



CA-17(44)/2024-25

16th August, 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 9th August, 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 9th August, 2024, intimating the link to the Audio Recording of the Conference Call held on 9th August, 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
Q1 FY '25 Earnings Conference Call”
August 09, 2024



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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Earnings Conference Call of Steel Authority of India, hosted by Nuvama Wealth Management. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

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

Ashish Kejriwal: Thank you, Siddhant. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we welcome you all again for SAIL Q1 FY 25 post-result call. We are pleased to have with us Mr. Anil Tulsiani, Director Finance, along with his team. Now I will request Mr. Tulsiani for his opening remarks, and then we can open the floor for Q&A. Over to you, sir.

Anil Tulsiani: Thank you, Mr. Ashish. Good afternoon, everyone, and welcome to all our investors and analysts who are joining this results con call for the financial results of SAIL for the previous Q1 financial year 2024-25. The performance of the industry in general and SAIL, in particular, has been impacted significantly due to the softening of the steel prices on the back of international price trends. I believe you would have already seen the results on the website of the company and Stock Exchanges. I would briefly run through the same before we move to the question-and-answer session, where we would be happy to address your questions. Coming to the world economic scenario.

The economic scenario across the globe has been impacted in recent times by inflationary forces and consequent monetary tightening policies to counter the same, supply chain disruption, geopolitical crisis, etcetera. The scenarios has, however, been showing a gradual improvement, especially the emerging and developing economies have outperformed the advanced counterparts. As inflation subsides gradually, the banks have also eased monetary policies. These have chalked a steady path for the economy with estimates for current year -- for the calendar year '23 at 3.3%.

As per the IMF World Economic Outlook published in July of '24, predictions for calendar year '24 and '25 stand at 3.2% and 3.3%, respectively. At the same time, the renewed geopolitical tensions, risk of elevated inflation, especially in the services sector due to higher nominal wages accompanied by relatively lower productivity pose a downside risk to the growth which economies need to guard against.

Now coming to the Indian economics, India has countered the forces of inflation better than the other economies. Thereby maintaining relatively stability in the market. The revised data on financial year '24 has led to practically all agencies raising the estimates for the year upwards. As per MOSPI, the estimates for the year now stand at 8.2% instead of earlier projection of 7.6%. The sustained momentum in manufacturing and services, high frequency of investment activity, government's continued thrust on infrastructure development, expansion in steel consumption, improved prospects in private consumption, etcetera, all point to a robust outlook.

The projection by major agencies like RBI, World Bank, IMF, etcetera, the economy is poised to grow between 6.7% to 7.2% over the next 2 years helping maintain its position as one of the fastest growing amongst the major economies.

Now coming to the world steel scenario. The global steel industry continues to be impacted on account of several factors like high inflation, rising geopolitical uncertainties, etcetera. The demand in China, the biggest producer and consumer of steel is a cause of worry. The consumption in the real estate investment has been consistently coming down. Though production in China during H1 calendar year '24 declined by 1.1% over CPLY but the growth in steel demand continues to be negative. As per WSA, the same is expected to contract by around 1% in 2025.

Also, the steel growth in European Union remains the region with the biggest challenges. Multiple factors like geopolitical shifts, high energy and commodity prices led to a substantial 10% decline year-on-year. The region is however expected to recover in coming years with a growth of 2.9% and 5.3% in '24 and '25, respectively. The overall growth in demand is poised to turn positive with WSA forecasting a 1.7% and 1.2% growth in steel demand during '24 and '25, respectively, with countries like India, Russia, Germany, France, etcetera, driving the growth.

Indian steel industry has consistently been growing in terms of production as well as consumption numbers in the past -- in the post-COVID area. During H1 '25 as well, crude steel production as well as finished steel consumption has grown by around 5% and 15%, respectively. As per the WSA, India remains one of the strongest drivers of demand for steel since 2021, and projected to grow at more than 8% in near future. Indian steel demand will continue to charge ahead driven by continued growth in all steel using sectors and especially by continued strong growth in infrastructure investment.

With the price of imported coal declining of late, the industry can also give a sigh of relief on the cost front. However, with prices of steel softening in the international market, this may impact the margins for steel plant.

