May 22, 2023

BSE Limited	National Stock Exchange of India Limited
Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001 corp.relations@bseindia.com **Scrip Code: 532286**	Exchange Plaza, 5th Floor, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai-400051 cmlist@nse.co.in **Symbol: JINDALSTEL**

Dear Sir / Madam,

SUBJECT: TRANSCRIPT OF EARNINGS CONFERENCE CALL HELD ON MAY 16, 2023

This is in furtherance to our letter dated May 13, 2023 w.r.t the Earnings Conference Call intimation for the financial results with the Institutional investors/ analysts.

In terms of Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the earning call is enclosed herewith and has also been uploaded on the website of the Company at www.jindalsteelpower.com.

You are requested to take the above information on record.

Thanking you.

Yours faithfully,
For **Jindal Steel & Power Limited**

ANOOP SINGH JUNEJA

Digitally signed by ANOOP SINGH JUNEJA
Date: 2023.05.22 18:26:19 +05'30'

Anoop Singh Juneja
Company Secretary

encl:as above

"Jindal Steel & Power Q4 FY-23 Results Conference Call"

May 16, 2023

MANAGEMENT:	**MR. BIMLENDRA JHA – MANAGING DIRECTOR, JINDAL STEEL & POWER** **MR. RAMKUMAR RAMASWAMY – WHOLE TIME DIRECTOR & CFO, JINDAL STEEL & POWER** **MR. VISHAL CHANDAK – HEAD (INVESTOR RELATIONS), JINDAL STEEL & POWER**
MODERATORS:	**MR. AMIT MURARKA – AXIS CAPITAL**

Moderator: Ladies and gentlemen good day and welcome to the Jindal Steel & Power Q4 FY23 Results Conference Call hosted by Axis Capital 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 this conference is being recorded.

I now hand the conference over to Mr. Amit Murarka from Axis Capital. Thank you and over to you sir.

Amit Murarka: Thank you Vikram. Good evening, everyone and welcome to the Q4 FY23 Con-Call of JSPL.

We have with us the Senior Management Team from JSPL, Mr. Bimlendra Jha – the Managing Director, Mr. Ramkumar Ramaswamy – the Whole Time Director and CFO and Mr. Vishal Chandak – the Head of Investor Relations.

I will now hand over the call to Vishal for his opening comments. Over to you Vishal.

Vishal Chandak: Thank you very much Amit. Good evening, everyone and welcome to the Q4 and FY23 Earnings Call for Jindal Steel & Power.

So, before we start the presentation in Q&A, I just want to remind you that the discussions today will be covered under the safe harbor statement which is in the second slide of our presentation. Hope you've had the time to read through the same.

We would start this presentation with opening remarks with our CFO – Mr. Ramaswamy followed by the Q&A. Over to you sir.

Ramkumar Ramaswamy: Thank you Vishal. Good day, good evening, everyone. Let me give a quick overview of the financial and operational performance.

Let me start with the sales volume:

Our volume for the quarter was 2.03 million tons which is a 7% growth QoQ, primarily driven by a strong pickup in our exports and a 1% growth in our domestic volumes too. The share of exports in the quarter improved to 11% versus 5% last quarter. The production for the quarter was 2.02 million tons which is 2% lower QoQ, primarily driven by an unplanned shutdown in our DRI plant in Angul during Jan. In terms of realization; our realization improved by 3% quarter-on-quarter, with improvements both in the domestic and export realization.

To give you a sense of what's happening currently:

Currently we are seeing a bit of softening in our realizations between 1% to 2% and we will have to see how this plays out during the current quarter. Our SMS cost increased by 2% QoQ, primarily driven by higher iron ore and pellet prices which was partially offset by a marginal reduction in coking coal prices. As per our practice we do not provide any forward guidance on numbers for the subsequent quarters, so I'm not sharing any outlook in terms of coking coal and iron ore prices.

Our adjusted EBITDA for the quarter on a consolidated basis is Rs. 2,240 crores which is 2% lower QoQ, primarily driven by the factors I mentioned earlier i.e., improved volumes, improved NSR, offset by higher SMS costs driven by higher iron ore prices. I would also like to highlight that we have taken inventory write downs, write offs of around 250 crores during the quarter based on our assessment of the realizability which is captured in the above EBITDA. Our adjusted EBITDA of overseas subsidiaries, primarily Australia, Mozambique and South Africa during the quarter was Rs 63 crores and our standalone India EBITDA is Rs. 2,178 crores.

On a consolidated basis our PAT for the quarter was Rs. 466 crores which is 10% lower QoQ. I would also like to highlight exceptional items of Rs. 153 crores during the quarter which pertains to expenses incurred on old projects which we've decided to write off. This is captured separately as an exceptional item in our results.

I'll give a very quick snapshot of our full year numbers for your reference:

Full year volume is 7.68 million tons, which is a 1% growth over last year. Our production is 7.89 million tons which is a 2% decline over last year. Our NSR improved by 5% on a full year basis and our cost were higher by 4%. Our full year consolidated adjusted EBITDA is Rs. 9,700 crores and PAT is Rs. 3,193 crores after exceptional identified items of Rs. 1,369 crores. Out of this Rs. 8,562 crores pertained to India and Rs. 1,138 crores is from our overseas subsidiaries.

