"Jindal Steel and Power Limited Q3 FY2022 Earnings Conference Call"

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ANALYST: **MR. ANUPAM GUPTA – IIFL SECURITIES LTD**

MANAGEMENT: **MR. V. R SHARMA – MANAGING DIRECTOR - JINDAL STEEL & POWER LIMITED**
MR. NISHANT BARANWAL – HEAD - INVESTOR RELATIONS - JINDAL STEEL & POWER LIMITED
MS. VIJAYA GUPTA – PRESIDENT FINANCE AND ACTING CFO - JINDAL STEEL & POWER LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of Jindal Steel and Power hosted by IIFL Securities Limited. As a reminder, all participant's 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Gupta from IIFL Securities. Thank you and over to you Sir!

Anupam Gupta: Thanks Steven and welcome everyone to JSPL's 3Q results conference call. I will hand it over to Nishant Baranwal for introducing the leadership team and taking of the proceedings further. Over to you Nishant.

Nishant Baranwal: Thank you Anupam. Good day everyone. We welcome you all to our conference call to discuss the 3Q FY2022 financial results. Today we have with us our managing director Mr. VR Sharma and our president finance & acting CFO, Ms. Vijaya Gupta. To start the call, I would request Mr. Sharma for his opening remarks.

VR Sharma: Good afternoon, ladies, and gentlemen. I welcome all of you on this particular virtual meet, so first nine months has been excellent for our company if we take the overall results. The gross revenues you might have seen it is 39,600 Crores. The EBITDA is more than 12,000 Crores now. It is 12,210 Crores. Net profit that is PAT that is 7,086 Crores. We could produce 5.9 million tons steel, but we could not dispatch 5.9. We dispatched only 5.6 million tons steel and we could carry forward the inventory this is because of non-availability of rail rakes and also the surface transport intricacies especially for the availability of trucks and trailers, but we feel that we are on right track. We gave a target to our team about a year back that we want to raise to 15 15 50 target that is 15,000 Crores and above should be our EBITDA in a year, 15,000 Crores and below should be the debt level and 50,000 Crores plus should be the sales turnover. If you see the calendar year, we already achieved it. We are at more than 51,000 Crores of sales turnover in the calendar year and we have already crossed 15,000 Crores of EBITDA. We have already brought down our debt level to a level of around 11,000 Crores, so that also we have achieved. Now way forward in this current financial year say up to 31st March, we have to reach from 12,210 Crores, we had to add another say around 3,000 Crores to reach to that 15,000 Crores EBITDA level, which we have targeted earlier and 39,600 Crores of sales revenue and we had to add another 11,000 Crores, but we will be doing much more than this. Hopefully, we will be concluding the financial year with 54,000 Crores of sales turnover with 15,500 to 16,000 Crores of EBITDA level and a profit accordingly 7086 in nine months' time, so we are contemplating that we will be touching somewhere about 8800 to 9000 Crores.

The steel production will touch somewhere about 8 million ton very close to the target maybe 8 or 8.05 million tons. The sales will be 8 million ton or maybe 7.9 million tons depending upon the availability of the surface transport like trucks and trailers and also by rail. We have been doing excellent export during all nine months' time. We are going to maintain our export targets to about 28% to 30% in times to come also. There has been a lot of many challenges in last quarter especially the input cost price increase because of the energy cost is going up. You are seeing that in Europe, the energy cost has gone more than $25 dollars per MMBtu and UK alone is about 20 pounds per MMBtu. The energy cost in terms of the electricity that has grown in equivalent to Indian rupees about Rs.60 per unit to Rs.100 per unit which is very high and abnormal cost so that impact has definitely impacted the entire world. The geopolitical issues in between Russia and NATO countries, they are also creating few disturbances and ripples in the overall energy market in the world. Hopefully, the world governments, G20 countries as well as NATO countries are negotiating with China to ease down the situation. If that happens and in times to come the oil prices and the gas prices should come down and finally the coking coal prices and the coal prices may also see a slightly dip in the month of March and also in the month of April. As a large company we always maintain a pipeline inventory of coking coal, steam coal, and also for the other products like diesel oil, furnace oil we use in our plants. We are expecting that the overall cost should come down in times to come, the domestic freight as well as the international freight. Today government of India has allowed 10% to 15% of ethanol addition in petrol that will also ease out the situation. Thanks to the finance minister, she has already declared coal gasification as the priority project and we in JSPL started this project of coal gasification, we commissioned in 2013 but during 2014 to 2018 we could not take the fullest advantage of this coal gasification because the coal was not available, so thanks to Coal India and Ministry of Coal, they have now increased and ramped up their production. We are expecting that they will be doing more than 800 million ton this year and the private miners will be doing about 300 million so total country will be producing about 1150 million ton or 1.15 billion ton of coal, though the country's requirement is more than 1.5 billion of coal on the basis of the value. India will continue importing about 200 million ton of steam coal and about 50 to 60 million ton of coking coal which is likely to take place in future, but today the coking coal prices are at the peak. Our highest prices $445 from Australia and that means about $28 to $29 the freight by reaching to the Indian east coast is about $475 and the west coast cost is about $485 to $490 a ton, so this is a very highly abnormal price and this is because of the COVID situation in Australia especially and the miners were not working fully, only one shift people were working because of lockdown situation there because of the COVID, Omicron now I think the situation has improved worldwide. Most of the governments have taken a decision that will keep the economy open, will not stop, neither will stop nor will we put any lockdown, so this is a very bold step taken by different governments.