The company's performance for the quarter is that crude steel production stood at 4.683 million tons, whereas saleable steel production stood at 4.182 million tons. Saleable steel sales volumes stood at 4.012 million tons, registering a growth of 3.3% over CPLY. In fact, the domestic sales have grown by 5%, but exports have registered a substantial decline. The turnover stood at INR23,764 crores due to decline in the price realization. On the profitability front, the company registered an EBITDA of INR2,420 crores an improvement of around 16% over CPLY of INR2,090 crores.

In the area of operational efficiency, the company has been making steady progress for reducing coal-coke consumption increasing the use of CDI, bringing down the specific energy consumption and improving BF productivity. Continuing with the drive towards improving the product mix, the proportion of semis in saleable steel production stood at 15% by engaging conversion services in and around the plant and the demand sector, and the percentage share of semis in sales has been lower at 7%.

Going forward, the boost from the various measures being taken by the government on infrastructure spending orders well for the steel demand in the country with the overall outlook positive for the sustained growth in domestic consumption. We are hopeful of the realization and consequently the margin will improve for the company in the quarters to come. As mentioned earlier, the company is making all out efforts to bring down the cost by diversifying the sources of coal, improving the techno-economic parameters, etcetera.

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

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 ICICI Securities.

Amit Dixit: I have two questions. The first one is on your coking coal cost. What was the cost in this quarter? And how much decline do you expect in Q2? That was the first question.

Anil Tulsiani: Yes. The coking coal cost during this quarter, actually, we have got the imported as well as the indigenous component of that. The imported coking coal was in the range of around about INR24,500 per ton landed at our steel plant and the indigenous was around INR13,500 per ton. So the average is working out to around about INR23,000 per ton.

Amit Dixit: Okay. And what is the expectation for Q2, sir?

Anil Tulsiani: It should be in the similar range because what is happening is that not much of a fluctuation is taking place and whatever coal we have purchased in the first quarter, it will be consumed in the second quarter. So it should be more or less in the similar range.

Amit Dixit: Because some of your peers actually have guided for roughly \$30 to \$40 decline. So that's why I was wondering that why it would be in the similar range for us? Whether it is due to inventory effect or I mean, the different procurement policy maybe?

Anil Tulsiani: Yes, it's that. And there is just one thing that I have got some extra stock of coal, lying out here. So I'll be consuming that. So it's -- during the first quarter. So it will be, I think, more or less -- it will be in the more or less in the same range.

Amit Dixit: Okay. The second question is around debt. If I look at debt that has actually went up significantly compared to last quarter. And I also assume that finished product inventory also would have gone up. So whether the -- most of this debt is due to the working capital? And if so, when can we expect this unlocking of working capital? And also if you could highlight the finished product inventory as on date?

Anil Tulsiani: Actually, the debt has gone up by around about INR5,000 crores during this quarter. The main reason is, as I was telling you that we have accumulated some coal stocks. Actually, we had some long-term agreements with some of the coal miners and they were having their shutdowns during the second half of this financial year. So we had to take some stock in advance from them. So that has had an impact. So this, we will be gradually bringing it down. And our levels are normally at 30, 35 days of stock level, which is that. So it will come down

by, you can say, December or January. So this will surely help us in reducing our this thing -- our borrowings because we'll not have to pay for the coal for -- we'll have to pay less for the coal in the coming months.

Yes, the inventory of finished steel as well as semis has gone up. The finished inventory has gone up by -- has not increased much -- but the inventory of semis has gone up by around about, you can say, by roundabout -- you can say 0.5 million tons it has gone up. So this is a matter of -- actually, what has happened is in our Bokaro Steel plant, we had a shutdown for our hot strip mill. So -- but we did not stop the production because we kept that slab. We started producing, we kept the slabs in our stock. So this slabs will be liquidating now gradually. So this has an impact also. So basically, if you see the finished steel inventory, finished and semifinished steel inventory has gone up around about INR1,000 crores in this quarter itself.

Amit Dixit: Okay. And what could be the finished product inventory in million tons as of now?

Anil Tulsiani: The finish -- It is at 1.84 million tons.

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

Rohan Vora: The first question was under semis mix and how to see that going forward because it was around 13% in this quarter. So how do we plan to bring it down? Or what is the outlook on that?

Anil Tulsiani: The semis will remain at almost at the same levels. It will not come down drastically. The only thing is that our basic target is to maximize conversion through our conversion agents and wet leasing agents. So this we'll be doing it. But I don't see much of a reduction in the percentage of semis.