I'll also give a quick overview in terms of our cash flow and debt. As I said the cash focus is our primary aim. We generated operating cash flow of 6,351 crores and this is for the standalone entity based on an EBITDA of Rs. 8,562 crores. Out of this we have invested close to 5,800 crores in CAPEX, both in JSP and JSO and we've also used it for our interest and repayment of our loans.

Our standalone gross debt was Rs. 11,874 crores and net debt was Rs. 7,090 crores as of 31st March. I would like to highlight that we have prepaid a further Rs. 1,895 crores in April and our gross debt in April is Rs. 8,984 crores. Our continued focus on cash and deleveraging continues as has been highlighted before.

The Board has recommended a dividend of Rs. 2 per share for the financial year.

With this I would like to conclude and hand over for Q&A. Over to you Vishal.

Vishal Chandak: So, operator can we please open the session for the Q&A.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. We take a first question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: I have two questions. The first one is if you could highlight the progress on operationalization of the coal blocks that we have won during bidding as well as the Slurry Pipeline project. How much of it remains when it is expected to be commissioned that would be very helpful? That is the first question. The second one is on depreciation which appears to have gone up in this quarter. Is it due to commissioning of some plants of the expansion project or how is it and what run rate can we expect going ahead? These are the two questions.

Bimlendra Jha: Thank you Amit. This is Bimlendra Jha. Our coal block, in fact before coal block there is already pellet plant which is under commissioning. Commissioning trials are already very successful and we are well on our way to have a full-fledged commissioning of the pellet plant. Coal block, most of the clearances are there in the mining license stage. We are still awaiting one of the last clearances and as soon as that is available, we should be in a position to open the coal block. Slurry Pipeline is towards the end of the current year is what we are seeing because of all the elections and other issues that are there. That is what I have to say on that. Ram will answer the question on depreciation.

Ramkumar Ramaswamy: The depreciation is on account of an impairment that was done by our Australia subsidiary to the extent of Rs. 250 crores. The Australia subsidiary had done an independent assessment of the realizable value and based on their assessment they have taken an internal provision of 250 crores. That is the reason why you see a higher depreciation.

Amit Dixit: Can you put a timeline to the pellet plant? When can we expect it to be commissioned? I understand that you mentioned that trials are on but the timeline would be great. Also, how much coal can we expect if any in this financial year at FY24?

Bimlendra Jha: The mining plan that has been submitted is for around 3.5 million tons for the year. We are exploring possibilities if we can go up. But that is what is the current mining plan that has been submitted for the year. Nobody knows when the final clearance comes but since it is absolutely the last couple of stages of that clearance it can happen anytime. So that is on the coal block. You said pellet plant as well. The pellet plant as I said that it is under commissioning trials and it is just a question of weeks where we should be having a full-fledged commercialization.

Moderator: We take a next question from the line of Siddharth Gadekar from Equirus.

Siddharth Gadekar: Just one thing on the standard alone operations; now if I look at your realization, they have increased by Rs. 3,000 almost sequentially. But when I look at the cost, what explains this kind of a cost jump because we are looking at our EBITDA per ton has declined almost Rs. 1,000 on a sequential basis. Is there anything which I'm missing in this?

Ramkumar Ramaswamy: Yes, so as I mentioned our realization has gone up by 3% and our SMS cost increased by 2%, primarily driven by higher iron ore and pellet prices. I also referred to in my overview that we've taken write downs, write offs of around 250 crores of inventory and that should probably increase the rest of the difference.

Siddharth Gadekar: The inventory write down is taken under the cost of goods sold or under other expenses?

Ramkumar Ramaswamy: Under cost of goods sold.

Siddharth Gadekar: Even adjusting for that our sequential increase is very sharp because normally if I look at the prices, coking coal prices would have been up by $10 or $15 per ton and iron ore also would be in a similar range. But that doesn't explain that kind of a cost increase.

Bimlendra Jha: No, I think on iron ore, OMC prices if we look at it from November onwards, there has been a very sharp increase in the iron ore prices. In fact, if you look at that it is around from Rs. 3,550 per ton to around Rs. 5,700 per ton is the kind of a rise in prices that has taken place. If we budget for that alone 3,550 has become 5,700 which is even if you look at it on NMDC iron ore fines which is 64%. These 62%, 0 to 10 mm Odisha Mining Corporation is Rs. 1,700 higher than even 64% iron ore fines. This is actually if you look at it, ideally this should have been at a discount to Rs. 4,000 that NMDC gives it at. But unfortunately, this gap is a bit too much that has opened up which was not the case until November '22. November '22 the prices of iron ore fines from NMDC were 2,760 and Odisha was 3,550. So, this gap has really opened up.

Siddharth Gadekar: Now are we carrying any high-cost inventory again into the first quarter or how should we look at it in terms of thermal coal and in terms of coking coal and iron prices going ahead now on a consumption basis?

