



**“Jindal Steel & Power
Q1 FY2023 Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of Jindal Steel & Power Limited hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Chandak from Motilal Oswal Financial Services. Thank you, and over to you Sir!

Vishal Chandak: Thank you very much Rutuja. Good evening ladies and gentlemen and welcome to the first quarter FY2023 Earnings Call of Jindal Steel & Power. I would like to thank the management of JSPL for giving us the opportunity to host the call for this quarter. We have with us the senior management from JSPL comprising Mr. V R Sharma, the Managing Director; Mr. Ramkumar Ramaswamy, the CFO; and Mr. Nishant Baranwal – Heading the IR. I would hand over the floor to Mr. Nishant for his remarks. Over to you Sir!

Nishant Baranwal: Thanks Vishal, thanks Rutuja. Good day everyone. We are pleased to welcome you all to this conference call to discuss our first quarter FY2023 Financial Results. First of all I would like to apologize for the delay. Since there was a delay in publishing our results we thought it is better that we give a few minutes before starting the call so that everybody can go through it. This time to be able to take more question and answers and give ample time for it, we decided to dive straight into the financial commentary which will be given by our CFO, Mr. Ramkumar Ramaswamy and thereafter we will take the Q&A and the entire management including our MD, Mr. V. R. Sharma, and our CFO, Mr. Ramkumar Ramaswamy are there for that. Over to you our CFO!

Ramkumar Ramaswamy: Thank you Nishant. Good day and good evening everyone. I would like to take you through the details of the financial performance of JSPL for the quarter ended June 30, 2022. Let us start with the production volumes. Our production during the quarter was 1.99 million tons; this is lower over the previous quarter by around 6%. The primary drivers for this was one at our Raigarh plant there was a maintenance shutdown in our plate mill and number two at our Angul plant we had a lower DRI production due to thermal coal unavailability.

I will talk about sales. Our sales volume during the quarter was 1.74 million tons of steel sales this was lower by around 16% over the previous quarter. As you know this quarter we had challenging market conditions, we started off with a soft April and then during May we had the imposition of the export duty. Both our domestic and export volumes have been impacted during the quarter. Our domestic volumes were lower by around 12% and our export volumes were lower by around 28% during the quarter.

In terms of realization, our realizations were higher by around 12% over the previous quarter primarily driven by healthy realizations in April and May. After the imposition of the export duty we have seen a significant softening of both our domestic and export realizations in June and we see that continuing in July as well. We see a softening to the extent of 15%, 16% in terms of realizations in June and July.

In terms of our cost our costs have gone up by around 10% primarily driven by coking coal cost increase of around 33% and the thermal coal cost increase of around 27%. As many of you would know we are seeing a softening of prices currently for all of these and we expect the benefit of this to flow through in the subsequent quarters.

I will now quickly move on to our gross total income. Our gross total income during the quarter was 14561 Crores was declined by around 7% over the previous quarter for the reasons that I just detailed in terms of volume decline offset by higher realization. The GST that we collected during the quarter was around 1692 Crores and the net income was 12869 Crores.

Let me quickly move on to adjusted EBITDA. Our adjusted EBITDA during the quarter was 2865 Crores this is an 8% increase over the last quarter, again the primary drivers for this as I mentioned was driven by healthy realizations and offset by lower volumes and increased cost, so our adjusted EBITDA was 2865 Crores.

In terms of profit after tax, again our adjusted profit after tax is 1626 Crores this is a 28% growth over the last quarter again for recent detail 1626 Crores is our adjusted PAT. In terms of just a quick overview of our consolidated numbers and our performance with subsidiaries I think we had a very, very good performance during this quarter of the subsidiaries, our Mozambique, South African and Australian businesses had positive EBITDA. The Mozambique subsidiary had a EBITDA of around 334 Crores, our South African subsidiary had EBITDA of 84 Crores and our Australian subsidiary turn positive at 24 Crores EBITDA.

Let me also quickly give an overview in terms of our debt position. Our standalone net debt is 7413 Crores which is at 0.54 times EBITDA again very, very healthy trend this is close to 1000 Crores reduction over last quarter primarily driven by long-term loan repayments and lower short-term debt as well.