And the expansion which we are planning, we will have -- we are planning a few more mills. We are having TMT mills at Durgapur Steel plant. Then the Saleable now will come down to more or less, you can say when -- you can say, it will not be there at all.

Rohan Vora: And what would be the timeline for that?

Anil Tulsiani: That's the timeline of around about 3 years. 3 to 3.5 years.

Rohan Vora: So in 3 years, semis will be negligible is what you're saying?

Anil Tulsiani: It will come down to -- you can say, virtually zero level.

Rohan Vora: Got it. And sir, I was also seeing the mix of value-added products have gone up in this quarter. However, on the mix side, when we report our bridge for the EBITDA, we see a negative on that. So how to look at that?

Anil Tulsiani: Actually, see, what has happened is that adverse variance, whatever has been shown, that impacted basically because of Bokaro. Bokaro, we had this -- the hot strip mill had not worked for, you can say, most part of the quarter. So that said, the volume mix, the mix has changed.

- Rohan Vora:** Got it. I was referring to the value-added mix that you reported. So you've reported a value-added mix of around 55.2% in Q1. And still the mix is negative on the EBITDA bridge. So can we connect these and how to see that?
- Anil Tulsiani:** See, that is on the volumes. Volumes are -- it's basically a combination of volume and mix. So volumes have come down. You are probably comparing with Q4 of '24. Isn't it? 2023-24?
- Rohan Vora:** Yes, sir.
- Anil Tulsiani:** So basically, what happened in the last quarter, the volumes are substantially high as compared to the first quarter. So it is mainly because of volumes.
- Rohan Vora:** Okay. Mix has positively contributed is what you're saying.
- Anil Tulsiani:** Yes.
- Moderator:** The next question is from the line of Kirtan Mehta: from Bank of Baroda Capital Markets.
- Kirtan Mehta:** This quarter, we are reporting a coke rate at 428 kg, versus 440 kg of average in FY '24. What is the driver for this reduction in coke rate? And will this remain at this level? Or will it move up again?
- Anil Tulsiani:** Come again with your question?
- Kirtan Mehta:** In our slide pack, we are showing the coke rate at 428 kg during Q1 versus 440 kg in FY '24. So what is driving the reduction in coke rate?
- Anil Tulsiani:** See, there is one more thing that our operational efficiencies are improving. We are emphasizing more on better quality of iron ore also. And besides that, we are also -- the CDI rate is also going up. So, the CDI rate -- the moment the CDI rate goes up and this thing, your SC quality improves. So, we get a better coke rate then in these cases. And we are planning a further reduction in the coke rate in these coming months and with an improved quantity of CDI push.
- Kirtan Mehta:** In terms of the CDI rate shown on the slide has remained more or less like from 106 to 107. So, there was a sort of proportionate change in the CDI rate, but coke rate had gone down. I mean that's the reason I was asking the question.
- Anil Tulsiani:** See, can you come again with your question, please?
- Kirtan Mehta:** I was saying that in terms of the CDI rate has remained sort of more or less similar between Q1 and FY '24. It is shown as 107 versus 106 in Q4 FY '24. But despite that, the coke rate had come down. So is it more due to the better quality of SC, as you were saying?
- Anil Tulsiani:** It is because of better quality of SC, and better and improved efficiencies in the blast furnaces also. Like no oxygen pushing and all also helps to a very large extent and bringing out the operational efficiency.

