“Jindal Steel & Power

Q2FY24 Earnings Conference Call”

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MANAGEMENT: **MR. BIMLENDRA JHA – MANAGING DIRECTOR – JINDAL STEEL & POWER**
MR. RAMKUMAR RAMASWAMY – CHIEF FINANCIAL OFFICER – JINDAL STEEL & POWER
MR. VISHAL CHANDAK – HEAD OF INVESTOR RELATIONS AND SUSTAINABILITY FINANCE – JINDAL STEEL & POWER

MODERATOR: **MR. ANUPAM GUPTA –IIFL SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Jindal Steel & Power Limited Q2FY24 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Anupam Gupta from IIFL Securities. Thank you, and over to you, Mr. Gupta.

Anupam Gupta: Thanks, Peter, and welcome, everyone, to the second quarter FY24 call for Jindal Steel & Power. From the management, we have Mr. Bimlendra Jha, Managing Director; Mr. Ramkumar Ramaswamy, Whole-Time Director and Chief Financial Officer; and Mr. Vishal Chandak, who Head of Investor Relations and Strategic Finance.

To start off, I'll hand it over to the management for opening remarks, post which we'll have the Q&A. Over to you, sir.

Vishal Chandak: Good afternoon, good evening, everyone. On behalf of Jindal Steel & Power, I welcome you all to the Earnings Call for second quarter of FY24. So we have Mr. Bimlendra Jha:, Managing Director; and Mr. Ramaswamy, our Whole-Time Director and Chief Financial Officer. So we will start with an opening remark from our CFO, and then we will open up for Q&A. Over to you, sir.

Ramkumar Ramaswamy: Thank you, Vishal, and good evening, everyone. Let me give an overview of the operational and financial performance of Q2 FY24. Our sales volume during the quarter was 2.01 million tons, which is 9% higher Q-o-Q, primarily driven by stronger demand recovery during the quarter and opportunistic export sales that we were able to complete. The share of exports during the quarter was 13% of our total sales.

The production for the quarter was 1.9 million tons, which is 7% lower quarter-on-quarter on account of planned shutdowns during the quarter in both Angul and Raigarh. The steel realizations declined by 7% during the quarter, primarily driven by weaker steel prices in July and August.

However, as we exit the quarter, steel prices have firmed up and the current realizations have improved by 2% to 3%. We have to see how this plays out during the quarter, given the various variables at play, including improved domestic demand, higher coking coal prices and an increasing trend of imports. Our SMS costs declined by 9%, primarily driven by lower coking coal and IBRM prices.

Just to give you an indication, the coking coal cost declined by approximately $70 per ton during the quarter. However, the recent hardening in prices, we see the coking coal prices going up by around $50 to $60 for the quarter 3.

Our adjusted consolidated EBITDA for the quarter is INR 2,213 crores, which is an 18% Q-o-Q decline. This was primarily driven by the lower realizations and partially offset by improved volumes and lower costs. Given the lower coal realizations, our overseas subsidiaries performance was also impacted during the quarter and we had a negative EBITDA of around INR 31 crores for our overseas subsidiaries during the quarter.

Our PAT for the quarter was INR1,390 crores, which is 18% lower Q-o-Q, primarily driven by the lower EBITDA that I just detailed about.

I'll give you a sense for the first half -- for the first half of the year, sales volume and production volume both increased 3% over the previous year. NSR declined by 9%. Our SMS costs declined by 14%. Our adjusted EBITDA is INR4,917 crores, which is 4% lower versus H1 FY '23.

Our India steel EBITDA increased from INR 4,221 crores to INR 4,908 crores, whereas our overseas subsidiary EBITDA declined from INR 881 crores to INR 9 crores during the first half of the year.

I would like to give a very quick overview of the cash flow and debt position for the first half of FY '24. We had an opening cash balance of INR 5,482 crores. We had operational cash flows of INR 4,304 crores during the first half. Our investing cash flows was INR 3,654 crores, primarily driven by the growth capex in India. Our financing cash flows were INR 576 crores with prepayments and scheduled repayments of INR 2,657 crores.

Fresh loans for refinancing of INR 2,423 crores. Short-term loans, buyers credit of INR 668 crores. A dividend payout of INR 200 crores. And a closing cash balance of INR 5,556 crores. Our gross consolidated debt is INR12,869 crores and our consolidated net debt is INR 7,313 crores, with a net debt-to-EBITDA of 0.77.

