debt.

Ritesh Shah: That's useful. And last question for Abhyuday, so we have put out an ESOP program for the management. I just wanted to understand what is the spread of management over here? The reason to ask this question is we are moving at a pretty fast pace. So how sticky is top management? How are you looking at the overall scenario, if one has to take a view on the company with the next 5, 10 year view?

Abhyuday Jindal: So how -- you asked, Ritesh, how sticky is the top management? Is that one of your queries or?

Ritesh Shah: Yes. So that is one. The related question would be, we understand that the top management would have been granted ESOPs. I'm not sure whether it's top management or is it firm wide...

Abhyuday Jindal: Top management is the general manager and above, which is close to, I think, top 150 people in the company.

Ritesh Shah: Okay. And sir, how do you look at -- basically, as we look to scale up, look to grow at 20%-plus, say, over the next end number of years, do you think management bandwidth could be a challenge or are we equipped right now to handle that...

Abhyuday Jindal: We already working on that. We already envisaged that, Ritesh, and we're already working on that in a very, I would say, war footing now because we are growing very fast, you're rightly pointing out and already working on that. But we -- one very good thing is that Hisar plant being operated for 50 years, it has been churning a lot of asset leaders for quite some time now.

So that gives us the comfort that we can very quickly absorb people in Hisar and train them very fast to become stainless steel experts, which is what if you see complete Jajpur plant, which is almost 2.5x the size of Hisar has totally been set and developed by Hisar team. So we are very confident of taking that same kind of process and work has already begun on that to ensure whatever new acquisition, expansion comes, management bandwidth is taken care of.

Ritesh Shah: Sure. And sir, just last question. I think the intention is also to look into downstream assets, which is visible through Chromeni, Rathi and RVPL. What is the difference that we are doing in the marketplace to ensure this incremental volumes get absorbed in the right way? When I say, the right way, the idea is to fetch the desired realizations and to sell the desired mix. Anything that you can highlight over here?

Abhyuday Jindal: So one thing naturally that is happening, that is always you see an economy doing better, GDP ratio going up. So stainless steel consumption moves in line with that and that is what we have seen consecutively for many years now. So apart from us, our activity that we're doing to educate the market, create more awareness, work on substituting, working on let's say, convincing the customer already that this is a sustainable material, no maintenance is required.

So like, already the kind of inroads we have made in railway coaches, wagons and now railway infrastructure also. So similar kind of activities are going to happen in other industries, other segments. Branding is another area we have done phenomenally well in our P&T sector. So similar -- on similar lines and other consumer-driven products, we're going to be initiating a co-branding scheme.

Secondly, then, we're just spending that -- government is doing on infrastructure, on railways, on defense, that's a very welcome step. Stainless steel, we see growing in all your new age industries. Your LNG terminal, desalination plants, lift elevator, we're seeing very good growth, while goods again, shipping up very strongly.

And another thing that we have started, Ritesh, which is actually a very interesting move, it is getting more and more into channel financing and deep tier market research. So then to really further go down and extract better value from our customers.

Ritesh Shah: And sir, just can you provide some color on the distributor and the dealer network, how we are looking at this?

Abhyuday Jindal: So that is already a mainstay for organization. We have close to 14 warehouses. We are, in fact, setting up a little larger scale warehouses to supply more just in time, have processing together to only increase our supply chain effectiveness. So our dealer network is pan-India, it is covered pan-India.

Moderator: The next question is from the line of Rohan Vora from Envision Capt.

Rohan Vora: So my question is more on the repetitive side. So just to understand from the 5% volume growth that we've done in Q1 and just the drivers for the 20% that we are guiding this year. So I know it's a repetitive question, but any broader color, directional color on that?

Abhyuday Jindal: So same thing, all our sectors where we're operating from auto to railway to process industries, we see good growth coming. Plus the push now the government is giving on renewable energy, desalination plants, nuclear power, a lot of stainless steel goes into nuclear power. So this Bharat Small Reactors again, will be a very welcome move.

So I think with government capital expenditure increasing is only going to support our industry enough room for us to grow in every segment that we already are. And like I mentioned, if a little bit on the Red Sea issue gets sorted out, and we can even push higher volumes in the export market. So this, we see we'll take care of this 20% volume growth.

Moderator: The next question is from the line of Vikash Singh from PhillipCapital.

Vikash Singh: I just wanted to understand, we used to speak about national stainless steel policy. Any further information on the same? If that proposal has moved anywhere?

Abhyuday Jindal: So if you would have asked me this, maybe 1 hour later, I could have answered because after this, I have my meeting with Steel Minister, basically to discuss on national stainless steel policy. It was taken very positively. I think now the whole, I would say, the ministerial front is recognizing that stainless steel has its own place in the metal market, it needs its own positioning and the policy will go in a long way to support it. So completely from everyone in the ministry who we're working with, we're getting very good support and we hope with the next -- maybe next year, this should be announced.

Vikash Singh: Sir, my second question regarding the co-branding exercise which we are talking about. Just wanted to understand the scope of the volume or the margin improvement you had because you said that most of these people are already our customers, so on this segment, it helps us just most in the further volume growth or the margin or if you could give us some more insight into it?

Abhyuday Jindal: It is both. It is both. Because now I don't want to open up too much share on our -- on the salient features of this policy that we launched, but it's a mix of both. We've seen that in Pipe & Tube, maybe offline, I can ask at least to share some data. But it's only because we've seen both a margin and a volume benefit in P&T, which is why we want to extend it to other sectors also.

Tarun Khulbe: In fact, it's a very win-win kind of a scheme because our customers, when they do co-branding and use our brand along with their brand, they are also able to fetch more value from the market, so…

Abhyuday Jindal: And our downstream or the end customer gets that confidence that is genuine stainless steel, what he is consuming. So that is one of the biggest, I would say, enablers for this.