A quick update on our credit rating, our credit rating stands unchanged at AA- and with strong financial performances we expect that there would be improvements in credit rating.

This is a quick summary of our financial and operational performance. With this I hand it over to Nishant!

Nishant Baranwal: Thank you Sir! Now we will dive straight into the Q&A. As always we request all of you kindly ask more strategic questions, we and IR team including myself, Rajesh and Gourav are always there to give you the data points. With that I probably hand over to the operator.

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 edelweiss. Please go ahead.

Amit Dixit: Good evening everyone and thanks for the opportunity. Congratulations for good performance. I have two questions the first one is essentially on your maintenance plans for this quarter, so what kind of maintenance plans you have for this quarter both at Angul and Raigarh and particularly thermal coal availability and prices both are high so can we see some kind of intermittent shutdown at your DRI plant so that is the first question I have?

V R Sharma: Thank you very much. I am V. R. Sharma, Managing Director. So first of all we are not taking any long maintenance shutdowns, so rather we are going for the intermittent shutdowns whenever it is required, so of course there is a shortage of thermal coal but we are now importing thermal coal and hopefully in next one week or 10 days time the situation will be normalized, so our intention is not to reduce the production. We have a target of 8.2-8.4 million ton in this particular financial year and our aim is same we will be producing more than 8.2 million ton in the current financial year. No longer shutdowns but in case there is some breakdown which is unavoidable like it has happened about two months back so that is the issue sometimes it happens, but otherwise there is no planned shutdown till next year March 31, 2023. Hope I answered you.

Amit Dixit: Yes, that was a very elaborate answer. The second one is essentially on the coking coal price and thermal coal price movement over next quarter Q-o-Q if you can give in dollar terms that would be great?

V R Sharma: It is very difficult to predict today's market because the world is melting down we do not know where the world will settle. So the first and foremost issue is the Russian and Ukrainian war. At the moment the Russian and Ukrainian war that comes to an end or it recedes then only the world will stabilize otherwise not because you must be seeing nowadays most of the European countries they already started rationing the usage of gas and they want to store the gas for the winter reason because Russia has total gas from 100% supplies to 40% supplies so 60% is reduction in the overall supplies of the gas and this is the reason there is overall gas and shortage of energy worldwide. Let us see Mr. Joe Biden

is visiting Saudi Arabia I think there is discussion about more oil or more gas this may give a respite to the world, but today the whole world entire world is uncertain. As well as the coking coal prices and the steam coal prices are today surprisingly the coking coal prices are lower than the steam coal so in international market landed in Europe the reason being because European power plants the thermal power plants they are reignited, restarted, refired. So people are losing more coal than losing gas, the gas-based power plants are almost shut and wherever there is no thermal power plant there only the people are using the gas-based power plant. So the demand from the thermal coal will continue as it is there would not be any respite till Russia and Ukraine they settle their scores and if they settle their business and in terms of ending the war then only situation will be comfortable, but we feel in the quarter which is now going on Q2 the thing should remain somewhere about approximately and I cannot vouch for it but approximately I feel \$230 to \$240 level of coking coal and is similar about \$200 to \$210 on C&F basis the steam coal into India, but yes of course the steam coal prices in Europe will be more than \$300 and also in many other parts of the country. So hope it is clear.

Amit Dixit: Yes, Sir the price level is of course clear but I was looking for the movement from base case perspective on your cost what kind of cost movement you are expecting?

V R Sharma: We are reducing now because earlier the cost of the coking coal was at a level of about \$500, \$550 that has come down to \$240 so definitely the input cost has reduced and similarly the input cost for the iron ore has also reduced therefore yesterday the NMDC has reduced another Rs.1000, international also the iron ore prices have come down to \$99, \$98 per ton day before yesterday and I think there is a good sign in terms of input cost reduction, but yes of course there are always some time lag in between the new material comes in the pipeline, so now at the moment I guess the old material in the pipeline that will last about 5 to 6 weeks, but finally the results of the low input cost will definitely come within this quarter maybe second half of this quarter after say August 15, 2022 we can see that the new prices of the input cost in the new material that will be applicable.