I'm sure you would have noted that our credit ratings have been upgraded during the quarter to AA, reflecting the strong underlying business fundamentals. We've also released the capital allocation framework as what we had promised earlier. We would be very happy to engage with you on any questions that you might have either during the call or subsequently later.

With that, I would like to hand it over to Vishal.

Vishal Chandak: Thank you very much, sir. Can we open up for the Q&A, please?

Moderator: Thank you very much. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have two questions essentially on your capital expansion slide that is in -- that is Slide number 14 in the presentation. So here, we have shown that the total growth capex is INR 31,000 crores compared to INR 24,000 crores earlier in the last quarter's presentation. Now I just wanted to understand whether you are looking at the same timelines for this expenditure of INR 31,000 crores? Or is it a different timeline that I'm looking at?

Bimlendra Jha: We are looking at a timeline, which is going right up to FY '26 third quarter. So in terms of timelines, for example, plate mill expansion or there is this Q&T line that we are putting up, so this is going into FY '26. This is a new one. So there is a bit of a scope change that we have had, and that is reflecting in the enhanced capex.

Amit Dixit: Sir, can you just quantify that what has caused this change from 24,000 to 31,000, Sorry, I didn't get it.

Ramkumar Ramaswamy: Sure, Amit. Maybe I can respond to this and MD sir can add to it. So first, I think I would request that you don't anchor the numbers to INR24,000 crores. I think that was released a few years back. Now subsequent to that, there have been scope changes. Some of the capacities have changed. Some of the lines have also changed. For example, you note that from TSCR, now we're now looking at implementing a CRM.

And they have also been cost changes, right? Because of this configuration and scope, FX has changed. We are also having new projects that have come in like your power plant and coal mines, which are not there. So I think there's a whole lot of changes that are there. And therefore, I would request you to only look at it in this context. So please anchor your numbers to INR 31,000 crores.

Amit Dixit: Okay. Understood. The second question is essentially again on growth capex. So earlier, I mean, our Slide 13 in the last quarter presentation indicated somewhere around INR 5,600 crores, INR 6,500 crores, something like that. And now we are saying that our annual growth capex would be INR 7,500 crore to INR10,000 crores.

Now if I look at your capital allocation policy that shows clearly that we will be cognizant of organic as well as inorganic growth and -- etcetera. So -- and of course, balance sheet headroom is always there. So is it fair to assume that we would be looking at growth opportunities throughout the annual growth capex even beyond Angul Phase 2 would remain at INR 7,500 crore to INR 10,000 crores on an average per year?

Ramkumar Ramaswamy: So I think what we have released now is what we are able to see up to FY '26. We have a fairly ambitious and much larger capital expansion program, which is there on the drawing book. It is being very, very actively discussed. It includes capacity expansion at Raigarh. It includes capacity expansion at Angul as well. And as some of these details become clearer and as some of these projects become more firmer, we will be sharing this as part of our capital allocation update on an annual basis, Amit.

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

Sumangal Nevatia: First question, just continuing on Amit's point on the overall capex of INR 31,000 crores versus our commentary of annual growth capex of INR 7,500 cores to INR10,000-odd crores I mean is it possible to share some sort of a schedule which we used to share earlier, FY '24, '25, '26 for whatever is announced, how should the capex schedule be?

Ramkumar Ramaswamy: Yes, we will be able to share this, Sumangal. But I think it will be fair to say that it will be in the range of the indicated INR 7,500 crores to INR10,000 crores. As I said, we have a much larger capital expansion program that is on the drawing board. And so I think we would be keeping it in this range, INR 7,500 crore to INR10,000 crores.

Sumangal Nevatia: Okay. But this INR 31,000 does not include anything which is on the drawing board. This only includes whatever we have spelt out.

Ramkumar Ramaswamy: That is right. That is right. That is right.

Sumangal Nevatia: And till 1H, how much of this INR31,000 crores would have been spent, 1H FY '24?

Ramkumar Ramaswamy: For the first half, as I said, our investing cash flow was INR 3,654 crores approximately. This includes growth capex and a bit of sustenance capex as well. But our overall investing cash flow was INR 3,654 crores, as I mentioned earlier.

Sumangal Nevatia: Okay. Would you have a number what is the total spend out of this INR 31,000 crores in growth capex till date -- till September end?