Looking to the financial crisis worldwide and India. I will still say thanks to Government of India; they had kept all the power plants on, so they could avoid the blackout situation in the country and thanks to Indian Railway who could transport coal from one location to another location on pan-India basis, so that there is no power shortage and the MSMEs and the steel industry, as well as the other engineering industries that are working there is no drops of power as of now. Hopefully this will be maintained. On all India level, the average coal availability with the thermal power plants is averaging about seven days but ranging as low as three days to 15 days, but it depends upon the management of Government of India is doing. I am sure under the leadership of the ministry we will be in a position to maintain the supply chain, so that the energy shortage does not appear in the market. The other area is we are now looking that the budget, it clearly specifies that government is going to spend more and more money on capex and also on infrastructure projects so the declaration by finance minister that the new capex can come for the greenfield projects can start production up to March 31, 2024 as against of March 31, 2023 to avail the benefit of 10% reduction in the income tax from corporate tax from 25% to 15%, so this has given a boost to the Indian industry and most of the projects which were half heartedly going on they have restarted because now it is easier to catch the production by March 31, 2024, we are still having 25 and half months time so this is a bold step taken by Government of India. We appreciate this step, so this has given an impetus to the demand of the steel immediately.

The day the budget was declared after that within seven days' time, we have seen the demand has increased and today we are facing that the demand has outperformed the production, so this is something very, very new so thanks to government policies. The linking of the rivers which is likely to take place very soon and the Jal Nal Yojana of the government where we need the larger diameter pipe plants to transport water from rivers to different cities and then from there after purification to each and every house, so this has also given an impetus to the overall steel industry. Government also vent upon under the Gathi Sakthi Plan that how to increase the speed of goods train from 30 kilometers an hour today to average speed to 70 to 80 kilometers an hour for that the government needs to improve the condition of the tracks, so laying dedicated freight corridors or putting new tracks may not be feasible immediately because it takes about eight to ten years time for one dedicated freight corridor to come and to get into operation because a lot of rehabilitation, lot of land acquisition, lot of issues are there, lot of bridge making and all these infrastructures are required to be done when we make the dedicated freight corridors, so instead of making dedicated freight corridors government is opting another policy that why not to upgrade the existing railway tracks and to speed up the goods train speed from 30 kilometers to 60, 70 to 80 kilometers an hour. If this happens then definitely the Gathi Sakthi will act very fast and for that the benefit will come to company like ours because we are the only company in the country who is making 1175 head hardened rails required for the high-speed rails and we are the only company today who is supplying the rails to metro system in the country. There are total 27 metros coming in the country small and big city, so all these railways are advised by Ministry of Housing and Urban Development to buy domestic rails Make in India Aatmanirbhar. Apart from that the huge investment is going on in the northeast states of India and also in Jammu and Kashmir and apart from these two states, the government spending through BRO on the China border that is also in a big string, so this is definitely going to improve and increase the steel consumption across all the companies in the country and the steel outlook looks to be very, very positive and finally if you see the overall investments in the field of building by steel construction, so this is picking up. This idea has picked up very well in most of the metro cities and we are joining suburbs or the metro cities and now people are getting away from brick-and-mortar solutions to the steel building solutions which is faster and, which is more rugged in terms of seismic level or in terms of earthquakes even up to 8 or 8.5 scale cannot destroy the buildings because that is the technology available today in the country. The pioneer in this particular industry are the two cities one is Hyderabad that is Telangana and the other is Gurgaon and also NCR, the other part NCR that is Noida. Now we are finding good inquiries from Mumbai and also from Chennai and Bangalore. I think this idea is picking up. Now there are more than 7000 railway bridges are likely to come, which are going to consume only steel and if this happens then definitely steel production and steel consumption in the country will come up.

We will be ending up this financial year by producing 118 million tons steel in the country and out of that about 12 million ton will be export, so 102 million ton to 104 million ton will be consumed within the country. There is a shortage of steel today in the country because of two reasons, one the iron ore availability is still a challenge that is one, number two the scrap availability is the biggest challenge. Government is trying to encourage the recycling economy or the circular economy, but there is not happening because the scrap is not available. The scrap today in Turkey has reached to $500. This means in India by the time it reaches it will be about $560 to $575 that means the steel which we can produce from this scrap route will be about 50,000 to 51,000 rupees a ton. This is a very highly abnormal prices, but nothing can be done. Over and above the energy shortage, there is a shortage of scrap in the world, reasons are two one because of very heavy snowfall in Europe and also in part of America, in the eastern part. The scrap collection has reduced dramatically and the other area is because of the COVID situation on the west coast of

America, the scrap collection has reduced. Over and above each and every company today, they are looking to how to be ESG compliance and how to reduce the carbon emission, so they prefer to produce steel through electric arc furnace route than producing through the blast furnace route, so that has increased the scrap intake by the steel mills. The Chinese government has already started using more and more scrap. Chinese government has also declared that any new investment coming in the steel 50% of that will come through the electric arc furnace rout. This is a very positive sign and China is reducing the blast furnace route production to manage the ESG conditions in their country if that happens, which is already signaled very well then there are four countries which are likely to get the benefit of the Chinese market and also the Chinese share in the industrial market. These four countries are, number one in India, number two is Iran, number three is Ukraine, number four is Russia, so these four countries will get the cake in terms of getting the market share where China used to export, so we can find good markets as a replacement market with Chinese steel worldwide, so that experience we are already seeing today and this is coming through.

Hopefully very soon maybe next few weeks' time, the automobile industry will be in a position to recoup in a much better way and they will be in a position to start producing because the chips are available now and most of the manufacturing companies, they have addressed this issue. Apart from that the green energy like solar and also the wind energy, wind energy segment we have seen a great jump in terms of buying blades from us for the windmills and we are now waiting as to how the two leading players in the country like Adani group as well as Ambani group they start manufacturing or they start generating, I would say the clean energy, which definitely steel industry will be interested in buying from them, so that we can also reduce our ESG or we can also reduce our CO2 emission, so this is what is going on. Thanks to Government of India for giving a special benefit to the coal gasification units and giving the discount by 50% discount in terms we have our own mines and 20% if you buy from the outside, so this is very good and I am sure the GST committees working today and the coal cess which is about Rs.400 to Rs.500 a ton that will also be abolished. If this is done, then definitely the steel industry will be in better hands and better way.