Amit Dixit: Okay Sir thanks 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: Good evening and thank you for the opportunity. My first question is on the net debt movement. So this quarter our debt has reduced by around 1100 odd Crores against our cash profit of around 2000 odd Crores and also the JPL equity infusion of around 3000 odd Crores so is it possible to walk us through the net debt movement during this quarter?

Ramkumar Ramaswamy : Thank you for the question. As I said the net debt for the quarter was 7413 Crores, we had a structured long-term repayment of around 400 Crores and the rest of it was more reduction in our short-term debt, we continue to hold cash in our balance sheet of roughly around 3000 plus Crores and we will be on an ongoing basis evaluating options to repay, options to prepay and options to hold cash.

Sumangal Nevatia: Sir I am looking for some specific details as to what was the working capital buildup during the quarter and capex and also what was the tax outgo with respect to the duty and divestment?

Ramkumar Ramaswamy : On the working capital buildup I think we did have a working capital buildup during the quarter primarily because of the export duty being imposed and therefore there was a softening in terms of customer demand so we did not have a working capital buildup maybe I do not have the exact number but it will be safe to say that it will be upwards of around 2500 to 3000 Crores I think that was a kind of working capital buildup that we had. What was your second question?

Sumangal Nevatia: The capex and the tax outgo on the JPL divestment.

Nishant Baranwal: As far as the tax outgo on the JPL divestment is concerned that is mostly a yearly item because this is a divestment we have received 3015 Crores of cash pursuant to the divestment the entire tax would be on the yearly basis, so let us see how it pans out because as you all know yes there would be certain capital gain to it which can be upset by some capital losses or any other business losses so that is something that we will get to know by the end of the year. Hope that answers your question.

Sumangal Nevatia: Alright. I have a second question, so with respect to price movement we have seen a very sharp correction in prices and also exports are now getting attracted to 3% duty is it possible to guide how are we seeing that for 2Q and the coming months?

V R Sharma: I think as you said that the market is quite volatile and challenging much as we would like to provide some guidance I think we would like to avoid providing any forward looking guidance on this whatever is the market prices that are going to be there we will try and make sure that we are able to sell our products at those prices or at slightly higher prices to reflect the premium that we have but currently we do not want to provide any forward looking guidance on our realization.

Sumangal Nevatia: Understood, got it, thanks and all the best.

Moderator: Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Thanks for taking my question. On the raw material side how well are we integrated right now on our coking coal requirements and how is it likely in the next say one or two years?

V R Sharma: So raw material side we are very much comfortable and we are not foreseeing any problem. We have adequate quantity in pipeline as far as the coking coal is concerned or the PCI coal is concerned and the other point is iron ore is not in short supply as you know that government of India has banned outside export they have imposed very heavy export duty on iron ore and pellets so there is a flexibility now and the iron ore and pellets are available in abundance so there is no shortage of minerals in the country as of today. So we are thankful to government of India for imposing such kind of duties so that the raw materials are made available. Day before yesterday Mr. Amit Shah he also gave the interview to Economic Times and other financial magazines that our aim is that raw material should be preserved, conserved, reserved for the local industries I think that is a very good statement and we are not finding any difficulty. Coking coal is also in abundance available and our own mines that is in South Africa, Australia, and Mozambique they are working very well. At the moment the coking coal dependence on outside I would say is about 40% or 42%, the 58% we are on coal then, there is no shortage of material.

Rahul Jain: On iron ore what is the number right now is the mine that you acquired has it ramped up things like that?

V R Sharma: The mine what we have now what we won in the bid last time that is Kasia mine it is working and we are producing about 500000 tons per month and we are also buying under long-term agreement, long-term lifting agreement LTL that is Odisha Mining Corporation OMC, and also from some of the private merchant manner so it is a good time the raw material cost has come down it is a good situation.

Rahul Jain: On the export duty you have any comments how long it will last and what is the motivation there in adding this kind of duty?