Bimlendra Jha: In the first quarter we are fortunately not carrying high-cost inventory. In fact, if at all there has been some respite from there. But overall, you will see that we are in a bit of choppy waters right now with respect to prices. I'm sure that Odisha Mining Corporation we will see the light and they will try to adjust the prices downwards now. But nobody knows what they would do.

Ramkumar Ramaswamy: And as we mentioned we don't give forward guidance on these prices because things have been changing quite a bit. We would not give any forward guidance on how it is looking for this quarter.

Siddharth Gadekar: In terms of our pellet capacities, we were expecting to commission I think so almost 12 million pellet capacity this year. In terms of our utilization is it fair to assume that we could be at 100% capacity utilization by next year end or it will take even more time?

Bimlendra Jha: Our first pellet plant is under commissioning which is 6 million tons, another 6 million tons would be commissioned almost concurrently with our blast furnaces when they come up, the second blast furnace is concerned. That is why it is towards the end of the year that we are expecting all that. But this one would be sufficient for our requirements right now at 6 million because that is what is our current capacity.

Moderator: We take a next question from the line of Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: I just had two questions. You said you have taken inventory write off. Is that the correct word used, of 200 odd crores in Q4? What exactly is an inventory write-off? I mean I can understand mark-to-market inventory losses which can be again come, what is the inventory write off exactly we're talking about?

Ramkumar Ramaswamy: These are both write offs and write downs. We've been having old inventory for various products. It could be your gran-shots, it could be your slag or it could be your fines etc. It's a combination of HG and RM. Based on our assessment of the realizable value we have decided to write down some of them and write off some of them.

Rajesh Majumdar: The total impact of the write down is 200 crores, is that correct?

Bimlendra Jha: Write down and write off put together is 250 crores approximately?

Ramkumar Ramaswamy: Yes, that is right.

Rajesh Majumdar: The asset impairment of 250 crores is pertaining to which of the Australian subsidiaries?

Ramkumar Ramaswamy: That is Australia.

Rajesh Majumdar: Which one?

Bimlendra Jha: Wollongong.

Rajesh Majumdar: On Wollongong, as per the auditor's remarks is there more payment likely to be taken there?

Ramkumar Ramaswamy: See this is an ongoing assessment that we will have to do. We do an ongoing assessment of the realizable value and the carrying cost. And of course, as you are aware the Australia business has not been delivering the value that it is supposed to deliver. We will reflect these on an ongoing basis is what I would like to say.

Moderator: We take a next question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: The first question just the clarification on what Amit was asking on the coal blocks; we said that the last clearance is pending. I mean is it across the four mines which we have or are we talking about a particular mine? If you could just share the level of approvals across the four mines.

Bimlendra Jha: Now we are talking about Utkal-C which is our first objective and Utkal-C is the main one that gives us almost entirely our requirement of thermal coal for Angul which is for DRI coal gasification as well as for thermal coal requirements. We are talking about that.

Sumangal Nevatia: If you could just share where are we in terms of the commissioning or the approval process for the other mine?

Bimlendra Jha: The moment we get the clearance our shovels will be in. Everything is lined up.

Sumangal Nevatia: So broadly do we expect these approvals to come in this year for all the four mimes or only Utkal-C is in advanced stage?

Bimlendra Jha: The Utkal-C, we are expecting within this quarter anytime. Anytime means it can be anytime from today onwards but when it will be is only powers that be they know. The other one that we are talking about is Gare Palma which is also in a very advanced stage. Again, we are very close but it is not closed till it is not closed.

Sumangal Nevatia: My second question is with respect to our hot strip mill and blast furnace. So, I mean what sort of volume can we expect when we are looking at commissioning towards the second half in this year?

Bimlendra Jha: You're talking about blast furnace?

Sumangal Nevatia: Yes. Angul blast furnace and also the hot strip mill.

Bimlendra Jha: Before blast furnace, we will be first starting with our hot strip mill and the slab caster. Our capacity, as I had explained it maybe in the last analyst's presentation was that we are doing it in a sequence where we make maximum money. The very first in the sequence was the pellet plant. The second in the sequence was coming to be coal mine. The third in the sequence was coming to be the slab caster and HSM which is a combined thing and then comes the blast furnace and the steel making related to that as well as coke ovens. In the meantime, almost in parallel the downstream of the hot strip mill will come up. This is a sequence. Now this sequence 1 or 2 months here or there. But we are on track with respect to the entire sequence.

Sumangal Nevatia: We continue to expect this blast furnace commissioning in third quarter of this financial year.

Bimlendra Jha: That will be towards the end of the financial year as far as blast furnace commissioning is concerned. As far as hot strip mill is concerned this should be… you can expect it into the third quarter in the current financial year.

Sumangal Nevatia: Just one last question on the volume, we are at 9.6 million tons of capacity on crude steel basis. But this year we've done 7.8. So, should we expect, I mean what sort of growth should we expect in FY24?

Bimlendra Jha: This is forward looking statement that you are asking as we never give the forward-looking statements.

Moderator: We take a next question from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: Two questions. First can you help us understand how much is the remaining project CAPEX on all the expansion projects and how we should see it split between '24-25?