Coming back last point, the market scenario in November, the market was pretty good, December because of the fear for Omicron as well as for lockdown and some very unusual rains in southern part of the country, the steel demand came down because the stockists and the traders were not interested in stocking the material beyond a limit because they were apprehending that maybe tomorrow if the lockdown starts then they will be stuck up with the inventory. Similarly, the MSMEs and also the other industrial players, they were not interested in buying because they were also fearing that if the lockdown starts then their labor will go back to their homes. Thanks to the prime minister and also all state chief ministers who have taken the decision not to put lockdown conditions in the country and it should be tackled, managed, and organized in such a way so that there is no chaos, so Government of India and the state governments, in this particular matter and they have managed it very well. Over and above the country has gone through a rapid and mass vaccination. I think now most of these senior citizens they are vaccinated and even the citizens above the age of 25 years are also vaccinated fully and now it is coming to the teens, so I think in times to come the boys and girls, 11 years to 15 years will also be vaccinated in a big drive, so overall I am looking a very, very positive outlook.

Yes, in December the prices came down because of these reasons and in January it was quite stable. By the end of January and February now the prices have increased. Just to give you outlook of the prices. In November, the steel prices in Bombay, Delhi, Chennai is well above Rs.66,000 rupees a ton landed. GST and today it is at same price Rs.66,000 to Rs.67 000. In between, it came down to as low as Rs.63000. TMT bar from Rs.59,000 rupees came down to Rs.50,000 and from Rs.50,000 now it has come up to Rs.60,000 and landed price on pan-India basis is about Rs.63,000, so this is a great recovery done by steel industry and also by our customers because the demand has outperformed the production and this situation, this delta is likely to remain at least for next two to three months' time unless some new facilities are added, which is very unlikely that immediately this cannot be done. I will also like to tell you one more news that more than 45-million-ton steel is produced through the induction furnace route and these people out of these 45 million tons at least 20 million ton, they are dependent on scrap, unfortunately they are neither getting the scrap nor they are getting DRI, and they have reduced their production by 50%, so total put together in one month we produce about 10-million-ton steel. Out of 10 million ton 4.5 million ton comes from the secondary route or the small players and this 4.5 million ton, 2.25 million ton comes from the people those who do not have their DRI plant and out of that they are working on a on a piecemeal basis so there is a net shortage about 1.25 to 1.5 million ton per month in the country, so this one 1 to 1.25 million ton per month shortage in the country is a huge shortage and that all is long products because all these induction furnaces route people or the manufacturers they are primarily in the long products be it rebar, angles, channel, structures, beams these are the products, so this 1.25 million of shortage is existing from January itself, so in this quarter there will be total 3.75 to 4 million ton of shortage as per my estimates if that is the reason today that the shortage of steel in the country. Even in the remotest areas, people are now buying material from the major producers those who have glass furnaces and those who are not dependent on the scrap itself, so it is all from my side. Going forward whatever your questions will be there I will be happy to reply. My team is there with me and we all are here to listen to you. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashish Kejriwal from Centrum Broking. Please go ahead.

Ashish Kejriwal: Two things, one is in fourth quarter in today's interview also you said Rs.20,000 per ton EBITDA from seventeen and half thousand, which we reported in this quarter, so is it possible to bridge the gap, how we are seeing it, in terms of what kind of assumptions we are taking?

VR Sharma: Thank you Kejriwal ji. It is very much possible because only January first half was little depressed but after the 15th or 16th of January post Makar Sankranti, we found a good demand in the market and by the end of March 31, 2022, we are contemplating that our average for this particular quarter should be Rs.20,000 a ton. As I told you the TMT rebar prices have moved up at least by 9,000 to Rs.10,000 rupees a ton, Rs.4000 a ton, long products like billets etc Rs.5000 a ton, round billets Rs.5000 to Rs.6000 a ton so we produce about two million ton per quarter, so in this two million ton, the average, which is definitely Rs.2500 to Rs.2800 a ton, Rs.17,400 per ton was our EBITDA in the last results we have declared, so we feel that the fourth quarter will definitely be more than Rs.20,000 a ton.

Ashish Kejriwal: Sir I understand, but just to clarify this is your talking about price and coking coal is still on an upside right, so do not you think that average price will be somewhat offset by higher coking coal cost.

VR Sharma: No coking coal will not increase now first of all, secondly, we are maintaining stock for three months of coking coal so what we do, we do for the actual cost sheet that is a very, very methodological costing because whatever is in pipeline, so I am treating that material in pipeline is likely to come reach here in next three months' time, so that cost we have already factored and on the basis of that we feel that our operations will be stable and our input cost will remain stable. There will be no increase in input cost. As far as the other area other than coal is the iron ore, so iron ore we have already done a long-term agreement with OMC and our own Kasia mines have already started production. Another factor I would like to tell you which is a very positive news, though at arms lengths we do all our transactions as per the international practices that is we have already started our coking coal mines in Australia and coking coal mines in Mozambique are doing extremely well, as well as South Africa, so this SAM theory that is South Africa, Australia, and Mozambique with this we are 50% covered in terms of self-reliant in coking coal, so what we will be doing in case anything required and in case there is any gap that will be maintaining or bridging it through our own resources than buying from the market, so this is the reason I am so confident that we are telling you that we will be achieving this Rs.20,000 per ton or more in this particular quarter on an average.