V R Sharma: You see we are with the government we do not have any problem in this particular issue reason being because each government takes decision looking to very macro and microeconomics so I think the government must have thought thrice to before imposing this particular duty and today we are seeing that the selling price has come down but we also found in due course of time the input costs are also receding and that has given a sigh of relief. As far as the demand is concerned yes, during monsoon season the construction

activities they go down and the demand comes down and so is the demand in the world market so I think internationally the world has to stabilize first. In India we are self reliant in steel making and whatever quantity our country needs that we can supply them. Initially we were thinking that the prices are coming down but finally when we observe that the selling prices vis-à-vis input cost that the ratio is maintained accordingly and the input cost has also come down so we are also thankful to NMDC for declaring Rs.1000 price reduction day before yesterday so it is all good sign, things are good and whenever government feels that the exports to be opened we will welcome that move.

Rahul Jain: Your export share of total sales remains high in the high 20s or are you going to bring it down depending on market?

V R Sharma: No, we will maintain this year, we will maintain our share more than 20% of exports out of the total production.

Rahul Jain: Thank you so much and very helpful.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Good afternoon. Sir, I had a question on the recent reports of price hikes being taken in rebar so could you just confirm whether these are true and what is the actual quantum of price hikes that were taken?

V R Sharma: You see I think the primary steel mills not increased the prices primary steel mills are playing in a band of Rs.1000, Rs.1500 here and there, but yes price hikes we were seeing in the secondary steel market the reason being this is what I observed there are two reasons one is the scrap prices all of a sudden in 15- 20 days' time moved from \$380 C&F to \$470 C&F in India so I think that was an impact at that time. The other is many of the sponge iron plants they were closed or they are not functioning properly because of shortage of coal so that was the major reason, but I think major primary names in the country their price band has been in the range of Rs.1500 to Rs.2000 maximum here and there but yes you are right. Secondary steel the induction furnace is people their price if you see that has gone up by Rs.7000 to Rs.8000 per ton as per the media reports. We do not know the actual fact, but this also we heard in from the newspapers that Rs.8000 price hike was taken by them maybe because the delta was too big and now they have recovered it.

Pallav Agarwal: Just another question we do export some higher grade plates, etc., so I am assuming some of this goes to Europe as well so when are these quotas going to open again?

V R Sharma: The quota is already opened there is no quota existing now Europe is starving for materials, they want any quantities, any numbers whosoever supply them but the international prices are also under pressure with 15% export duty there are certain customers for the value added grids but still prefer to buy from India and those material also not impacting the Indian economy or the Indian customer base because these are the specialty materials and as far as the common men's requirement in the country is I think rebars, wire rods for the MSMEs and also the galvanized, corrugated and sheets particular quotations for warehousing. I think these three items are not being exported by anybody as far as my knowledge is concerned, but the specialty products people are exporting and some of the customers are paying for that so that is an impact.

Pallav Agarwal: Okay thank you.

Moderator: Thank you. The next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Thanks for taking my call Sir. I had a question on the rebar prices as well. Chinese rebar prices have come to a new low one-and-a-half year low this week and our domestic rebar prices are still at a significant premium of the Chinese prices, so given the fact that coking coal prices are falling now and the demand is going to be seasonally weak did you expect the rebar prices to come up from these levels?

V R Sharma: You see India was never importing rebars in the country but yes we are not insulated from the international scenario whenever the rebar prices go down that means immediately the iron ore and coking coal prices also go down, that is a sort of indirect index. The other is whenever the rebar prices or the commodity prices go down that means the scrap prices will also go down. So there is a community factor of scrap, iron ore, coal, coking coal, all these commodities put together they decide the prices but the reduction in the rebar prices in China is not because of anything else but because with poor demand there, so you might have seen financially they are also struggling today and many of the rural area banks they are in trouble so the overall construction activities in China are little down or I would say the sentiments are down this is what as per my knowledge, but in India the things have changed because here the people and the customers are quite bullish and we are seeing in last 10-15 days' time there is a good demand coming from the market because earlier the people they were not buying and they exhausted their stocks, now the traders have come back in the market they want to buy more material but one thing is for sure if the input cost they go down then definitely the prices will be corrected accordingly.

Rajesh Majumdar: So basically the spread will be maintained?