Bimlendra Jha: On Project CAPEX can you please repeat the question?

Indrajit Agarwal: How much is the remaining Project CAPEX now?

Bimlendra Jha: The remaining project CAPEX.

Ramkumar Ramaswamy: We are evaluating the entire slate of projects that we have on our drawing board. We are looking at trying to make some changes to the configuration as well as we see and we expect these to get finalized over the next few weeks or so. We would also have to take into account some of the CAPEX like mine CAPEX etc. that we have not shared before. Maybe over the next few weeks we will be in a position to share a more definitive view of our total CAPEX slate and what we expect to see during this year. I would only request you to wait for the next few weeks after which we can give you more definitive numbers.

Indrajit Agarwal: My second question is we talked about revisiting the capital allocation policy during fourth quarter earnings. Any update on that?

Ramkumar Ramaswamy: Yes, as I mentioned the next few weeks the capital allocation policy including the CAPEX program for the next 3 years, all of that is under finalization and review and we expect to share that with all of you over the next few weeks.

Indrajit Agarwal: Lastly if I can squeeze one more; when do we decide on the Australian asset because this has been a drag for several quarters now and we have been taking write offs on that and now there is a growing concern on Wollongong asset as well. What are we thinking on that and what kind of decisions can we expect on that?

Bimlendra Jha: As far as Wollongong resources are concerned, we do see it as a valuable asset. It is not as if it is disappearing anywhere. It has had its own challenges but there are actions being taken on the ground to make sure that the asset starts becoming breakeven and then has a possibility of giving better quality of coal. As we are focusing our efforts in that direction, we are quite confident that within a couple of quarters we should be seeing positive reports from that side. That is where we are as of now. We are not able to say with certainty to you that this is the amount of money that we'll make or anything like that but it has probably seen its bottom.

Ramkumar Ramaswamy: I would only like to add that the asset has not been delivering the right return. The same question that you asked we are also evaluating all of the options to see what do we need to do. But our first effort is always to see how we can make money and I think that is where our current focus is from the Australian asset.

Indrajit Agarwal: What was the cash burn on that asset in FY23?

Ramkumar Ramaswamy: I will ask Vishal and team to share exact details maybe after the call.

Moderator: We take a next question from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: Just a clarification on the coal block again, in terms of you had indicated 3.5 million in mining plan. Is it for Utkal-C and Gare Palma both together for this year or is it related to one particular mine?

Bimlendra Jha: This is for Utkal-C only.

Kirtan Mehta: Would you be able to indicate similar mining plan for Gare Palma and the other assets which could also probably come sometime during either this year or the next?

Bimlendra Jha: I'll intervene in between. I am just trying to get that number. I don't have it on the top of my head. I'll get that number and during the call I'll tell you.

Kirtan Mehta: One more question was about you have been reviewing some of the internal practices and we have taken some of the write off in the overseas mining subsidiaries earlier. We are again taking some more additional area this time as well. We are also reviewing the CAPEX plan again for the comprehensiveness as well. I just wanted to understand from the management side that which are the areas which you have reviewed so far and feel comfortable about and which are the areas where there is a still review ongoing apart from the overall CAPEX plan?

Ramkumar Ramaswamy: Maybe I'll give a few comments and I'll ask MD sir to comment. I think the review is an ongoing. I think in any business you will have to be constantly reviewing all of this. Some of these write-offs, write-downs, etc., my belief is that we have done most of it as we speak because if we had anything further to do it we would have reflected in this quarter's results itself. It's not that we have a much larger slate and we are trying to drip feed these on an ongoing. That is not what we are doing. Whenever we recognize that there is a potential issue in realizability, we take the impact in that quarter. As far as the impairment of our overseas loan was concerned, we have taken a full and final position last quarter itself where we had done the impairment provision. There is no further addition to that or no further change to that. The 245 crores of impairment that we saw this quarter is a provision that has been taken by our Australian subsidiary. These are not moving pieces in our view. We have taken a final provision as far as impairment is concerned for the loans that we have given to our Australian subsidiary and these inventory value, write downs, write offs of some of the old capital projects, I think as we speak whatever was having issues in terms of realizability, I believe we have taken the impact in this quarter.

Bimlendra Jha: I think I must compliment the analyst community that you get your numbers almost entirely right. If these adjustments were not there you would have got your consensus estimate would be the EBITDA estimate probably. We are also not very happy with continuing to require all these things. We have taken this big provision after due diligence which was through the external agency's recommendation. We have made a very transparent call on this in the last quarter when we announced the results. We don't have any of the foreseeable ones but still the market is cyclical. Nobody ever makes definitive statement around that. Mr. Mehta I'll take this opportunity to also answer about Gare Palma, there also we have taken this mining lease permission in the range of 3.5-4 million tons per annum.

Moderator: We take a next question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: A couple of questions again from my side. One is that you mentioned in your opening remarks that DRI plant had an unplanned shutdown. So, is it working all right now? I mean what is the capacity utilization currently at DRI plant?