Ramkumar Ramaswamy: You can -- it is safe to assume that the entire INR 3,654 crores would be part of the growth capex.

Sumangal Nevatia: Sir, I'm trying to understand FY '22 and '23, what would have been spent including...

Bimlendra Jha: I'll tell you that there are lots of LCs which have not fallen due, but which is also if you consider out of INR 31,000 crores, how much has been already committed. Then, it is around INR 10,500 crores.

Sumangal Nevatia: Got it. Got it. Sir, my second question is with respect to the coal mine. So Gare Palma, it is good to see that we've commissioned. Just want to understand what is the status of Utkal-C. I believe there is some bit of payment kind of a discussion with the old...

Bimlendra Jha: No payment discussions. That was mischievous on part of somebody. There is no payment discussion over there. We have already entered the mine and started removing the overburden. But that is yet to be -- when we reach coal, we will make the announcement, okay. But as far as Gare Palma is concerned, we have already started shipping the coal.

Sumangal Nevatia: In Utkal-C what's the expected timeline for shipping coal or production?

Bimlendra Jha: Early next month, should be the -- not next month, next month is November. So end of November, early December, we should be able to start shipping the coal.

Sumangal Nevatia: Got that. And just one last clarification on the timeline. I think last call, we had mentioned that the BOF2 and BF2 2Q FY '25 has a lot of comfortable margin of safety. This quarter, we've pushed it by another 2 quarters to 4Q FY '25. So I just want to understand what's really the issue and the delay -- the reason for the delay?

Bimlendra Jha: So of course, it is always a challenge putting up such large projects when there are multiple number of projects, getting resources, etcetera to prioritize. So what we have been prioritizing is our Hot Strip Mill, so that it comes the earliest. And we will be -- hopefully, within this quarter, we should be able to take out coils. And similarly, then feeding of the Hot Strip Mill by the slab caster would begin.

But the BOF is contingent upon the blast furnace starting, and the blast furnace is contingent upon coke oven starting. So there are a lot of inter-linkages over there. So we have sort of push the timelines to the latest out of all the connections. Some of it may come in earlier but maybe based on the some purchased coal -- coke, etcetera. So therefore, when you look at the overall integrated timeline, then it is pushed out early.

Ramkumar Ramaswamy: And we will keep reviewing this on an ongoing basis. We see, of course, these large projects, there are complex dependency. So if there are further changes, we will keep you updated. This is the best estimate that we see at this point of time.

Moderator: Next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So just my question was on volumes. So like we have generally seen volume stagnated in this range of 1.9 million to 2 million tons quarterly and the utilization has not been crossing broadly like 80%, 85%. So once you ramp up your capacity in the next like 2 to 3 years, what's your plan to kind of get volumes now with these bigger capacities sort of given that the current one is not going beyond the point?

Bimlendra Jha: See, one of the major dependencies that has really held us back has been the coal availability. As you are aware that now that we are coming closer and closer to our self-sustainability in thermal coal, particularly for our CGP plant. That means the DRI starts producing at capacity. So that has been -- if you really look at it in terms of the gaps, those gaps are emerging primarily from DRI, which we hope to eliminate the moment we have sufficient coal available.

The same thing applies to power also. So in a way, some of these changes are impacting us both in terms of volume as well as in terms of cost because of the coal mines delay. So now that the coal mines are now very, very visible, I think you should start seeing also ramp up in our overall volumes.

Amit Murarka: Got it. And in flat steel, HRC, CRC like, I believe there is a customer approval cycle when you go to auto customers or any other long-term contract customers. So in the meanwhile, like is it fair to think that most of this flat steel volume will have to be exported out?

Bimlendra Jha: No, -- our first focus will be on construction where we have existing relationships. In fact, we are India's largest construction player, if you see. And therefore, what it does is that -- our ramp-up capacity is coming in a manner that we can cater to the construction market to begin with, where there is 0 cycle time for any approvals.

The second area of attack happens to be white goods where the cycle time is very short. And then comes the auto where the -- that also gives us time to learn, ramp up, etcetera. And therefore, these are all very consistent with each other. So we are also putting up facilities in a sequence that allows us to do this. That means we can hit the ground running with our existing customer base and with our existing dealer network, etcetera.

And we simply keep on ramping it up into those areas, where approval cycles are longer and longer, but that gives us an ability to produce the right quality, etcetera, and get familiar also with the flat product nuances of that technology.