V R Sharma: Yes, of course first of all the entire world is one, our first aim is if somebody gives an authority today or somebody says that what is the one thing you want to do so the first one thing what I will do it is in my hands I will ask Russia and Ukraine to stop this war, anybody in the world if we can do something in concluding the deals in between these two countries I think whether it is stock market, bond market, rate of inflation in the next two to three months' time everything will be settled, it is more a geopolitical issue today in the world, the entire Europe or the western world including America they are supporting Ukraine, they are giving them all sorts of help in terms of arms and ammunitions and Russia has went up on and asking them to surrender so this is a big tussle and who is going to win but I believe in Mr. Modi he say that in war nobody wins so I think in this war in between these two countries neither they will win and nor the entire world will win, the whole world has lost trillions of dollars, so let us pray to God that if good sense prevails in between these two people Mr. Putin and Zelenskyy and they stop this war. The moment the war is stopped the entire world will come up like a flower once again in next three to four months.

Rajesh Majumdar: My last question is that how long do you think it will take for the inventory in the systems will get cleared assuming that the export tax has remained at the current demand rate because you see the halving of the exports in June so if we assume that the export taxes are there for some more time how many months it will take to the inventory in the system to normalize?

V R Sharma: You see the inventory we do not manufacture anything to keep the inventory stock and sale is not our business and we do not produce anything other than the rebars in anticipation so all of our products are tailor made and whenever we get the order we produce otherwise we do not get, we do not produce, we are not in the commodity business neither we produce hot rolled coils, galvanized coils, colour coated coils, we are not in that business our business is if we get order we produce we do not get order then we will not produce, but fortunately our order book is good we have booked for the next four to five days without any problem and every day we are getting orders and we are getting good orders, thanks to domestic plate consuming industry and in fact there is a shortage of plates within the country so we do not need to export plates today because there is a shortage. Some of the major steel mills they have gone for shutdown or breakdown so I would say JSP stands good chance to cater that market so there are no issues. We will maintain our volume around 2.1 million ton per quarter and reaching to a level of 8.2 million maybe 8.4 million ton by the end of the year we will maintain it and we will sell also there is no problem. The 14500 Crores of sales turnover in the first quarter we will maintain the numbers so that last year we did about 56000 Crores of sales turnover and this year also we will be touching more than 55000 Crores so there are no issues. So we made our plan accordingly, we have

entered and moved into more and more value added based steel where we get higher margins and where the competitions is very low, so our research and development team, our production team they are already on that job so I am not foreseeing any problem.

Rajesh Majumdar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi good evening thank you for the opportunity. Two questions first given that we are in volatile time so is there any change in our capex in terms of your project timelines or we stick to our capex plan and with that what has been the capex in first quarter and what could we envisage for the year as a whole?

V R Sharma: Very good question, first of all I will tell you there is no volatile time, volatile time is when you produce something which cannot be sold. The volatility in terms of prices going down one-sidedly it is not volatile because prices are not going up like for example the coking coal prices if you see it has gone up to \$670 came down to \$550 came down to \$380 and then again went up to \$520 that was volatility but today what we are seeing if you see the graph and the index also for the last three weeks continuously the coking coal prices are falling and continuously the iron ore prices are falling so I would say it is not volatile situation it is a down sliding and that is good for reduction in the input costs and that is good for the industry as a whole and good for the customers also but industry is maintaining the margins so we are, so we are also maintaining our margins I think there should not be any pressure on the margins and there should not be any quantity reductions so this is one. We will be maintaining a good cash flow in times to come also and as you have seen the results we have done a wonderful job during these days also and with the kind of PAT of 1626 Crores that we have generated itself speaks that company is doing extremely well and the gross margins are somewhere about 19% so that is EBITDA margin so that is also a good number as far as the company is concerned. I think I am very much hopeful that we will be in a position to maintain these numbers throughout the year. The next question was capex, no, there is no shortage of funds first of all and there is no U-turn in completing the projects, so we will complete the projects capex will be as it is as we decided in the beginning of the year that will continue, so all the previsions, statutory requirements, approvals, consent to operate, consent to construction, everything is in place and our people our team is working day and night and we are going to spend about Rs.18000 plus Crores in next two years, two-and-a-half years' time and the aim is that we will not be spending more than 6000 or 7000 Crores per year whatever we earn we will invest so Mr. Naveen Jindal, our Chairman and our entire Board has taken a decision that of course we need the banking

support always for the opening of lot of (inaudible) 35:55 and getting the limits but we will be spending only that amount which we can afford to accrue from our existing business and that is the accruals are going to be somewhere about that PAT it will be about 7000 Crores plus and last year also it was close to 8000 and last to last year was Rs.7000 Crores so if you see continuously for last three years we are giving the projections 7000 to 8000 Crores of PAT which itself shows a very, very solid performance of the company and we would not be under debt burden once again and we do not want to be so there is no U-turn in the capex we will continue the capex as it is there is no problem and today's situation what we are seeing that will be utilized in the best of the best manner in the interest of our company. Thank you.