Bimlendra Jha: Yes, the DRI plant had taken an unplanned shutdown. It had certain issues with certain heat exchanger etc. which is there has been currently some more work that has been done over there. I think we should be in a good position now. Now the DRI plant has again started well and this is working well now.

Amit Dixit: One question on your rail mill, last time you indicated that there is another, this plant was setting up another rail mill. Now what we are facing in the country is an acute shortage of wagon wheels also and only SAIL produces them so far. Any chance of you entering this particular business?

Bimlendra Jha: We don't have right now the plans but we would look forward to very keenly if there was any opportunity. There is already capacity that is there sitting with RINL and we believe that they can do a good job of it, their Lucknow, Raebareli facility that is there. It is adequate for India. It is just that they have not been able to so far commission it. We wish them all the luck because if that plant gets going, I don't think that there'll be a shortage.

Amit Dixit: A final one sir on demand. I mean we have been hearing about the demand being soft in certain parts of the country particularly for long. How do you see this demand panning out in next couple of quarters? Due to pre-election do you see some kind of softening of projects? How do we read into it?

Bimlendra Jha: I would say that if you look at the PMI, there are two countries amongst the major economies in the world that have got a positive trajectory on PMI month after month from February ‘23 to

April '23. And one is US another is India. In India that PMI has gone up from 55 to 57. In US it has gone up from 47 to 50. Every other major economy it is going down. As far as purchasing managers index is concerned that is already a positive story that is visible. We have also seen that the wholesale price index has come down to a negative territory now. There are anti-inflationary pressure in the economy which means that there should be hopefully some more—thanks to the elections etc.—we do expect the expenditures to go up on the macroeconomic basis. What has happened is though that the China story has not unfolded the way the world expected and as a result there has been some uncertainty around the world as far as steel prices are concerned particularly the HRC benchmark. Now as a result of that people may be holding back but fortunately customers are not sitting on huge inventories, so they can't hold back for long. But it is a good practice anyway to not hold because that creates an artificial demand. We are happy with the demand that is genuine and creates a pull into the economy. We are not seeing any reasons to worry as far as India is concerned. As far as exports is concerned there are opportunities that continue to be there across the globe but more particularly in Europe. We don't see it as a matter of concern but in the steel industry nobody has a great crystal ball and we need to always be mindful of the fact that it is a cyclical industry and small cues can result in big changes. Given that caveat I would say that we have a more positive outlook from an India perspective.

Moderator: We take our next question from the line of Vikash Singh from PhillipCapital.

Vikash Singh: Just pertaining to again your inventory write downs. Given that this quarter we have seen the net realization going up as in your comments that the iron ore cost was also higher. This is essentially entirely on the coal write downs or there's something else to it?

Ramkumar Ramaswamy: No, I think as I mentioned this is a combination of several finished goods and raw materials. So, they were old gran-shots, there were some iron ore fines. I think it's a combination of several items which we thought would not have the full realizability and we have decided to give a write downs for write off to some of these items.

Bimlendra Jha: Also, slag.

Ramkumar Ramaswamy: Slag also.

Vikash Singh: Just adjacent to this basically given the coal has been continuously on a downward trajectory, do you think that the more write downs with respect to coal or something related to that could come in 1Q or we are done with most of their write downs?

Ramkumar Ramaswamy: Again, as I mentioned see you have to appreciate this is going to be an ongoing process. Every quarter we will have to assess the realizability of all our items in the balance sheet whether it is inventory or fixed assets. As I said we have full reason to believe that as of today, wherever we had our view that there is going to be an impact to the realizability we have reflected that in our financials. So that essentially means whatever is there will be fully realizable. That's our assessment at this point of time.

Bimlendra Jha: As a practice one shouldn't be having a book value higher than the realizable value and that is the ongoing good business prudence and fiscal discipline that companies need to have. That is all that our CFO is saying.

Ramkumar Ramaswamy: Yes.

Vikash Singh: I was just a little bit confused because since if steel prices are going up or even iron ore prices are up, how can be a certain portion of fines has to be a write down. That is something which was baffling us?

Ramkumar Ramaswamy: These were not in a usable condition maybe that is how I would put it.

Bimlendra Jha: I will explain that to you. I hope if you have seen a steel plant particularly the raw material yard sometimes what happens is that even though you keep on storing the quantity at the bottom it becomes almost unextractable, it becomes part of the ground. When we do the inventory valuation, we see the usability of these assets and we take a call. It has become almost like the surface on which the material is stored. These are small calls that have been taken. In the large scheme of things these are small numbers. I would say that it is just a prudent assessment. All the audit of stocks that is regularly undertaken and this is taken on that basis.

Ramkumar Ramaswamy: Indeed, and it's a combination of several items. As I mentioned it's not just iron ore it is slag inventory, it is iron or fines, it is Panther Shorts. Several items is what I would say.

Vikash Singh: My second question regarding our debt. Given we have an aggressive CAPEX plan do you think that our debt would increase from current levels going forward and what kind of the peak debt levels is acceptable to company?