Amit Murarka: Sure. Sure. Got it. And any guidance on the coal volume ramp-up, the captive mines?

Bimlendra Jha: See, at this moment, we have already produced this month, 1.5 lakh tons from Gare Palma. And we will be -- our Gare Palma total this EC is for 4 million tons. So we have to ramp up towards that. And obviously, we will continuously ramp up towards that. And as and when Utkal-C opens, then we can give you the guidance based on our experience there. just like what I told you for first month, we have produced 1.5 lakh tons from Gare Palma. We will let you know the moment we are able to get the things going in Utkal-C.

Amit Murarka: Sure. In Gare Palma, we can go to 3.5 lakh let's say, in like 9 to 12 months, right?

Bimlendra Jha: Yes. We should end the year with that kind of a run rate. Let's see if we can...

Amit Murarka: As in March, March '24 exit, you mean, okay?

Bimlendra Jha: The run rate, we would like to achieve that.

Moderator: Next question is from the line of Ashish Kejriwal: from Nuvama Equities.

Ashish Kejriwal: Sir, just to take one question on Utkal-C. As you mentioned that by the end of November, we can start. But is there any issue which can happen if we -- if the payment issue with the earlier mine owners get somewhat held on? Or are we going for any tribunal or something like that?

Bimlendra Jha: There is a very established procedure. There is a very established procedure, nominated authority is there. There are -- I think these are very streamlined processes. It was -- I think mischievous on somebody's part to put it in something that is not so clear as something that they even filed with the exchange. It is...

Ashish Kejriwal: My early question was that will it be any hurdle...

Bimlendra Jha: No, no.

Ashish Kejriwal: No hurdle according to you, despite if we are not paying it within this month.

Ramkumar Ramaswamy: Yes, we don't estimate any hurdle for this.

Ashish Kejriwal: Okay. And sir, secondly, we have already commissioned our Pellet Plant a quarter back, in fact, it has been ready for some time. But what is stopping us or what is creating problem in starting the commercial production? Is there any issue on the demand side or the stabilization side?

Bimlendra Jha: Commercial production -- we started reporting from last month, the commercial production -- sorry, last -- not last month. I'm forgetting all the time that I'm not in November, I'm still in October. So not last but we have started reporting this month, that's not a problem. It is that we wanted to have stability of certain parts before we could start declaring it as commercial production. So now we will start reporting it on a regular basis.

Ashish Kejriwal: Sure. And sir, lastly, when we are talking about, obviously, we have extended a timeline by 2 quarters. And now we hope that this should be the final one, not a further delay in that. But this BOF3 have we ordered that because in presentation, your BOF 3, BOF 2 all are for quarter -- Q4 FY '25, despite the fact that we have not decided until last quarter of 3 million tons and the same timeline is given for BOF 2 and BOF 3. So my question is how confident we are not for further delay in this? And secondly, have we ordered for BOF 3 or not -- machineries?

Ramkumar Ramaswamy: Maybe I can start first, and then MD sir can give the details. So this is our current estimate of the timeline, Ashish. And as mentioned, you -- yourself noted that we have revised it from last quarter to this quarter because during the various project reviews, etcetera, it was identified that there could be likely time overruns and that is why we have reflected this.

We will be reviewing this on an ongoing basis, and if there are going to be any significant changes to this, we will keep you updated. I mean the same timelines will keep getting updated on an ongoing basis. That is the overall context, I just wanted to kind of share. But then MD sir can specifically...

Bimlendra Jha: So as far as -- if you go by the list, Pellet Plant 1 is already up and running. HSM is imminent this quarter. Slurry pipeline is the one where there are always -- a small patch can hold you back for years if you don't get it right to the politics, okay. So these are always best estimates based on elections coming, this, that. So we have tried to take as realistic view as we can see as of now. But who has seen the future, what happens.

Ashish Kejriwal: I understand. So it's a slurry pipeline, it makes sense. But BOF and other things, we have seen large delays, which was not expected.

Bimlendra Jha: BOF is under construction. BOF, there were changes that was made as the project progressed, we realized that we were better off with some changes over there, both in terms of capacity, in terms of layout, etcetera, etcetera. So there is -- there was a bit of a delay because we tried to improve upon our original plans continually. So that's the only reason, not for any other reason.