- Kirtan Mehta:** And what would be the target for this year?
- Anil Tulsiani:** This year we have targeted 440, but we may not be able to achieve that. We may not be here. But I'm sure that another you can say 6 to 8 kg of coal will be during the balance period.
- Kirtan Mehta:** Right -- and what about the CDI rate?
- Anil Tulsiani:** CDI will go up. Because CDI basically, we were -- we have got new sources for supply of CDI. So the CDI portion will increase in the coming months. So that will also increase by at least 10 to 12 Kgs.
- Kirtan Mehta:** One more question was what are the sort of the capex fees which are running, which could have a benefit either increasing the volume or sort of the big volume mix. So in terms of the caster that we are adding at couple of locations or the TMT bar could you sort of run us through all the projects which are running currently? You are under execution currently?
- Anil Tulsiani:** See, basically, we are -- we have got our capacities around 20 million tons. But we are going to have some de-bottlenecking schemes. I can just give you a few examples like with the blast furnace 3 of Durgapur. That is going to be revamped and that will give us higher volumes. Similarly, the casters are coming up in Rourkela and Bhilai. And these will be also giving us higher volumes.
- So these things have been added so that with the some modifications in the existing system or adding certain capacities in certain areas where there was some bottlenecks, they are trying to bring it up. So we are planning to bring it up by 3 million tons in the next 3 to 4 years by putting in something like INR10,000 crores to INR11,000 crores of impact. So these are basically action plans for like increasing the capacities by investing the least amount.
- Kirtan Mehta:** And when are the casters at Rourkela and Bhilai be? When are we targeting it for completion?
- Anil Tulsiani:** Bhilai has already done, and it is under trials. And Rourkela, it is 2 years down the line.
- Kirtan Mehta:** Right. And what about BF-3 revamping at Durgapur?
- Anil Tulsiani:** Yes, BF-3, we'll be placing the order for that, and I think it is 18 months from the placement of...
- Kirtan Mehta:** Sure. And in terms of the two new sort of the revamp of the plants proposal that we are progressing. Is there -- where we are working on the DPR and sort of we finalizing the cost estimates. Could you gives us a bit more insight into -- what is the progress been during the quarter?
- Anil Tulsiani:** One particular plant, IISCO plant, already the Board has accorded stage 1 approval for that. And it is that -- it's a 4 million ton plant, and the total investment will be around INR37,000 crores. And the other 2 plants which are there, they are basically brownfield expansion in which Bokaro is going to be ramped up to 7 million tons. And Durgapur, we'll be going up by around about, you can say 1 million -- around 1 million tons. So these 2, they are still at discussions table, and they will be put up to the Board shortly. We are just looking into it

because the cost given by the consultant appears to be on the higher side. So we are having it evaluated again.

Kirtan Mehta: And for IISCO steel plant, when are we targeting to go to the Board for the Stage 2 approval?

Anil Tulsiani: Actually, Stage 2, I think it will -- the tendering will start now very shortly. And the moment we freeze the major packages for the BOF and BF and SMS -- so the moment we finalize these packages, we'll come back to the Board.

Moderator: The next question is from the line of Sumangal Nevatia: from Kotak Securities.

Sumangal Nevatia: I joined the call late, so please excuse if it's a repeat. Is it possible to share what was the blended NSR for 1Q? And how are we looking at 2Q based on how the July month has gone by?

Anil Tulsiani: Yes. The NSR for Q1, it's in the range of INR53,700. Going forward, like we are -- it has declined further in the month of July by, you can say, around about INR500 to INR600. And there is a further reduction in the month of August also.

Sumangal Nevatia: Sir, was August around INR1,000 or INR1,500 decline or more?

Anil Tulsiani: It could be in that range or maybe slightly more than that also.

Sumangal Nevatia: Okay. So, from the average somewhere around INR1,500 to INR1,000 to INR1,500 for 2Q, it looks like based on July, August?

Anil Tulsiani: I think so. I think so.

Sumangal Nevatia: Sir, on the coking coal, you're saying flat. Is it possible to share what is the cost in 1Q. And given the declining trend, why are we expecting flat prices in 2Q?

Anil Tulsiani: See, what is happening is, as I had explained earlier, that we have accumulated some stock of coal. They are imported coal during this April to June because some of our suppliers had some issues of supplying in the second half of the financial year. So, we have accumulated the stocks. So, we'll be basically that is the more or less the stock of the -- whatever is the stock rate in Q1, it will probably be in the Q2 also because we'll be basically liquidating that stock, which we have already accumulated.

Sumangal Nevatia: Understood. So, is it possible to share the net debt number as on 1Q end?

Anil Tulsiani: Q1 was INR35,659 crores.

Sumangal Nevatia: And I mean what would be the reason behind the sharp increase? Is it largely working capital buildup?

Anil Tulsiani: Yes. It is basically working capital build up. As I explained earlier, it was basically we got some accumulated coal out here. And moreover the inventory has also gone up to some extent.

So these are the two major reasons, because of this -- and we expect to bring it down in the balance period of...

Sumangal Nevatia: So is it possible to share net debt number because this, I believe, is gross debt, right?

Anil Tulsiani: It's the same thing. We don't have much of cash in hand.

Sumangal Nevatia: Okay. Roughly the same. Okay. And sir, just one last clarification in the previous question you answered, some 4 million tons for INR37,000 crores. I did not get that. Is it possible to share what exactly the expansion and the cost estimate?