Vikash Singh: Understood, sir. Sir, just one clarification. I heard that you said about ICD given by JUSL to JSL. So what was the quantum of the same, I missed on that?

Shreya Sharma: So Vikash, it was INR240 crores.

Anurag Mantri: The net debt number when we incur it offsets that. So just to make clear on the because that will have no relevance on the -- because net debt number which you gave at JSL plus JUSL combined.

Vikash Singh: Understood, sir. Sir, just one last question on this debt trajectory as well as the enabling resolution. So 2 parts here. Have we already paid the entire older nickel iron project money as of now and the money outflow for the 1 million ton plant has already started? And secondly, are we expecting any cash flow so that we have to take this enabling resolution despite giving a debt increment guidance INR250 crores, INR500 crores?

Anurag Mantri: So Vikash, as I mentioned that it's only enabling resolution to -- because the market -- domestic market is growing and -- see, the cash outflow has happened already, as we said because that's the reason this quarter the debt has also increased considerably. But overall, it's -- we are maintaining our guidances. And we'll see that -- how the opportunity unfolds for us and it's more enabling resolution.

Moderator: The next question is from the line of Tushar Chaudhari from Prabhudas Lilladhar Private Limited.

Tushar Chaudhari: Sir, just wanted to know the volume contribution -- volume breakup which we have -- you guys have told 200, 300, 400. We were focused on 400 over the last 3, 4 years, and the contribution was increasing from 18-odd percent to almost touching 25%. But over the last few quarters, it's coming off, any particular reason for this?

Anurag Mantri: I think let me -- because see, directionally, we always say that's our thing, but obviously...

Abhyuday Jindal: Volume-wise, I mean because our volume has also grown. So 400 series is also taken up. And if I can say, honestly, our target is always EBITDA maximization. So if we are seeing higher EBITDA being achieved in other series, we generally push our volumes towards that. But as I have always committed and maintained, 400 series is a big strategic focus for us. And like I was mentioning, with railway, auto, again picking up and we see the Q2 being a good season with Diwali and everything coming in also, we expect some 400 series sales to increase.

Anurag Mantri: So it's -- as mentioned, just to add to that, it is because of our agile product mix, our focus is obviously towards that direction but that doesn't mean that we will compromise on our margins and if we are getting a better margin change from some other series. So it should not be looked in that perspective.

Abhyuday Jindal: A lot of development is happening on 400 series. Basically, that's what I would like to say.

Tushar Chaudhari: Okay. Sir, and one more question in one of the answers you told us that in 1Q, the key reason for uptick in margin was basically jump in on nickel prices post Russian ban and everything. But now if you look at the prices, they have collapsed a lot. They have down below $16,000 per ton. So how should we look at it, actually?

Anurag Mantri: So let me just clarify. I think we have not said that this jump is not to completely relate like that. What we said the last quarter in the Q4, actually, because of consistent fall in nickel for 9 months and because of the sharper fall in the December -- November-December time, there was a bit of -- suddenly, we have taken because the demand also pauses, some inventory valuation also comes into the picture, but still despite that, it was consistently falling 9 months, it would have only impact probably the third month to us.

What we are saying is that, we have actually made the more neutralized model where we actually do more -- try to minimize these type of commodity fluctuations from our P&L. But obviously, if it's a consistent also -- you have seen in the past, like whenever -- if it's a 1-month fall and again, it's coming back, we are still remain more consistent because around 35 to 45 days is required to pass on that impact to the customer.

So it's more a pass-through model in a large manner. But having said that, obviously, if there is a consistent sharp fall obviously, you will get a certain base inventory, which you maintain between raw material, WIP industry. obviously, those will get impacted. So what we are saying is that the last quarter 4 was actually because of -- largely because of that fall.

Now it's coming back to a normalized but obviously, with 1 month, we are not saying it will get moved like this. But if you ask me, if you tell me that 9 months consistently, it will again fall? Yes, we could get impacted. I'm not denying to that.

Abhyuday Jindal: But we don't feel, generally, nickel market does not work like that, and there is generally recovery seen and already in some pockets, some miners are announcing anyway. So basically, we don't feel that -- this is short-term volatility, it should improve.

Tushar Chaudhari: Sir, and last one to squeeze in. We were focusing on newer markets, export markets, and plus I'm reading a few articles that you're targeting Japan also. So anything on that?

Abhyuday Jindal: So see that, like I said, because with our freight rate increasing and the Europe and U.S. market has not recovered as fast, so we wanted to tap newer markets, increase our share which is why actually Japan is one, it's our first breakthrough.

So it's a very big thing for the -- for our country also, if I can say, for the organization also because there is not too much cross-sell into Japan. So it is more a prestigious thing. And since it's our first entry, we expect now a little more positive response from our customers in Japan. And other than Japan, we're targeting South Korea, we're targeting Middle East, we're targeting South America, so yes.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vikash Singh, the host of the call.

Vikash Singh: On behalf of PhillipCapital, I would like to thank JSL management for giving us the opportunity to host them. I would hand over the call to JSL Management for any closing comments.

Abhyuday Jindal: Thank you, Vikash, and let me thank everyone for attending this call. The addition of cold rolled capacity to a product basket through Chromeni acquisition combined with progressive government initiatives in the area of standardization and our planned co-branding scheme in consumer sensitive segments open an array of possibilities for us.

I hope that we have been able to answer all your queries in a satisfactory manner. Should you need any further clarification or if you would like to know more about the company, please feel free to contact our Investor Relations team, and a lot of information is also available on our website. Thank you.

Moderator: On behalf of PhillipCapital (India) Private Limited. That concludes this conference call. Thank you for joining, and you may now disconnect your lines.