Indrajit Agarwal: Thank you for the detailed answer. My second question actually is a followup to the same question. So there has been news that you are looking to raise about 15000 Crores by way of debt from several banks so given the cash flows we are generating what could be the use of these funds are we looking at any large inorganic opportunities that may arise?

V R Sharma: The point here is the 15000 Crores that will be approval given by the lenders so that as I told you that we will be working only on ongoing investment policy but of course we need the banking system, banking channel, banking store because we have to open the letter of credit for the imported goods and equipments and also to the domestic ones and that is very much clear so we are not facing any difficulty there in terms of getting the money whenever it is needed but today we do not need it whenever we will need it disbursements will differ.

Nishant Baranwal: Maybe just to add I think the 15000 Crores that you are referring to this maybe the term sheet that we would have signed for our expansion project and that is what we are referring to, but as MD Sir mentioned our objective would be to maintain a very prudent leverage of between 1 to 1.5x through the cycle which is of course an approval that we have got for our expansion of project.

Indrajit Agarwal: Sure thank you very much.

Moderator: Thank you. The next question is from the line of Ashish Kejriwal from Centrum. Please go ahead.

Ashish Kejriwal: Good evening everyone, thanks for the opportunity. My question was in terms of capex which we are doing for operational of our coal blocks so when can we expect the production from coal blocks coming in and is it possible if you can guide that in FY2023 how much captive thermal coal we can generate from our coal blocks which we won?

V R Sharma: I will tell you we are planning that before March 31, 2023 we will be in a position to open at least one mine so we have four mines so all of the four mines will be open.

Ashish Kejriwal: Any volume numbers which you can give for FY2023?

V R Sharma: The clearances are in place, most of the rehabilitation work is already done and I think maybe some Rs.50 to Rs.100 Crores this time for first opening of the mine and some of the equipment, machinery and all these things, so I think by March we should open one mine and another big amount maybe Rs.100 Crores not more than that.

Ashish Kejriwal: Which mine we can open by March?

V R Sharma: This will be in Odisha Utkal.

Ashish Kejriwal: Secondly the forex gain which we have reported in this quarter 446 Crores this is on account of what and in which line item it was mentioned?

Ramkumar Ramaswamy : This would be on account of the overseas loan that we have provided to our subsidiary I think the loan value is close to \$1.6 billion and this FX gain this is of course unrealized you have to understand that is on account of that.

Ashish Kejriwal: In P&L in which line items these are included?

Ramkumar Ramaswamy : This will be under the other expenses line item but we would have called off for this separately so that we have recognized this unrealized gain separately so we have called it off separately but you will find it under the other expenses.

Ashish Kejriwal: I got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Vikash Singh from Phillip Capital. Please go ahead.

Vikash Singh: Good evening Sir. I just wanted to understand have we taken any inventory write downs in this quarter because after May the export duty intimation would have bring down the overall value of the inventory significantly?

V R Sharma: No we have not kept anything at hold, we had paid about 113 Crores of duty that is export duty and we clear all the inventory outlays and what are the other products and after that we are working on a very, very structured business that is making goods only those goods

where exactly value addition where we can recover major part of the export duty this is one. Secondly our first purpose is to meet out the domestic demand and whatever is not salable in India that much of quantity to export, but there are no inventories now.

Vikash Singh: This question I had from the stock adjustment which was roughly about 1700 Crores and if I just look at the difference between production and sales it was just quarter million ton so effectively that is coming somewhere around 69000 so I was wondering that why this figure is so high on per ton basis?