Anil Tulsiani: Okay. So basically, we are having a flat product plant out there which will have blast furnaces -- which will have 1 large blast furnace. And along with that, the steel making dealers and hot strip mill. So these are the major three facilities. Besides that, all the raw material handling plants and the evacuations, all those things taken together, plus the power supplies and other things. Even I think on pellet plant is also there. So putting all these things put together, it's working out.

Sumangal Nevatia: So this number is right? INR37,000 crores for 4 million tons?

Anil Tulsiani: Yes, for 4 million tons. This includes all the hard and soft cost. We are talking about EDC -- expenditure during construction, whatever we have got the consultancy, that interest during construction. So it includes all these elements also.

Sumangal Nevatia: Okay. Sir, I mean when -- I mean a few of the other peers are expanding brownfield, the capital cost is around \$600. -- ours is around \$1,100, \$1,200. So, what are the key reasons behind such higher cost even for brownfield expansion? And then what sort of...

Anil Tulsiani: I think this is not a brownfield expansion. If you see. This is not at all a brownfield. This is absolutely a new plant, which is being set up outside.

Sumangal Nevatia: Okay. So is the land and...

Anil Tulsiani: Because at the moment, IISCO is around the 2.5 million to 2.8 million ton plant. It's a long product plant. So, in the area which is available, we are going in for these facilities. But everything can be new for this.

Sumangal Nevatia: Okay. And sir, what is the capex guidance? When do we start spending for this?

Anil Tulsiani: This -- we will be going on for the tendering activities for this very shortly, maybe in a month or 2. And finalizing it should take around about 6 to 8 months. And then after that, you can say the capex guidance for this will be from -- the initial payments can be from the end of '25. And I am taking about calendar year '25. And the majority of the expenditures will start coming in from you can say 2027-28.

Moderator: The next question is from the line of Kunal Kothari from Centrum Broking Limited.

- Kunal Kothari:** Sir, firstly, can you give a breakup on the NSR of long strip price and HRC price? And how much in that segment as we have seen fall in 12 months -- in last month and in August?
- Anil Tulsiani:** Yes. In the long segment, the NSR was in the range of, you can say, around about INR54,000 crores. And in the flat, it was INR53,500 crores. Then the average was coming to around about INR53,700 crores.
- Kunal Kothari:** And in both how much fall we have seen in July and August?
- Anil Tulsiani:** July, there has been a dip of round about, you can say, INR700 crores to INR800 crores in case of long. And in case of flat, it has been around about INR1,500 crores.
- Kunal Kothari:** Okay. Okay. Sir, any medium-term outlook you can provide on the pricing front, like from this price front, how you see the price to go from here?
- Anil Tulsiani:** You see July and August has been bad. We expect at least with some infrastructure expenditure being pumped in by the government, the long segment should start looking up. Flats, there is a challenge because there are some imports also. So those imports percentage is very low, but it is pulling down the overall price in the market. So let's hope that there is something -- some bright spot in the future for the flat also.
- Kunal Kothari:** My second question is in regard of capex. So, what expectation one can build on the total capex in FY '25, '26, '27 per year basis?
- Anil Tulsiani:** For FY 2024-25, we have projected around about INR6,000 crores. It's actually INR6,300 crores, which we have given to the ministry. And the expenditure in the coming year also will be in the similar range around about INR7,000 crores or something. The real jump in the capex will come from, you can say, 2026-27 onwards.
- Kunal Kothari:** Okay. And lastly, sir, there are reports about the merger between RINL NMDC steel with SAIL, any assessment of yours in these reports, sir?
- Anil Tulsiani:** We are not aware of it.
- Moderator:** Next question is from the line of Rashi Chopra from Citigroup.
- Rashi Chopra:** Sir, just to clarify on the pricing correction, the INR700 crores, INR800 crores in long and INR1,500 crores flat. That's the July correction. Is it?
- Anil Tulsiani:** Yes, that's the July.
- Rashi Chopra:** In August, what is that number for long and flat?
- Anil Tulsiani:** You can say another dip of around about INR1,000-odd crores maybe more than that also, INR1,500 crores odd in the long products and similar thing in the flat products.