Ashish Kejriwal: Yes that is great Sir. Sir second question is you mentioned about debt position also that 7000 Crores in the February beginning. At the end of the quarter, we have around 11,000 Crores and within a month's time is it possible or to share what happened? is it inventory liquidation or how this 11,000 became 7000 at the beginning of February.

VR Sharma: Yes please. You have answered my question at least by 75%. First of all, the inventory, we were maintaining more than 300,000 tons which was finished goods inventory against the confirmed orders and payment received, so that inventory we have liquidated almost and this will bring definitely the additional revenue and the other is if you see in totality, we are going to produce more than 2 million ton in this particular quarter reaching 8 million with the economy of scales we will be in a position to maintain our prices, maintain our input cost, and we will also be in a position to maintain and generate the EBITDA which is required. For example, December 31st EBITDA IS 12,200 Crores and though the undeclared EBITDA if you say in next three months will be at least 4000 Crores, so 12,000 Crores plus 4000 Crores comes to 16,000 Crores but with all humility and humbleness, I am telling 15,500 Crores we will do in this particular financial year. With 15,500 Crores I am sure we will be in a position to generate a PAT of more than 8000 Crores which is now 7087 Crores rupees in first nine months time, so that is a very conservative figure so with having 8000 Crores in the kitty or maybe 8500 Crores in the kitty and then bringing down the debt level to this particular level by end of March will be less than 5000 Crores and then way forward we are working. Next year, we have taken a target to produce 9 million tons of steel. We got 1-million-ton extension or the increase in the overall environment clearance last year and we will be utilizing that benefit and will be producing about 9-million-ton next year. If you see the last 3-year story from 5 million ton we already raised to 8 million ton the growth is more than 36% and now from 8 million ton reaching to 9 million ton this will be again super growth I would say, so this is what we are contemplating now.

Ashish Kejriwal: That is great Sir. Sir only thing is 7000 Crores number that figure at the beginning of February is right?

Nishant Baranwal: Ashish, we would not want to comment. As Sharma Sir was giving you a tentative figure, we would also like to say that any forward-looking statements made on this call are subject to market risk and how the market behaves we are in official.

Ashish Kejriwal: Lastly Sir in terms of January volume, you mentioned that market is undersupplied and shortfall is there but despite that fact we have seen domestic volume declining from

December to January, so are we seeing that there will be a substantial jump in February volume for domestic market.

VR Sharma: They are already done. We are seeing it already because government is bent upon investing in infrastructure, so this is a very good sign and the other point is not only JSPL but also other companies our peer group; we are all busy nowadays in exporting material to Europe because Europe is passing through avery bad phase of their life with $25 dollars per MMBtu of gas they never had it because they were enjoying $3 to $4 per MMBtu domestic connection was just $2 to $2.5 per MMBtu now from this level to $25 dollars per MMBtu with $85 to $90 dollars of barrel, the patrol is not available you might have seen in the news the government of France, they issued to the poor people they have issued discount coupon to buy the petrol, so in such a such a critical position they are unable to run their steel mills, so we are today busy in exporting material to all these countries where the energy crisis do exist.

Ashish Kejriwal: That is great Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Thank you for the opportunity. Just continuing on the previous discussion, just want to understand in 3Q there was a massive increase in cost across items, so is it possible to share what was the key per unit increase in cost of the key items of raw material and also consumed level and only on the cost front how do we see this standing out in fourth quarter. I am a bit surprised to hear that fourth quarter we will not be seeing coking coal cost increase where most of the other steel companies are guiding a decent increase.

VR Sharma: The point here is I would like to clarify. The fourth quarter already in terms of buying coking coal is already added because anything what we buy today it will not reach by March 31st first of all, the second is whatever material is in the pipeline, the pipeline we keep at least four months of material, so four months of material means we know the average cost of these four months of material which is already in the pipeline, pipeline means the material under loading, material in the sea, material at the port and material at the plant, and as I told we are going to ramp up our production in Mozambique and also in Australia because Australia the first vessel has already come to us. Now in all subsequent months, we will be bringing two vessels a month so this is again a very good move and that is why we are telling that our cost of coking coal will not increase in next 50 days. Then we will see in the next year what is going to happen that we will take a call maybe in the end of March, but I am sure the coking coal prices will come down because they are at its peak today and these are unsustainable, non-sustainable for the whole world. The whole world is working on this, how to reduce the energy cost. Already the prices in local coking coal in China and coal from Colombia, coal from Ukraine, coal from Russia, coal from South Africa and coal from Indonesia are giving the signals that the price is going down, so I am sure the prices will not go up, but the prices will remain either stable. If you consider the pipeline or we will see that in April the overall price level will be less. As far as the costing is concerned, yes there was a gap of about $40 to $45 of coking coal prices, which we factored already into costing but it is not only coking coal prices, the prices for refractory, prices for freight because oil prices have gone up from $68 dollars to $88 dollars, $20 of jump. It was a huge jump so the furnace oil prices, refractory prices, all these prices had gone up but now we are looking that the prices are either stable or they are going to find a negative or declining trend and once it happens then there will be respite to the industry and our cost of manufacturing will come down. I am pleased to inform you that we are already booked till March 15th, we need to book another 16 days of orders and this financial year will close, so we know that what we are going to do, what our cost will be, with 8 million reaching to 2 million ton production in this particular in quarter, we will reduce our cost of production at least by Rs.1000 to Rs.1500 a ton and taking a pragmatic view that whatever material is in the pipeline that will suffice the requirement, not only up to March 31st but up to end of April that is why we are working on this particular factor that yes the cost will be controlled and the manufacturing cost will be brought down and the margins will increase.