Ashish Kejriwal: So is it safe to say that now we have done with the whatever changes we have to do at least for BOF 2. BOF 3 may -- make further changes as we have not ordered machinery.

Ramkumar Ramaswamy: No. I think as what we said, Ashish, this is the best estimate of timelines as we see now. And we are reasonably confident of these timelines.

Bimlendra Jha: Not only the timeline, the scope also we have now finalized. This is our best estimate of scope as on date.

Ramkumar Ramaswamy: If there are changes to this, we will definitely keep you updated.

Ashish Kejriwal: Yes, yes. No, no issue. Because the main thing is because of this, our growth capex also start increasing by -- we started with INR 18,000, then 22, then 24, now INR 31,000 and more or less volume is more or less same, thus minor changes here and there. So that's why I'm asking in a deflationary environment when our overall volume does not change. No, scope changes leads to around 30%, 40% increase in the capex, that is somewhat which is pinching us.

Bimlendra Jha: From an outside in perspective, you are absolutely right. But you also look at some of the changes that we have made are so fundamental and so strong for the company for the future. For example, this ACPP 2 where 1,050 megawatt power plant came up right next to the mines, which also reduces our cost of transport of coal simply because we would be terminating our run of mine coal into ACPP 2 which means that we have to transport much less inside our plant, the washed coal.

All these small little changes that have far-reaching implications, we would be not doing our duty if we were not leveraging these opportunities, reviewing them continually and making changes that are beneficial for us. So that is what is causing some of these changes. Obviously, we did decide that something will fall in our lap for only INR2,000 crores, 1,050 megawatt plant that we are trying to put up. So these are not the kind of things that you anticipate in advance sometimes.

Ramkumar Ramaswamy: And if you look at what we have said, we have said that all of these investments, we are targeting a return of 18% to 20%. I mean that is the return that we are looking at. So all of these are very, very value-accretive projects. There is a very, very clear runway to reinvest our earnings for growth over the foreseeable future at 18% to 20%. So I think -- the plan that we have at this point of time seems very, very credible both from a timeline perspective and a cost perspective as we see it Ashish.

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

Vikash Singh: Sir, just one question. I just wanted to understand our propensity in terms of capex, given that the current market is a little bit weak in terms of margins. Whether we would prioritize completing this project and piling up debt or whether we would try to match the -- this capex with the cash inflows and there could be a further delay in the timelines. So your assessment on the same?

Bimlendra Jha: See, our headroom is very high. As you know that as per our capex policy, we have already stated that we will -- we can go up to 1.5x in terms of our EBITDA multiple. Now given that, we are only at 0.77 today on our net debt. So we have enough headroom and we don't foresee a cash-related problem with respect to our own self-imposed covenants to hold back any capex.

So we are going full steam on the capex. As far as markets are concerned, whatever be the market, you have seen that even though on a consolidated basis, there may be a decline in H1 to H1. The India EBITDA went up by INR 700 crores H1 to H1. So we are not seeing the market to be any reason to worry about.

Ramkumar Ramaswamy: And maybe just to add, I think, the demand in India is going to be very, very strong. So I think clearly, there is a very, very strong opportunity for us to get all of these capexs completed as quickly as possible. So that is number one.

Number two, as we mentioned in our capital allocation framework, we have kind of synchronized the capital allocation to our operational cash flows -- projected operational cash flow. I mean, we'll try to keep it in that order of magnitude. I mean that is the logic for the INR7,500 crore to INR10,000 crores here.

We will be ensuring that the capex is in the order of magnitude of operational cash flows. However, if there is a trade-off situation and we have to expedite the capex because the opportunity to speed them up is there. Then like what MD sir mentioned, we have headroom as well in terms of our borrowing. So we will have to take all of these decisions on a conscious basis as we move forward. But these are the various options that we see ahead of us.

Vikash Singh: Understood, sir. So sir, in terms of consolidated net debt by EBITDA, which was at 0.8x. What is -- any peak levels which you are expecting that we won't reach that, let's say, 1.5 or 2x? Can you give us some number?

Ramkumar Ramaswamy: We have already given a guidance that we would like to operate at a net debt to EBITDA of 1.5 through the cycle. So I think we would like to just retain that and not give any additional numbers beyond that.

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

Ritesh Shah: Couple of questions. First is, sir, can you detail our iron ore sourcing strategy. I think we have one captive mine, we have Kasia, what's the update over that? And specifically, post the Pellet Plant, what's the current iron ore requirement? And what's the sourcing like? That's the first question.