- Rashi Chopra:** So -- and during this quarter, essentially, as in the quarter has gone by, flat prices almost flattish sequentially, but long witnessed the correction. And ongoing both are witnessing a correction.
- Anil Tulsiani:** See, already, there has been a fall off quite a lot in these 2 months. So if you see the quarter, I don't think there will be any improvement over the previous quarter. It has to be lower than the previous quarter.
- Rashi Chopra:** Sorry, just to be clear, my question was the first quarter number that you reported, that was anywhere down on a quarter-on-quarter basis? For the long and flats are largely sort of flattish, right? On the -- on the capex side, what was spent on the first quarter?
- Anil Tulsiani:** On the capex side, the expenditure in the first quarter?
- Rashi Chopra:** Yes.
- Anil Tulsiani:** It's INR986 crores.
- Rashi Chopra:** Okay. And the expansion at the IISCO you said it will 4 million tons and what you're evaluating at Bokaro and Durgapur, they are both around 1 million tons each?
- Anil Tulsiani:** No. Bokaro, it's nearly 3 million -- 2.4 million tons. And Durgapur, it is around 0.9 million tons. So it will go up to around about 3-odd, 3 plus million tons. See Bokaro will go up to 7 million, and this will go up to 3 million tons, Durgapur 2.1 million tons.
- Rashi Chopra:** And just 1 last question, what are your volume targets for this year? Has there been any change in what you said last time around?
- Anil Tulsiani:** Volume target for this year, we are planning a crude steel production of around 20.87 million tons and sales volume of around about 19.26 million tons.
- Moderator:** The next question is from the line of Abhishek Poddar from HDFC Mutual Fund.
- Abhishek Poddar:** Two questions on this expansion. First is regarding the funding. If we look at you're already sitting on a debt of INR35,000 crores, and the capex for this you highlighted is INR37,000 crores -- and if you look at your annual cash flows also today, given the sustaining capex of INR6,000 crores to INR6,500 crores and then the interest payment on the debt -- it doesn't leave a lot of cash flows left. So how would you fund it? And would it leverage your balance sheet a lot in 3, 4 years' time frame if you continue with this expansion?
- Anil Tulsiani:** Yes. Actually, when we had made an earlier projection, we had worked it out that we'll be giving around 1 lakh crores for all our expansion with 15 million tons expansion. But -- and then we had worked out the cash flows -- and you were seeing that we will probably -- at any point of time, you will reach the highest of 1.1 debt-to-equity ratio.
- But now with the current market, we'll again have to work it out how we are going to end up maybe probably what is going to be the debt equity ratio and how much further funds will be required. We'll have to have a recalculation of that.

- Abhishek Poddar:** Okay. Sir, any sense of peak debt you could see in the next 3, 4 years? What number would it be?
- Anil Tulsiani:** We have not assessed that immediately. And again, I was telling you, because of this changed scenario where suddenly these prices have come down and the margins have come down. So we will have to hear on work on that actually.
- Abhishek Poddar:** Right. But irrespective of market conditions, you will continue with this expansion?
- Anil Tulsiani:** Yes. We are continuing with this expansion.
- Abhishek Poddar:** And sir, any IRR or payback analysis we have done for this Bokaro plant for INR37,000 crores.
- Anil Tulsiani:** It's IISCO plant and we have made an analysis. It's quite favorable. I think it's 18% -- 18% is IRR.
- Abhishek Poddar:** Okay. And what steel price assumption is building in that number, sir?
- Anil Tulsiani:** The assumptions were again -- were given earlier of the steel prices which are prevailing in the last average of last 3 years. We have considered back and worked it about -- and the other things which you have assumed is some stamp charge battery where the price of input coal will be reduced to a large extent -- and a lot of other techno-economic improvement parameters, which hasn't worked into it.
- So, it's based on that. Of course, latest technology has been taken, so we'll be benefiting on that. But we just have to work it out again, before we're going for the Stage 2 clearance of the project.
- Abhishek Poddar:** Understood. And sir, just last question. Any sense on this Durgapur and Bokaro capex. This 3.5% total will be how much?
- Anil Tulsiani:** See, there was an indicated figure driven by the consultants, and we were not too happy with it. So, we have sent back to the consultants with the current guidelines of reworking on that. So, nothing is concrete at this point in time.
- Moderator:** The next question is from the line of Pallav Agarwal from Antique Stockbroking Limited.
- Pallav Agarwal:** So just want to check, are there any implications due to the recent Supreme Court judgment on the states having the power to levy say so, because in the annual report of last year, I couldn't really find any major contingent liability. So is there any provisional impact that could have on us?
- Anil Tulsiani:** See, there are certain state-related taxes, which we are already paying. That is in Chhattisgarh and Madhya Pradesh. And in case of Jharkhand, we have recently announced that they'll be imposing INR100 per ton -- per ton for iron ore and coal.