Sumangal Nevatia: Okay understood. Second question is per our annual capex from this year and next year has there been any change, if it has just created that and also interest cost is still very high I mean the entire deal everything, benefit is not entirely visible in the interest cost of around 470 to 480 Crores per quarter, so is it possible to share some guidance on how we see the interest costs shaping out in the coming years.

VR Sharma: Though the reply will be done here by Mr. Nishant, but I will tell you a few sentences before that. First of all, thanks to our shareholders and thanks to our customers in last one year time from BBB minus we have reached to a level of AA minus and by March 31st I think we will be AA plus so this is the target what we have taken about a year back that how to reach to A but we have reached to not only A, A plus and then double A minus so now how to reach to double A plus that that numbers are already in place and I think we will be in a position to convince the rating agencies to look into it and this benefit we already started getting in terms of very low interest rate. We have a very solid team banking team with us and they are working on this particular factor. I will now ask Nishant please throw the light on this.

Nishant Baranwal: Thank you Sir. If you were to look at interest costs in particular if you look at the rate of interest, if you were to look at the third quarter in FY2021, we were close to 10% at that point in time Sumangal and as Sharma Sir said, the steady rise in the ratings and also the willingness of the banks to do business with us has actually brought it down to close to 7% as of the reported quarter, so that is a big jump and combined with that, coupled with that the amount of debt that we have repaid both these factors should actually start looking up and you would start seeing the benefits come in. If you were to already look at our numbers they are progressively down substantially and as we go towards our net debt free target you would see these come better.

VR Sharma: Just to add one more point here, because we are not isolated or insulated from the world economy. As you see that the fed rates are changing every day by March people are saying that the rate of interest will increase, how it is going to affect the market, share market, stock, bond market that is yet to be seen but looking to the conditions in India looking to our overall total debt in terms of billion dollars that is about \$501 billion and the reserves of more than \$635 billion and the economy is growing at a rate of 9.2% which we feel personally, I am in the opinion we may even go for double digit growth so this is a very, very wonderful time for India for the country as a whole and the worldwide, the geopolitics is going to settle. This is not going to be alarmed, so I think the time coming is much better time for Indian companies for Indian corporations and we will be in a position to maintain better numbers in time to come not only JSPL, but the entire industry, not only steel but even the metal industry, automobile industry, the construction industry will be booming and then only we can reach to 10% growth, otherwise we cannot reach 10% growth so 9.2 ongoing and looking forward for 10% I am very much bullish that the country will reach to those levels of double digit growth. Thank you.

Nishant Baranwal: Just to add to this, we also need to be cognizant as analysts that as our business grows definitely our working capital needs are growing and therefore, we are doing more and more business on LC and so all those charges would also be actually reflecting in the numbers that you see as the finance costs, so just need to be cognizant about that also to an extent.

VR Sharma: You were asking the capex for the particular quarter or you were asking for the future view.

Sumangal Nevatia: Yeah, both for this year any change in our overall budgeted capex for this year and then FY2023, FY2024.

VR Sharma: Except for Kasia mines capex, there is no major capex in this particular financial year that we already done and more than 800 Crores rupees and the next is the overall capex as a greenfield project to avail the benefit of 25% to 15% tax benefits that is 10% delta so that we are now starting our spending so this will be about 18,500 Crores. We are going to be the lowest cost of installation plant in the world I would say in the world reason being not only because of our efficiencies and our team, but also because we already have land, bank available, we have electricity available, we have water available, we have railway network available, we have roads network available, we have colony, school, hospitals everything available in our plants and we have very good location which is strategically just 210 kilometers from the port and 217 to 218 kilometers from mines so we are laying a pipeline that is slurry pipeline. It is already started. I think more than 10 kilometer pipeline has been laid in last few weeks time and we want to complete this 217 kilometer pipeline by the end of this calendar year and the moment it comes we will get an additional benefit of Rs.1250 per ton in terms of freight because the slurry pipeline transportation cost is only Rs.100 to Rs.150 a ton whereas the cost of transporting by trucks it is about Rs.1250 to Rs.1400 a ton, so that is highly unpredictable and so much of quantity cannot be transported that is why we are putting this slurry pipeline, so this 18,500 Crores what we are going to spend in next three years time already we have spent some little with our own equity and we will be spending in another two years time Rs.18,500 Crores which is well within our business plan to reach to a level of 15 million ton steel company by 2024 and we are on it. With the accruals in hand which are likely to be more than 8000 Crores year-on-year basis so spending Rs.18,500 in capex does not disturb our overall working and otherwise we do not have any other plans.

Nishant Baranwal: As per the number for the capex for the nine months, we spent close to 1000 Crores.

Sumangal Nevatia: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Thank you Sir for giving this opportunity. Two questions from my side. First is can you explain the usage of EBITDA during the quarter, so we had around 3000 Crores of EBITDA but net debt reduction was around 200 Crores so could you just explain through the cash side can you also give a similar position for nine months as well. The second question is about the status of the pellet plant in terms of some of the intermediate milestones could you guide us in what milestones has been achieved till Q3 and what are the likely milestones for this next quarter. Thank you.

VR Sharma: Sir could you repeat the question. Second question was related to pellet plants, it was not clear. Can you please repeat?

Kirtan Mehta: The second question was about the pellet plant in terms of what are the miles. Could you give us more light on the intermediate milestone in terms of what has been done so far and what are the next milestones to be tracked.