V R Sharma: Yes, this maybe because of the non-dispatch or non-availability of rakes but not because of any commercial reasons, maybe some of the details you can take it offline with our investor relations team and we are not sure on the question maybe you can just take it offline.

Vikash Singh: Secondly in terms of our export strategy can you just tell us that now how we see the mix of export going forward and at present our export versus domestic realization gap is how much?

V R Sharma: We are now aiming only for the much more value added products for exports and these products are especially tailor made products where the customers does not mind paying \$100, \$150 extra and we recover most of our duty parts and that is what going on now. As I told earlier we will be maintaining our exports 20% plus because whatever we can sell in India at a price available in India that is okay and whatever we cannot sell in India where we feel that there are no customers for those products. We will export it we will not reduce our production.

Vikash Singh: The price difference right now?

V R Sharma: There are no difference because it is not apple-to-apple like we are now entering into every specialized field in Europe especially for the specialty blooms, specialty plates, specialty beams, those markets or those products are not sold in India, so these are Europe specific products like we are in **(inaudible) 45:03** therefore Hong Kong and South East Asia and also for Mexico these products are not using, so what we have done it is very difficult to explain technically each and everything but yes offline we can, so we are now entering in to niche markets where the products are sold in terms of thousands of tons not in lakhs of tons and right from Australia to South East Asia, Hong Kong, Vietnam, Taiwan, Philippines and on the west side it will be Mexico, Costa Rica, Guatemala, Suriname, Colombia, these are the markets where we have the niche markets and also to United States and Canada. So Canada for example we are going to be largest supplier of the specialty beams for the high-rise buildings, so those items are not salable in India so we develop on those side is where

the country-specific requirements are met out and we have found a great market as a vacuum because all of these products are being supplied by either Ukraine or by Russia so since they are under war so we have the opportunity and we are exporting and we are not compromising on the domestic demand so whatever customers they want to buy so that is our first choice and wherever we feel that we have capacities available and which we assume contemplates about 20% total production will go to exports and that will be practically value added products we cannot compare those products with the Indian product because in India these products are not salable.

Vikash Singh: Understood Sir, thank you for elaborated answer and all the best for future.

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

Kamlesh Bagmar: Thanks for the opportunity Sir. One on the part of like for the gap between consolidated EBITDA and standalone EBITDA it is around 300 odd Crores and the question is specifically for the CFO and why such a big gap like 300 odd Crores because it has not been there for the last 8, 12 quarters so why such a big gap why consolidated EBITDA is lesser by 300 odd Crores compared to the standalone EBITDA?

Ramkumar Ramaswamy : This is clearly in your intercompany transaction eliminations in compliance with the accounting standards.

Kamlesh Bagmar: Just harping on that number so like we would have done roughly around 2000 odd Crores of cash profit in this quarter and on top of that we had roughly around 3000 odd Crores from the sale of JPL so cumulative both around 5000 odd Crores and even if we do a capex of 1000 Crores which we have not yet quantified so the debt is down hardly around 1100 odd Crores so where is the gap on that part and like on the side of working capital and even in the last quarter we had working capital?

Ramkumar Ramaswamy : I think this question came up earlier as well and I said that our working capital during the quarter has gone up by around 2500 to 3000 Crores and our current objective is to make sure that we are able to realize that working capital during this quarter.

Kamlesh Bagmar: How much was the capex in this quarter?

Ramkumar Ramaswamy : Capex was nothing significant around 700 odd Crores.

Kamlesh Bagmar: Thanks a lot.

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 me this opportunity. I have a couple of followup questions. First followup question is on the project finance term sheet for 15000 Crores that you have signed on the balance sheet of I think the Odisha subsidiary I do understand that you do not have a plan to leverage it but I wanted to understand the covenants of it what kind of capital expenditure is allowed to be financed under that loan and also what kind of capital expenditure cannot be financed under that loan because it is a project finance loan and related to that the another question was why it has been taken on the books of the subsidiary where the cost of loans would be higher than you would have taken it on the parent, so if you can clarify on these two aspects it would help?

Ramkumar Ramaswamy :Let me try and answer so first is I think 15000 Crores is that the term sheet is for the project that we are doing the expansion project that we are doing in Jindal Steel Odisha, even that this expansion project is happening in Jindal Steel Odisha the term loan and the term sheets have been taken for that entity I think that could be a simple straightforward answer to your question.