This is going to have a prospective effect of around INR150 crores to INR100 crores -- you can say, under INR200 crores. I mean in case of Odisha, we are having, we also have our mines. There's no clarity as well. So we are just waiting for further clarity on them.

Pallav Agarwal: Okay. So because we saw -- the other steel companies and mines in Odisha, they have been providing for the continue liability for many years now, so which is not there in our books of accounts or...

Anil Tulsiani: No, it is there, I think, modest there. There was earlier in case of Odisha, they had the goals of 15% tax on the ore which was being extracted from there. But then I think that ruling went in our favor. So we did not provide any contingent liability thereafter. And after that, there has been no claim by the Odissa government, nor have they have gone further litigated the thing. So we don't have anything much on that count.

But yes, we do not know what is the final direction which will be given by the Supreme Court. So based on that, we will have to assess our liabilities or if there is any other thing we will have to assess that at a later stage.

Pallav Agarwal: Sure, sir. So also even you mentioned that we have some coking coal inventories. So benefits will not flow in the next quarter. But Q3, maybe we can see some reduction in coking coal?

Anil Tulsiani: Yes, Q3, there will be a reduction of around about you can say -- But then again, it depends on the supply or the rates which are being finalized in this August, September quarter -- in this August, September month. So, it will then that will flow into the third quarter.

Pallav Agarwal: If you assume that spot rates sustained, then we should see some benefit in the...

Anil Tulsiani: Yes. Some benefit.

Moderator: The next question is from the line of Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: So sir, my first question was that normally 2Q bounce on quarter is a weak quarter for the industry. But last year also we saw decent volume in 2Q. Now with the recent price correction do you effect the system to build up inventories and the volume can actually be much better than Q1. That was the first question, sir?

Anil Tulsiani: Yes. The volume should be better than Q1 especially when our Bokaro plant has also now come up. So the volumes will start flowing from there, too. And yes, always you must have seen in the industry that Q1 and especially sales is no exception, that Q1 is normally not very good. And this year also, it has not been too good mainly because of Bokaro because of which we had substantial impact on our profitability. And then we also have to take a hit of around about INR300-odd crores this year for some exceptional items. So that is the main reason where to our EBITDA is good, but our PBT and PAT are lower.

Rajesh Majumdar: Yes. And sir, my other question was that we have been carrying sub-grade iron ore fine inventory for some time. And currently, the market -- with the current condition, there is a

strong demand for this so do we expect to realize some extra sales from this in the coming quarters?

Anil Tulsiani: Yes, we will see if we get a good price for it. It's not that we are in any hurry to sell it off. Because we have a lot of plans for this sub-grade fines besides selling them off we have got plans of using them in our steel plant also because though we can say, though we are being told -- though we always mentioned that it's sub-grade fines but the quality of these fines is very good.

It's more or less equal to what has been mined now. So this is that -- besides that, we have got plans for setting up pellet plant. We are also having plans of setting of pellet plants on COM basis. So these signs will be utilized by us also.

Rajesh Majumdar: Yes, just a follow-up question. When are the pellet plants and what capacity will like to come up over the next couple of years?

Anil Tulsiani: We have -- you can say not in the next couple of years. But I think the COM Plant will be set up, you can say, 2, 2.5 years -- 2 years' time or 2.5 years. We have our own plans of setting up a plant at Gua Ore Mines, a pellet plant at Gua Ore Mines of 4 million ton. So this should take around of 3.5 to 4 years from now.

Moderator: The next question is from the line of Somaiah V from Avendus Spark.

Somaiah V.: Just want to understand a bit on the coking coal cost front, so this INR25,000 per ton, which you are referring roughly comes to around \$300 per ton. So, is that the carrying cost one for this quarter? And also if I go back last 2, 3 quarters, this number the import price that you're referring to is more or less flat around INR25,000, INR26,000 per ton, but international benchmarks have come off. Just want to understand on that.

Anil Tulsiani: See, basically, what is happening is this is the price landed at our steel plant. Okay so there are some other costs in all like there is customs duty involved. And besides that, there are handling costs at the port and the transportation cost. So all these are included while we're intimating you the landed price of imported coal at our plants.