Bimlendra Jha: So first of all, we already have Tensa and Kasia as our mines, but there is plenty of iron ore available through OMC and NMDC and all that. And we already have -- as you are aware, that Odisha also has this, Odisha first policy in iron ore supplies. So we don't foresee with abundance of iron ore available around us that we have to look beyond too much. So we have our existing sources and all that. If at all anything can pull us back, it can be the Railways. That's the only thing that can derail anything. So we should only hammer the government to continuously invest in Railways, double lining and all that. So that there is...

Moderator: Sorry to interrupt you, we are losing your audio.

Bimlendra Jha: Sorry, I don't know why, but I'm closer to the mic than Ram is, and maybe I should turn this around. Yes. Is it better now?

Moderator: Yes, sir.

Bimlendra Jha: Okay. So maybe that mic is not working out of the tripod. So what I'm saying is that there is no reason to worry about on the availability of iron ore. There may be from time to time issues around Railways. And that's the only thing that makes us worried. But because we are investing in a slurry pipeline, even that worry goes away, The moment our slurry pipeline comes in.

Ritesh Shah: Sure. And sir, what's the status on Kasia?

Bimlendra Jha: What is the status -- same -- business as usual.

Ramkumar Ramaswamy: Business as usual. It is operating, we are mining as per the mining plan.

Ritesh Shah: Okay. This is helpful. Sir, my second question was on outbound logistics. Given we doubled the capacity. So one is, any update on basically the rail tracks what you're -- what you just indicated? And secondly, we are into Far East, and we are expanding incrementally sizably on the flat side. So what is the market that we are looking to cater because if we come to South, you'll have players like JSW Steel. Further East you have likes of Tata Steel. So what's the end market that we are looking to cater?

Bimlendra Jha: Yes, good question. So first of all, one of the elements of the capex that you saw has increased -- has also increased due to Railways, INR 600 crores is what we are putting in more because we are buying more wagons or rakes. We are investing in a loop lining within the plant which is making sure that we don't have only one entry and exit, we have double entry and exit. There is double lining that we are investing in. So there are quite a few things that we are doing there. Secondly, you are aware that there is also this Paradip port, where we are into a joint venture.

And where there is not only an inward terminal for coal, etcetera, but there is also an outward terminal for our steel supplies, which means that we will be doing a combo mode of rail, followed by ship, followed by road kind of logistics, which is a very good model in terms of the overall cost economics of reaching coastal markets, in particular, and which are also very good consumers of steel, whether it is Chennai, whether it is Cochin and all those places, they become readily accessible to us at a much lower cost with this kind of a terminal that we are building in.

So this is something that we are very, very conscious of. And as the government of India keeps on pushing on the inland waterways, that is also something that we would look at very keenly, particularly the ones where there is an attempt to go via Bangladesh into the Northeast. So there are quite a few of these things which are on the horizon. So if you look at a 5-10 year horizon, where our new markets will open up, some of these will also open up new routes, which are not the traditional routes.

Moderator: Next question is from Kirtan Mehta: from BOB Capital Markets.

Kirtan Mehta: In terms of your remarks, you had referred that by doing the changes to the project scope, we are enhancing value quite significantly. From an external perspective, what we can see is the project cost, which has increased from 220 billion to 310 billion. Could you also share some of this value increases that you have done in terms of giving us some continuing numbers so that we can appreciate the value change coming through this capex changes?

Ramkumar Ramaswamy: Let me start and -- so I think while I'll not be able to share very specific numbers over here, maybe I'll just give you a sense of what -- how value is going to improve in this thing.

Number one, I think this includes all the coal mines. Coal mines has a significant value for us in terms of our cost of power, our cost of DRI, cost of fuel that is going. So -- and also the opportunity to sell coal commercial. So the entire value is built in and you will see that starting to flow through some from once the mines become operational.

The second is a slurry pipeline. Slurry pipeline, the cost of transportation of iron ore from our mines to our plant can come down by around INR 700 per ton approximately. These are approximate numbers. And at the steel level, this can translate into close INR 1,500 per ton. That is built in over here. We were not there in the original capex.

Our power plant will be the ACPP 2, will result in lower cost of power because of a more efficient plan that we are putting in. And combined with the coal that we have, I think our cost of power will go down.