VR Sharma: EBITDA total consumption or allocation that Mr. Nishant will tell you but I will answer your second question first that is pellet plant. We have two pellet plants in Barbil, so both the pellet plants are running at the fullest capacity and we are using now kept to use, we are not exporting any pellets nowadays and we are adding one more pellet plant that pellet in Angul and this pellet plant will suffice the need of Angul plant at least by 50% so in that case 50% will be using from Angul plant itself and another 50% we will take from Barbil, now coming back on the milestones; October 2022 will be the deadline to start the pellet plant in Angul. Hopefully by December 2022, we will stabilize it. The benefit of this pellet plant will come to our balance sheet in the fourth quarter of this financial year 2022, 2023. Now I will request my colleague Mr. Nishant to reply you on capex location where did we spend the money.

Nishant Baranwal: Hi Kirtan so basically if you were to look at the EBITDA that we earned this time on standalone was close to 3168 Crores. The allocations were as follows. We actually repaid loan off about 970 Crores; the interest outgo was close to 470 Crores then there was a tax outgo of 800 Crores. In capex, we spent about 500 Crores then Kasia as we reported in the notes also 870 Crores was the cash outgo there. Then there was a working capital actually as we have written that. There was definitely inventory stalking. There was close to 450 Crores which got stuck up there and pretty much it so that was how we spent it if that answers your question.

Kirtan Mehta: Thanks, Nishant.

Moderator: Thank you. The next question is from the line of Kamlesh Bhagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bhagmar: Sir one question on the part of how much increase we are going to see in the coking coal cost, so that is one question because a lot of qualitative things were spoken but nothing on the quantitative side, so how much in dollar terms it would be an increase and apart from that what was NSR at aggregate like NSR at December end and what are the NSR currently holds because 20,000 rupees per ton increase on the EBITDA pattern it is not clear that it is more of aspiration or like say the Q4 numbers you are seeing, so it is honestly not clear on that part. With regard to the momentary which you are saying three months so every steel company does that, so there is no rocket science in that particular part.

V R Sharma: I agree with you there is no rocket science but yes there is something different we do. It is very difficult to tell you now but yes if you come separately then we will tell you. There is no rocket science, but there are some tricks I would say, the technical tricks, how we are maintaining our price like just one example for your comfort like $445 per ton is the price for the prime hard coking coal you will be surprised that in Raigarh we use zero prime hard and in Angul because the blast furnace is bigger we use only 25% prime hard this is where the trick is and that is supported by our own mines in Mozambique where we do a proper blending that is our proprietary formulation and this is how we keep our cost into control, but your first question that what is the total cost increase in terms of coking coal. The coking coal cost increase for the prime hard $45 per ton, so this is what I think I tried to answer you. Another point is unless we have the aspiration and wishes, we cannot achieve. Yes, you are right it is our aspiration, it is our wish which is a very positive wish and we will achieve it. We will achieve Rs.20,000 per ton EBITDA in the last quarter. When we meet in the month of April then definitely, we will work on this, we will discuss. Very simple I told you in my brief introductory remarks but I will repeat in November the flat products, prices in Bombay, Delhi, Chennai were at a level of Rs.66,000 per ton to Rs.67,000 rupees per ton and December they came down to 61,000 to Rs.62, 000 a ton. Today it is again Rs.66,000 to Rs.67 000 a ton so whatever was there on November 23rd that week 23rd November to 30th November that has regained and that has been driven by the market today so this is one. Secondly as I told you the net NSR I have not answered your question fully. NSR in flat products was Rs.63,500 a ton; NSR that is ex-our factory plus the freight and GST extra and loading charges, unloading charges at the customer end, also extra so NSR was 63,000 to 63,500. Today it is 64,000 so in between it was as low as 58,000 now coming back on NSR of rebars, rebar NSR used to be about Rs.56,000 rupees a ton in November. It came down to as low as Rs.50.000 rupees in December and today it is Rs.60,000 ex-our factory that is NSR so you see the journey from 50,000 to 60,000 is Rs.10 delta and even if we take from the peak that was 56,000 to 60,000 is Rs.4000 delta over November 23rd, so I hope I answered. Two points I have left, one is billets prices, the billets used to be sold at Rs.44,000 a ton today billets we are selling at Rs.54,000 a ton there is a increase of Rs.11,000 a ton so that is another big jump, then it is angle iron structures and channels, beams, etc average price used to be Rs.62,000 rupees a ton in November and Rs.60,000 a ton in December or early January and today this is at Rs.68,000 a ton, so this is where the difference is. As I told you in my opening remarks there is a shortage of steel in the country and yes there is also increasing input cost, so the steel demand has outperformed the steel production not only in the country but worldwide because the reduction of the steel production by China has played a very, very significant role and as I told in my opening remarks the four countries which are likely to get the benefit of this particular move of China that is India, Iran, Ukraine, and Russia. Hope I answered you.

Kamlesh Bhagmar: Sir just one suggestion because a lot of these opening like say remark, like Rs.20,000 per ton because if we see Rs.17,500 EBITDA pattern which we have done in this quarter and cost is going to go up like roughly around two odd thousand rupees in next quarter and on top of that we are saying that our margins would improve by 2500 rupees which means that our realizations need to increase by Rs.5500 to Rs.6000 and honestly we are at similar levels of NSR for the quarter average.

V R Sharma: Your all points are valid except one. The cost is not increasing by Rs.1500 or Rs.2000 a ton. It is cost-neutral quarter.

Kamlesh Bhagmar: Sir neutral would be more on the consolidate level not on the standalone level.

V R Sharma: No on the standalone level.

Kamlesh Bhagmar: Thanks Sir. I will take it off.

Moderator: Thank you. The next question is from the line of Prashanth Kumar Kota from Dolat Capital. Please go ahead.

Prashanth Kota: Sir thanks for that. If we were to sell our coal from Mozambique, South Africa, and Australia to the external party versus the current FOB Australia coking coal price of $450. What is our realization in this? Just to get a hand on what is the quality and what is the grade, just to get a hand.

V R Sharma: First of all, we are not selling coking coal to other parties so whatever we produce we bring to India into our company for our capital use.