Ramkumar Ramaswamy: As we have been maintaining, our policy is to be lesser than net debt to EBITDA of 1.5X through the cycles. I think that is our policy that we've been constantly maintaining. We are currently at around 0.7 or so and clearly as we have mentioned earlier for JSO we have signed up for around 15,700 crores of debt. We have not drawn down anything so far. All of this has been funded through our internal approvals. As the EC gets approved, and once we are in a position to draw down, we will definitely start drawing down on the sanctioned debt. I would again like to repeat that we would definitely want to operate in the 1.5X net-debt-to-EBITDA through the cycle.

Bimlendra Jha: Just to clarify it again it is best that we understand our objective as well as a previously stated position on zero net debt. As far as JSP is concerned we are well on our way to move in that direction. As far as JSO is concerned it is a new entity that has been created as a fully owned subsidiary and most of the debt will potentially reside over there. Balance of things, up and down, keep on happening working capital will keep on happening but this is the direction of travel. Now we have also stated our growth ambition that we will try to be the largest steel producer at a single location in Odisha etc. We will constantly evaluate those investment opportunities, any acquisition opportunities and therefore we want to keep our gunpowder dry and we want to remain disciplined about the amount of debt that we would like to tolerate and that tolerance level has been defined as 1.5x. Now obviously with the cyclical industry that X can change but even through the down cycle we don't want to violate this 1.5X. So now you can do your math on the subject and see where we will go.

Moderator: We take our next question from the line of Ashish Kejriwal from Nuvama Institutional Equities.

Ashish Kejriwal: Two quick questions. One is in volume because we already are 9.6 million tons for long but still unable to achieve that capacity. So is it because of and because last year we have seen lots of issues regarding transportation and other things. Is it demand led or supply led and if its supply led when do we expect to reach optimal capacity of these 9.6 million tons?

Bimlendra Jha: Yes, so first of all the 9.6 million tons capacity that is there is an upstream capacity. It is not full capacity as of now in terms of the finished goods. This is at a metallics level that we have this capacity. Secondly there have been challenges in the past about the availability of coal etc. for operating our CGP-GRI completely which is now as you are aware that with Utkal-C opening up that won't be a constraint at least. So, we would be increasingly utilizing this capacity but the ability to utilize this capacity also comes in temporarily from the slab casters coming on stream before the blast furnaces come on stream. So, there is an opportunity where the metallics will no longer be a constraint. Metallics will eventually become a constraint all over again simply because there will be so much of pull from the downstream units. One of the reasons why sometimes we choose not to produce something is because it may not make sense from a commercial angle. Sometimes of course there are blips in the supply chain particularly transportation etc. So usually, these combinations of factors work but as far as our capability to utilize the metallics is concerned, I think very soon we will have a metallics constraint which means we may end up buying metallics.

Ashish Kejriwal: My question remains the same. When can we expect the optimum capacity utilization of these 9.6 million tons?

Bimlendra Jha: The optimum capacity utilization should be when we open the hot strip mill and slab caster that will be the most optimal time for capacity utilization at metallics level.

Ashish Kejriwal: Second question is you mentioned in your opening remarks that the CAPEX we have done around 5,800 crores CAPEX this year whereas in presentation or in our cash flows it shows around 6,448. I was just wondering are we referring the different CAPEX numbers or something which I'm missing?

Ramkumar Ramaswamy: Again, I will maybe request Vishal and the IR team to give you the if there is a different set of numbers, they'll clarify with you.

Bimlendra Jha: But I think the reason why you are looking at two different numbers is because of consolidated versus standalone. So, we'll give you that clarity.

Ashish Kejriwal: I doubt because in standalone it's 2,400-2,500 crores only. Can't be because in standalone we are not doing much of CAPEX. All CAPEX is done in the new 100% subsidiary. So, I will check from Vishal.

Ramkumar Ramaswamy: Yes please, the team will clarify to you.

Ashish Kejriwal: Lastly an Australian subsidiary yes, we have been saying a lot about it for last 1.5 or 2 years and giving different guidance every time but I don't know whether we are investing a lot in that to ramp up that capacity or is there any operational issues which we are unable to solve because 1.5 years we have not reached to even 50%-60% of what we promised. What's the actual issue which we are trying to address and that will help us to achieve a million tons run rate?

Ramkumar Ramaswamy: Maybe first I'll clarify a couple of points and then I'll ask MD sir to maybe respond to your other question. Firstly, we have not been giving different guidances on Australia. We've been consistently maintaining that it is not realizing the desired returns and that is precisely the reason we have taken an impairment provision in the last quarter. So, I'm not sure why you're referring to different guidances. That is number one. Number two as we mentioned just now our first priority is also to see how we can turn it around and how we can make it profitable. So, towards this we have also said that we might be making small CAPEXs to the extent of $10-15- 20 million but nothing substantially. If with this we are still not seeing the desired results then we will review and look at what are the options available here but I just wanted to clarify a couple of these points but I'll request MD sir to maybe add on to what are the kind of actions that we are looking at.