Kirtan Mehta: Apart from this current capex which has been for around 18000 Crores only that can be financed and if you are planning to add any of these secondary expansions to that project can that also be financed under the same loan because we do not really plan to draw down either this year or the next the way I understand it you plan to actually do it from your own pocket or whatever the cash flow is afforded by the company, so in that scenario are you aiming to sort of use this project loan for the further capital expenditure that you would be doing after completion of these projects and all?

Ramkumar Ramaswamy :No, this is for a specific project, the details have been submitted to the bankers and it has been given for the specific project we cannot use it for any other projects. As mentioned our objective is to fund as much as the project through internal accruals and maintain very healthy gearings so we cannot use it for any other purposes.

Kirtan Mehta: Can you also clarify on the reasons for taking it on a subsidiary balance sheet rather than a parent balance sheet because the cost of loan would be higher on the subsidiary balance sheet?

Ramkumar Ramaswamy: No, the project is happening in the subsidiary isn't it, so the loan has been taken in the subsidiary for that purpose.

Kirtan Mehta: Second question was about going back to the export mix that our MD clarified I wanted to understand what was the export mix in FY2022 we believe we had exported around 2 million ton of product could you give us a breakdown of the category of products that was exported in FY2022 and how would this category change in FY2023 as per your current plan?

V R Sharma: I think I have already answered this. We will be doing about more than 20% of the total produce through exports, but I cannot give the breakup that what will be, how much quantity will be beams, channels, angles, or specialty rounds or the alloy steel rounds or the plates so that is very difficult to tell today.

Kirtan Mehta: What is the historical breakup at least for FY2022 where you have already completed that deal?

V R Sharma: Offhand I do not remember but Nishant will share with you.

Kirtan Mehta: One more question if I can slip in about the coal project that you are developing could you also clarify on the model of development are you involving the MDO or are you doing it on your own balance sheet and does it also involve the complete capex on setting up the mines and all the related equipments or it is only sort of the payment would go primarily to the MDO operators?

V R Sharma: Doing coal mining by ourselves we have the entire team available, we have been maintaining our coal mines for so many years in Raigarh and now also the coal mining by our sister company JPL is done by themselves, so we have the expertise available and we will do it ourselves.

Kirtan Mehta: Will that be pure capex of 18000 Crores will go up by another 1800 to 2000 Crores for additional capex on the coal mine because the initial 18000 Crores plan did not include the capex in coal mine?

V R Sharma: That I think you have to take it differently. First of all 18000 Crores is for the expansion the next expansion what we are taking that includes blast furnace includes rolling mill, hot strip mill, coal rolling mill and many more areas. So the coal requirement today we are buying coal, if you see buying coal versus your own coal it will be selling at least 60% to 70% of the input cost or the expenses so when we say those expenses 60% to 70% that is the money which is going to be plowed back to the mining so that is from the existing operations. The next expansion what we are seeing there will be hardly any use of coal in the next expansion but the company which is now running whether it is Raigarh or it is Angul there

we are buying coal from the market and the difference will be when you own mines the difference would be about 60% to 70% because of the coal sales so there will be no capex impact or no financial impact because whatever we are saving and today we are passing it onto at a coal India to the importers or to the foreign companies so that money will go to development of mine in stages so hope I answered it.

Kirtan Mehta: Right Sir thanks for this elaborate answer. Thank you.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Vishal Chandak for closing comments.

Vishal Chandak: Thanks Rutuja. Thank you everyone for joining for this conference call and I will once again thank the management for this opportunity. I would hand over this floor to Nishant for closing remarks. Over to you!

Nishant Baranwal: We would like to thank both Motilal Oswal, Vishal as well as the operator and all of you for joining the call. Thanks a lot for your support as always. Have a great day.

Ramkumar R: Thank you very much. Wish you all the best and let us pray to God that all this international geopolitical issue should be resolved as much as possible to avoid the meltdown of economy worldwide so let us hope for a good future tomorrow. Thank you.

V R Sharma: Thank you everyone.

Moderator: Thank you. On behalf of Motilal Oswal Financial Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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