Prashanth Kota: Yes, Sir I got the point just to get the grade level. Where do we benchmark that?

V R Sharma: Grade is similar to any other mines for hard prime, hard, and hard coking coal those who are mining in Australia, it is same grade so you know what happens I will tell you. There are two differences, one is there can be a difference in freight cost. We have to transport to the nearest port which consumes about $11 and then we bring it to India that is another point. The second is we are not washing the coal there, so we are doing the washing here in India because the washery environment clearance is yet to be taken and then we will put up our washery there, so at the moment we are bringing coal with ash and then we are washing it here and using it and that is why we are not selling this coal to anybody, but we have coal washery in Mozambique. We bring washed coal from them and the washery rejects are sold to the international market but the prime coal is coking coal is not sold in the market. Similarly, in South Africa we have anthracite coal available which is a family of coking coal, which is utilized in plant as well as blast furnaces so there also we are utilizing this coal for our internal use and sometimes we sell to the domestic market also when the market is upbeat. Whenever we feel that the delta is very high then we sell within South Africa to producers otherwise we bring to India.

Prashanth Kota: What is the volume to be expected in FY2023 Sir coal volume from all the three mines.

V R Sharma: Coal volume from all the three plants, we should have about 1.2 to 1.4 million ton and this is what we have taken into business plan, very, very conservative. It may go up, but at the moment we have taken this much.

Prashanth Kota: Thank you.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Australia mines on 95,000 tons you were profitable in this quarter, those partially because of the higher coking coal prices. Can you guide on the cost of production achieved at the Australia coking coal mines in the quarter and how are we planning to reduce that cost going forward?

Nishant Baranwal: If you look at the past quarters since when we started in November, you would see that we were actually running a run rate of around about 30,000 to 40,000 only and therefore you got that 90,000 only in the last quarter but if you were to see us now we are close to 60,000 to 70,000 tons per month that is what we are producing right now and at present cost I can tell you the aim is that by March and April we should get to 110,000 per month at that we should be at around about $84 costing approximately,

V R Sharma: Unwashed; $84 unwashed and there is always you can say 15% to 20% of ash so if you bring it down to half like 10% so it is about $95 or $97 dollars per ton and the freight is about say $30, so $126 dollars the actual price hitting to the Indian ports so as against off you know the figure today $400 plus.

Bhavin Chheda: So roughly sub $100 and again in case of grade if I understand correctly, normally you get realizations which are 55% to 60% of the premium hard coking coal prices.

V R Sharma: No, it is not that you see. First of all, we have to see that if you want to sell then the game is different, but if you want to use at your own then there is a cost, then there is a matrix for the high ash or unwashed coal, so we maintain that. Yes, you are right it may be about 45 to

50% of prime hard coal but it keeps changing. It keeps changing when the prices are upbeat there will be different price, when prices are low it is different, we follow the index.

Bhavin Chheda: My second one was on the capex plan. Earlier you had planned to spend roughly 2,500 to 2,600 Crores in this fiscal but I think you said you spent 1000 Crores in nine months and 800 you are planning in Q4 so your capex run rate would be less than the earlier expected.

Nishant Baranwal: Bhavin as a forward-looking statement, I would not like to comment it yet but yes you are right we had guided towards 2400 Crores capex for this year. We will be below that is what we envisage.

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

Ritesh Shah: Thanks for the opportunity. Sir couple of questions, one is how is the trend on the export realizations you indicated that exports is something which is doing well. Are exports as lucrative as domestic sales? How should one look at that?

V R Sharma: If you see today's market then the export realization is about $50 per ton higher than the domestic market so I hope I have answered your first question.

Ritesh Shah: Okay. Sir second question is on costing. I think we were surprised with the cost increase on a sequential basis. In the prior conference call, we had indicated that the cost increase for coal will be nearly like $80 and you had given similar commentary that we have visibility on what is it that we are going to use. You indicated similar comments for Q4 when you have indicated flattish cost inflation when it comes to coal, so just trying to understand what went a bit different because the cost inflation what we are looking at from Q2 to Q3 was definitely higher than what we had indicated. Is it possible to provide some colour that would be quite useful Sir?

V R Sharma: You see as I told you the energy cost is not in our hands. The entire world is working on this. If you see the total in one year from $95 per ton the prices have gone to $450 a ton so this is a jump which we cannot say it is a quantum jump. I mean it is a disaster in terms of coking coal. The world is working that how to stop using coal. How to declare that coal is unfriendly and the world cannot move without coal that is also there so the reason for this increase is known to everybody, the geopolitical issue in between Australia and China that is one and the other is the COVID situation this may be artificial, may be actual, but the production from mines is less so the industry as a whole is unable to accept this kind of prices, the alternates are being developed by most of the people like as I told you earlier in my reply that we are now in one of the plants we do not use any prime hard coal and the another plant we were using 40% blend, now it is only 25% we will bring it down to 20%

so this is how we can reduce our total cost and we can optimize on other areas. Now we feel that the cost in this particular quarter is not likely to increase because we know that what are the contracts we have done and where the prices will move and hereafter I am not seeing any increase in the prices in terms of coking coal prices or the energy prices because the world is struggling like anything and all heads of different governments they are working how to control the energy crisis, though the campaign taken for electrical vehicles also for green energy or the green hydrogen or wind energy this is a little distant dream. We are also working on this and everybody is working on this but still the fossil fuel cost should not increase more this is for sure.