Somaiah V.: Understood, sir. I was looking more from the last 2, 3 quarters, this number has been more or less flat, INR24,000, INR26,000 and INR25,000. But generally, the coking coal International benchmark prices have come off.

Anil Tulsiani: No, but I don't think -- see, what is happening is I'm just seeing the figures which I have got with myself. The Q4 figures were INR26,500 and now it's INR24,500. This is a landed price at our steel plant. So there is a reduction of around about INR2,000.

Somaiah V.: Understood, sir. Got it. Sir, also on the domestic coking coal that you said, so the current mix would be roughly 15%, 20% of your total requirement? Is that right understanding?

Anil Tulsiani: Yes.

- Somaiah V.:** And is there any limitation in terms of how much we can use this or blend this to what extent we can go? And also what is the scope for increasing -- I mean, in terms of production or I mean or taking intake of this domestic coal, will it kind of go up in the next 2 quarters thereby helping us a bit on the cost front?
- Anil Tulsiani:** See, we don't -- we can go up to round about 25% also. But the only thing is that the availability of the coal is not there. And for this, we have already taken a very big step, like we have our own mines, Tasra mines. So these mines will be developed a lot. We have already given -- awarded the job to an MDO. And these mines will start -- this mine will start producing. It's already started producing limited quantities and we expect around about 4 million tons per annum of production from this. So this will work out you can say around about 2 million tons of coking coal that will be given -- that will be available to us in the future from this particular mine.
- Moderator:** Next question is from the line of Shweta Dikshit from Systematix Group.
- Shweta Dikshit:** I needed the clarity on debt. If I'm not mistaken, I think the FY '24 closing net debt was around INR35,000 crores, was it -- and this number that you've given today INR35,659, is it as of FY '24?
- Anil Tulsiani:** No, no actually. I would just clarify that is Ind As and this is Non Ind As what we are talking. It was INR30,000 crores. At the end of the financial year, as of 31st March, it was INR30,593 crores, which has now gone up to INR35,659 crores.
- Shweta Dikshit:** All right. Sir, any target by the end of this year? Because last year, I think the target was to bring it to around INR22,000 crores or INR23,000 crores kind of a number, but any target that you're setting for this year?
- Anil Tulsiani:** We are trying to bring it down to the INR30,000 crores level. See, with the liquidation of the stock, we will be getting at least INR3000 crores to INR4,000 crores from there. And besides that, of course, cash realized will be much better in the coming 9 months. So we expect it to come down to at least INR30,000 crores by the year.
- Shweta Dikshit:** And I missed the number, what is the expansion plan which is under discussions for Bokaro right now?
- Anil Tulsiani:** For Bokaro, we have only given you the figures. For ISP, IISCO steel plant, it is INR37,000 crores. The figures for Bokaro and Durgapur, they are being reworked.
- Shweta Dikshit:** No, no, not the capex volume wise, like you mentioned Durgapur 0.9 million tons and Bokaro?
- Anil Tulsiani:** Bokaro should be 2.4.
- Moderator:** The last question is from the line of Falguni Dutta: from Mansarovar Financials.
- Falguni Dutta:** My question has been answered.

Moderator: Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Ashish Kejriwal: for closing comments.

Ashish Kejriwal: Yes. Thank you, and thank you, everyone, and many thanks to, sir, for giving patient answers to all the questions. Sir, my only last question was on account of our expansion at IISCO. Even if greenfield plant, if we consider, normally, we consider INR7,000 crores per ton. But in case of IISCO despite having land, we are having 4 million-ton at INR37,000 crores, which is more than INR9,000 crores per ton. So anything specific or extra what we are doing with others are not incorporating the numbers -- or it seems to be very, very high.

Anil Tulsiani: See, we haven't yet gone in from the tendering part of it. Okay. And see, what happens is when we talk about others, they don't have these -- I do not know how much of the expenditure during construction. So, what happens is the entire project salaries and all they are put into the cost of the project. So, these are there. And the fact that there is just 1 figure which we have got -- that's for 1 million tons, it's \$1 billion. So basically, if you see, it was around INR34,000 crores to INR35,000 crores.

Ashish Kejriwal: Okay. Okay. Fair enough. And best wishes for future. Any closing remarks, sir, you want to give?

Anil Tulsiani: I thank all my -- all the investors for reposing faith in us and I'm hopeful that they shall continue to do so in future also. Thank you.

Moderator: On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.