The profile of our finished products with the HSM, the CRM, etcetera, we will be able to deliver much improved margins from where we are now given that we do even now have a fair share of semi's etcetera. I think our overall margins will improve significantly. All of these have been built in.

And to facilitate this, things like your railway line, things with residential townships, all of these are enabling capexes that are built in. So that's how we look at it on an integrated manner. I hope that answers that. I'm not able to provide any specific numbers at this point of time.

Kirtan Mehta: And the second question was about the BOF 3. What I understood from the call is that at this point of time, we have not yet ordered the BOF 3, we are looking at Q4 FY '25 as the commissioning timeline. I just wanted to understand the project sequence in terms of sort of ordering, arriving of long-lead time, construction, commissioning, what are the typical sequence and how much time actually goes into a BOF construction. Would you be able to explain that sequence to us?

Bimlendra Jha: See, we have started placing orders already for BOF 3 as well. So we -- and we are well within the timeline that has been indicated over here from our current understanding, okay. So there are some items which are long lead items. Otherwise, the longest time that it takes is usually in the building. Now because we are already building the BOF 2, so the building is already getting completed much before. So the only thing that, that remains are the equipment, which is then faster to erect once they start getting manufactured. So it's a slightly skewed in -- against the first one, but not against the next one.

Moderator: Next question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Again, a couple of questions. If we noticed that the steelmaking / iron making has been pushed to Q4 FY '25. However, in the meantime, we will have Pellet plant and HSM coming in. So is it reasonable to expect that all 6 million tons of Pellet would be sold on a merchant basis in FY '25? And with this HSM coming in not only we will achieve more balance of capacity in terms of crude versus finished. But also, we will have a chance for custom rolling? Is it something that is in your radar at this point in time?

Bimlendra Jha: As far as pellet is concerned, as soon as our Angul plant is self-sufficient, that much of pellet gets released anyway from Barbil. And that will be sold. So it is part of the -- our plan and thinking that there will be opportunity at Barbil to sell the pellets based on the proportion or start making those grades of pellets which fetch you better prices even if the production can be lowered because there are different grades of pallets that you can make and they fetch you different prices. So depending upon what gets us the best returns, we can choose a quantum of pellets that we want to sell.

And the planning for steel -- crude steel, there are multiple ways in which you can source and enhance the metallics. So for example, anyway, there is scrap-based melting, which is easy for BOF to increase. Let's say, you can go right up to 20%-25% scrap loading into a BOF. So you can enhance and add metallics. So there are multiple ways in which we -- depending upon the pull that we create for our products, we can always enhance the metallics availability. That's how we see it.

Amit Dixit: But is it possible at this point in time to give because we have -- our capacity will remain fairly content until maybe Q4 FY '25. So what kind of volume increase should we assume in FY '25?

Bimlendra Jha: Q4 FY '25, you are talking about -- okay. So because of BOF 2 -- no, that is -- what your concern is actually, there will be, hopefully, an earlier availability of this, but not in an integrated manner. So that's why we have given you the last dates over here. But BOF 2 will come much earlier and maybe coke or something like that, maybe a little bit delayed, which is within the timelines that we have indicated here.

Ramkumar Ramaswamy: We are looking at various options on how best we can make our hot-rolled coils. I think that better -- those options are still being discussed and evaluated. A lot of them are closer to finalization stage. So as things become clearer in terms of how we are going to source our metallics, we will -- maybe update you in the subsequent quarters or what is the likely volume for next year.

Amit Dixit: Sir, I will try again. I mean, the -- is it possible that our volume -- sales volume, which would be 8 million tons or so, can we achieve a higher sales volume than this in FY '25?

Bimlendra Jha: Yes, of course we will have higher sales volume in FY '25. Now that is without doubt. First of all, I already mentioned to you that we are not producing at capacity in our CGP-DRI. That itself with the availability of coal starts producing, giving us more metallics. That's the first protocol.

So secondly, there may be a reduction in semis that we will do since we today do not have that much of finished goods capacity. We have more semis capacity. So we have metallics and we will have even more metallics to produce more of raw materials that means slabs for the Hot Strip Mill. So those opportunities are there, and therefore, there will be enhanced volumes.

Amit Dixit: Okay. Got it. The one question is about simple bookkeeping question. Sir, if you could let us know the EBITDA for the 3 coal mining ventures separately?