Nishant Baranwal: Also, Ritesh if I can add to this, two more points. As you rightly said we had estimated it to be lower last time, but what is missing is that if so there is this 120 Crores differential that you are able to see between the consolidate and the standalone numbers and that is on account of coal which we have not been able to use pretty much in our operations in India, the benefit of which will actually flow through in the coming quarter so that is one part, the other is also the higher cost for coal that you see is because we had to use given the paucity of thermal coal for power plants, a lot of that thermal coal was actually allocated there and we had to use imported thermal coal to run our DRI operations in this quarter so therefore all those factors actually led to this slight increase what you spoke about. I hope that answers your question.

Ritesh Shah: Sure Nishant. Sir last question. You had indicated it is something which is already done with. What is the next target that you have in mind and specifically given we have already outlaid a capex plan for next three years, four years, we have a lot of cash when do we expect a policy framework where in we actually talk about buybacks, progressive dividend payout, Sir first is 50, 15, 15 what next and that is second question? Thank you.

V R Sharma: Thank you very much, so 15, 15, 50 was a well thought target what we took but now each time we cannot give a particular slogan that this will be this time like this but definitely we are working on improvising day by day so the cost pressures have been there so we have to reduce the cost of course. We are reached to a level from where there is no u-turn so with more than 50,000 Crores of sales turnover perhaps there are not many companies in the country with these ratios of 15, 15, 50 there can be only seven or eight companies as per my information in the entire country in private sector so we feel that we are amongst at least ignore seven. We are amongst the 15 top companies in the country today with those kinds of numbers bringing down to net debt to EBITDA ratio to a level of less than one that is 0.7 and with the support of all of you, with the support of our customers and our dedicated team we have brought it down from 8, 8.5 level to 0.7 level so which is a remarkable achievement. We were a BBB minus. We were at the threshold of D that is default and we have brought our company from level D to AA minus and now we are looking for AA plus so this is where the company's strength is. It is not out of fluke; we cannot say that in one quarter there was a profit and then after this has died down, so if you see from the first quarter of 2020 to now the last quarter of 2022 all these eight quarters if you see your performance, it is one of the best performance in steel industry by any steel industry in the world. I can vouch for it and you will not find companies with BBB minus outlook in April 2020 to a AA minus or AA plus in January 2022. We are yet to discover such companies in the world map if there are some. Another factor is we were as I told you without spending any money, without hiring people, without firing people, we have reached to a level of from 5.5 million ton to 8 million ton that is two and half million ton increase in production sales, which is also unheard in the steel industry anywhere in the world. You are all specialist, you discover so many data, you can see, you can Google it, you can find it, and if you find them kindly also let me know so that I can also update my knowledge, but it does not mean that we are complacent. Our role model is Apple, Apple keeps on increasing the price on each and every model they have three trillion-dollar market cap. They have 385 billion dollars of sales and they graduated from Apple 11 to 12, there was increase in prices 12 to 13 now there is a super increase in the prices and they also stopped giving the chargers so that is a big thing so the Apple is our mentor and this is how we do it and I am sure you will see in times to come this will company will keep on growing, growing, growing. Our aim is not just to look that yes what will be the share price today and what is tomorrow the price does not matter. What matters most is how healthy you are so from a total consolidated debt of 45,900 Crores bringing it down to 11,000 Crores it was a herculean task. With all the support of our shareholders, stockholders or the government agencies, bankers, our lenders, and our staff, our technicians and engineers and our financial team we could reach this. This is point what Mr. Nishant my colleague has told you that we have reached to a level of 7% interest rate. I used to pay 12% and it went up to 13% there was a time, so you are to see holistic view of a company that how in last seven quarters I would say to be very precise, eight quarter is going on, how in seven quarters, quarter-on-quarter basis and year on this company has grown, so company from BBB minus rating with negative outlook in April 2020 to a AA minus, positive outlook is a wonderful achievement, so thank you to everybody.

Ritesh Shah: Sure Sir. Thank you so much Sir. I really appreciate and Sir lastly anything on progressive dividend payout or buybacks given our balance sheet is in a fantastic state now.

V R Sharma: You see when we travel then we definitely share the cake, so do not worry the company has been passing through a very, very critical time. Now we are feeling that yes, we will be more comfortable in next one or two quarters but this decision we will keep on the board so on the last quarter results when we declare, definitely we will put forth the request and we will discuss if the board approves then definitely, we will come back with a very, very investors friendly programme.

Ritesh Shah: Sure Sir. Thank you so much and wish you good luck. Take care.

Moderator: Thank you. Ladies and gentlemen due to time constraint we take that as the last question. I now hand the conference over to the management for their closing comments.

V R Sharma: Yes, thank you very much my friends and it is a wonderful interaction with all of you. Please do not misunderstand us we are not a high-cost manufacturing company. We are very slim and trim. We have not increased our cost. There is no extravaganza and that is the reason Mr. Naveen Jindal our chairman, he always keeps saying that we will not re-enter into a debt burden, so this is what the slogan is. You wanted that what is next, the next is this, that we all are committed that we will not re-enter into debt business. We have to make this company a net debt-free company and we are not a steel mill. We are infrastructure steel mill. Steel making is our backward integration. We are an infrastructure steel mill. We produce steel for all those infrastructures which are coming in this country. We are part of that. Steel making is the elementary level, is a backward integration, but the forward integration is that yes we have to have the products and those products we are already in. Now we are putting up a hot strip mill with 5-million-ton capacity we will be adding, cold rolling, galvanizing, color coating, automobile grade of steel, roofing, building, construction material. Today we produce 70% long 30% flat. With addition of another mill, we will be somewhere about 60% long and 40% flat. This will give us a holistic view and this will mitigate our risk in case of any cyclic action either of the products will be fully insulated so to support our company and we need your support always. Thank you.

Nishant Baranwal: Thank you IIFL. Thank you Anupam and thank you everybody for joining our call.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Securities that concludes this conference. We thank you all for joining us and you may now disconnect your lines.

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