Bimlendra Jha: Yes, so first of all your question is pertinent that what is it that is happening in Australia? What is happening in Australia is a combination of factors. There was, one was that there is an operational aspect where there has been some streamlining done. Even the shift level changes have been made, some mining faces that were not giving returns have been stopped versus some other faces, we are working on that. There was an issue with the Multibolters that is being resolved. There is a FGX that is being installed. But these are not big CAPEX items. These are small CAPEX items and in the scheme of things and we will be very soon hopefully within a quarter or so we should start seeing the result of all the actions combined together to start giving better results.

Ashish Kejriwal: Lastly if I heard correctly, you said that we don't wish to violate 1.5X net-debt-to-EBITDA even in the down cycle or any of the mid-cycle, mid-year also, that's right?

Ramkumar Ramaswamy: Yes, 1.5X net-debt-to-EBITDA through the cycles is what we mentioned. This is what we've been consistently maintaining.

Ashish Kejriwal: There was a down cycle also.

Bimlendra Jha: Even in the down cycle I wouldn't like to violate 1.5x, I did say that and I'm sticking my neck out of it saying that yes, we'll do it.

Moderator: We take our next question from the line of Ritesh Shah from Investec.

Ritesh Shah: Pardon me for a bit of my ignorance. I just wanted to understand the timeline. So, in this quarter we have taken this depreciation thing of around 269 crores at the Australian sub. In the prior quarter we had an impairment provisioning of nearly 7,700 crores of the 60% of total investments in further loans and advances. I just wanted to understand the sequence of timing. How is it that we did the impairment provisioning before it was done by the Australian sub? So, one is why the timing mismatch and secondly if I had to read across, we had provided for this quantum does it necessarily mean that incrementally we'll go and write off this particular amount? That's the first question.

Ramkumar Ramaswamy: I think you will have to differentiate both of this. The provision that we had made in the previous quarter that you're referring to was for the investments that JSP had made in its subsidiary JSP Mauritius. The provision was for that. The impairment that we are talking about this year is an impairment provision that has been done by the Australian entity based on their standalone assessment of the realizability of the value. They are two different things. I think we are talking of two different entities over here and they are two different things. I think it is important for you to understand and appreciate that.

Ritesh Shah: These are two separate entities that we are looking at. I understand the structure JSPML and then basically we have the Australian entity but to my understanding we are talking about the same underlying asset which could be Wollongong or something else in Australia. Please correct me if I'm going wrong.

Ramkumar Ramaswamy: No, you're absolutely right. It is the same underlying asset. The first impairment was in the books of JSP India related to the investment that made in Mauritius and what we are talking about now is in the books of the Australian business for reflecting the correct carrying value.

Ritesh Shah: I have more questions for there. I'll speak with you. My second question was I understand JSPL, the company had a tolling arrangement with Jindal Stainless. They had some spare capacity on hot strip mill. I just wanted to understand how much was the tolling volumes and how much we used to pay Jindal Stainless on a per ton basis? The reason to ask is basically once we have HSMs probably in Q3 what you indicated that would be something which will also incrementally accrue to us?

Bimlendra Jha: Currently we are doing nil. It is opportunistic market, opportunistic time. When hot roll coil prices were going through the roof there was a big opportunity; we would do the toll rolling at Jindal Stainless. When my slabs can fetch better realization than that then I sell my slabs because

I have got the surplus capacity today. It has got nothing to do with when I have my hot strip mill. When my hot ship mill is there, it operates full out to the extent that metallics are available.

Ritesh Shah: But on FY23 basis any numbers on volume stood and how much we paid on a per ton basis to them?

Bimlendra Jha: That would become a forward-looking statement and I would avoid it.

Ritesh Shah: I'm saying on a backward-looking, actual number FY23, actuals?

Bimlendra Jha: FY23 actuals I'm sorry my reading was that going forward. The question was FY23, what is the question?

Ritesh Shah: How much did we toll by Jindal stainless HSM that is a tolling volume and how much did we pay to them on a per ton basis? I'm just trying to understand that this would be an incremental saving which would come to us when we commission our own HSM?

Vishal Chandak: We will take this offline, post the call.

Moderator: We take our next question from the line of Arijit Dutta from Kotak Mutual Fund.

Arijit Dutta: Two questions starting with the new capacities that is coming. Last time in Angul Phase 1 what I remember that we struggled to ramp up the capacity. It took quite a bit of time and pain to ramp up. If you can throw some light at what are the learnings from that one and how we are expecting this slow ramp up will not happen this time?

Bimlendra Jha: Hopefully we have improved as management. That is all I can say. No, the learning on any ramp up is that whether the readiness is there for the full ramp up or not, as far as hot strip mill is concerned, we are working on a full ramp up and the plan is in such a manner that when we start, we start with a full capacity to the extent that metallics are available. So, to the extent of the mismatch between the metallics availability and the capacity of the mill obviously the mill capacity is much higher compared to the spare metallics that we have and therefore we would be ramping it up in proportion to the metallics that we have available.

Arijit Dutta: Well, my question was more so like last time that made was from a different supplier say Chinese kind of thing which we have avoided this time and that's why we think that this time things are a bit different?

Bimlendra Jha: What supplier? I couldn't understand your question. Last time what happened?

Arijit Dutta: Last time some supplier issue, some product quality issue which we have not purchased, procured from a better supplier kind of thing. Anything from that part which you would like to emphasize this time to have a better surety on the ramp up? Is it both of bit.

Bimlendra Jha: You give me your assessment on SMS as a supplier, as far as hot strip mill is concerned. We have gone to the best. You give me an assessment of Danieli as a supplier as far as caster is concerned, you give me your assessment on Metso as a supplier as far as pellet plant is concerned. We have not gone to the people who do not know their jobs.

Arijit Dutta: The second question is more like feedback that you are getting from your sales team particularly on how the market is shaping up now. Not a forward-looking statement but what is happening currently especially as the coal prices are moving down, Indonesian coal strips are available at a cheaper price. The secondary DRI based capacity is ramping up at the same point of time there are liquidity issues. What your marketing guys are saying is there a pressure on the prices and the inventory level is moving up in the system. Any color on that side?

Bimlendra Jha: Arijit have you met a marketing guy who ever says that prices I can get much more? They always tell you that competition is not pricing…

Arijit Dutta: On the competition?

Bimlendra Jha: There is definitely a bit of inventory in the system. If you look at all the major steel players inventories, there is inventory in the system and that is something that we all need to recognize. But a more elaborate answer I gave you earlier on the basis of the PMI which is positive so the outlook is positive. There may be a short-term issue of March inventory is still not getting washed out of the system or some players sitting on high inventories and therefore taking a different kind of a pricing action. Those are things that keep happening in the market and it is almost an annual phenomenon. You can take a call based on what collectively the players are thinking and deciding and this is a bit of a game theory so let's leave it at that but as far as marketing team is concerned it is far more important to look at procurement managers indexes as a sign of confidence.

Arijit Dutta: My worry was bit more on the liquidity side and we are heading towards monsoon at the same point of time inventory is there, DRI players are ramping up. So how things are shaping up some confirmation from you?

Bimlendra Jha: No, I understand your question and I think we have given you that answer.

So, it is already 7 O' clock. We would like to take one last question if at all otherwise we would like to close the call.

Moderator: We take our last question from the line of Alok Deora from Motilal Oswal.

Alok Deora: One is on my export we have seen a pretty decent jump from 5%, it's now nearly 11% of the volume. But off late we have seen a pretty sharp correction in prices specially in global market. I'm not really asking a very specific number but do you think the export could kind of be subdued ahead in FY24 specially in the first half?

Bimlendra Jha: For me I have always maintained that export is done for two reasons. One is that we have existing customer relationships that have to be maintained. Now unfortunately the Government of India decided otherwise at some point in time and those relationships were broken and people's supply chains got shifted a bit. There is an effort at re-establishing some of the good customers relationships as a matter of continuity. The second reason for export when volumes really move in either direction, it is because of a demand supply gap. Now last year, the last financial year, the consumption in India went up by 12% whereas the production went up by 5% or 6%. Now that tells you that even if people had opportunities for export they would have probably supplied in domestic market, any serious player would have done that. We do not see exports as the mainstay of our business. We want to maintain continuous but flexible presence in exports and we want to maintain the continuity with those with whom we are having a fruitful long-term relationship. That's our view on exports. Opportunistic exports can always be done and sometimes just to relieve pressure on the domestic system we use exports as a pressure release valve.

Alok Deora: Also, just coming back to one point on the depreciation side which is much higher on a QoQ basis. You mentioned about that one impairment which you have taken. So, going forward this roughly 600 crores, a quarterly run rate would kind of continue or any color on that, on the depreciation side how much that could be going ahead?

Ramkumar Ramaswamy: The 600 crores that you are referring to is our current ongoing run rate based on what we have in our balance sheet. You would recognize that we are also embarking upon a capital expansion program. Some of these as the program comes online, some of the assets start getting capitalized. The run rate will of course change but otherwise still such time it is fair to assume that the current run rate that you mentioned would you will see for the next few quarters.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference back over to Mr. Amit Murarka from Axis Capital for closing comments. Over to you sir.

Bimlendra Jha: Just to give you the closing comments on the subject. I think it is the world is not in a very stable state but India is on a growth trajectory. So, these are the two opposite forces that we need to be mindful of as we look at the steel industry but we are quite bullish about the steel industry in India. We do believe that there is, apart from small blips here or there, steel industry has a strong future and it is good to back this industry. Also, we believe that this is the right quarter for improvement from the perspective of demand. However, that demand may have been little subdued due to the pressure of March that we have seen so far or the inventories that may be with some of the players. So other than that, we do not have reasons to worry. India's growth trajectory also indicates that this year there is likelihood of, in this calendar year there is a likelihood of 8 million tons of demand addition which is also supposed to carry on in the next calendar year. So, 16 million tons of demand coming within a period of less than 18 months or so is what is expected. We can all take our call based on some of these projections. These are all

World Steel Association consensus projections. So, we can rely on these and based on all these numbers I think companies that are engaged in construction activity and also, we are seeing a better uptick in auto, in yellow goods, in white goods. I think there are a lot of positives to draw on the fundamentals and let's stay positive as far as the steel industry is concerned. Thank you very much for your time.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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