Ramkumar Ramaswamy: Yes, I think that you can reach out to our Investor Relations team, and they will be able to share that.

Moderator: Next question is from the line of Bhavin Chheda: from Enam Holdings.

Bhavin Chheda: Yes, sir, you have some good set of numbers. I think I missed your answer, the Hot Strip Mill starting much before your blast furnace starts. So, do you plan to procure slabs from outside or what is the plan?

Bimlendra Jha: Yes. So I already said that Hot Strip Mill gets feed paid from 3 different sources. One is by reduction of semis. We will not sell semis. That's the simplest of the ones, okay. And it will all be rerouted to slab. Second, with more coal, we have more DRI, that means more volume of metallics. So that's additional volume that comes into the play.

And third is the availability of scrap. So scrap is available, which can be melted, and therefore, we can have more metallics. So these are the sources. Now what happens post blast furnace coming in, is that the costs starts reducing, apart from even more volumes being available.

Moderator: Next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: On realization, like, I believe in Q1, there was some benefit of higher price exports executed in Q1. Q2 doesn't have any such benefit, right? I just wanted to know?

Ramkumar Ramaswamy: No, no. No, I'm not -- again, I'm not sure on what was the benefit of Q1 that you're referring to, Amit. But Q2 clearly doesn't have any exceptional items or any benefits from higher exports. Amit, are you there?

Amit Murarka: Yes, yes sorry. Yes, what I meant was in Q4 FY '23, the steel prices are high and export orders booked that time were like executed in Q1, which benefited Q1 numbers. So I just wanted to confirm that in Q2, there was no such kind of lag benefit of export orders or anything like that.

Bimlendra Jha: No, no, no. No, there was none. In fact, you're right that there were some lag orders from Q4 that benefited us in Q1. On the export front, the realizations were better. Yes.

Ramkumar Ramaswamy: But nothing in Q2.

Amit Murarka: Got it. Got it. And also, like as we gradually move towards more finishing capacities and all, so is it right to think that the exports will -- then you would look to continue to kind of focus more on the domestic market, like earlier, the mix of export used to be 25% and 30%. So going ahead, probably we should expect it to be more like in the current range of 15-odd percent or maybe max, 20%?

Bimlendra Jha: See, the export may happen for pellets, for example, but not for the semis. So yes, but overall numbers, I can't guess right now in terms of percentage only because, as I said, that depending upon how much we can free up our capacity of the Pellet plant in Barbil that we should be able to either find a domestic buyer or export.

We obviously prefer domestic sales over exports most of the time. But there are always opportunities sometimes that open up, particularly on the upper end of the value chain where it is more of these metallics, semis, etcetera. Certainly, there are opportunities and large bulk shipments can take place. So I'm not pre-guessing what can happen potentially there.

Ramkumar Ramaswamy: And we will go by where the value is. I mean, wherever we are able to maximize value and returns. So I think that is what we will look at. Now, we don't specifically operate saying we would like to export this much or we would like to sell this much in domestic. If we are guided by the value, the market is quite dynamic. We keep watching where the value is, what the right mix, whether it should be sold in domestic or whether it should be exported. Currently, we are seeing a lot of value in the domestic market. So we will be evaluating this on an ongoing basis.

Amit Murarka: Just a last question for me. Like we are seeing an increasing focus on carbon reduction, CBAM is coming up and even India is talking about a carbon trading framework. Any specific measures that you would like to highlight? And because you are at this point in time, at least at the higher end amongst the largest steel mills in India.

Bimlendra Jha: See, we have got EPD for all our products, okay. And when needed, we can produce because of the configuration of our plants, lower CO2 products as well, properly certified by international agencies. And this is something which gives us a very unique opportunity compared to players who have only BF, BOF. We -- because of extensive presence of EAF in our system, we have certain possibilities. And with all the qualifications that exist with us, this becomes a route to success in some -- under some specific circumstances.

Moderator: Next question is from the line of Ritesh Shah: from Investec India.

Ritesh Shah: Sir, can you please touch upon the total coal requirement, both thermal coal as well as coking coal at this point in time, including CGP? I have some numbers that I'd like to have it vetted through you. And how are we sourcing coal? The reason to ask this question is, you have emphasized that once the mine starts, things will fall in place for both steel with respect to CGP as well as the power plants.

Bimlendra Jha: So CGP-DRI and power plant have suffered because of the government policy on giving priority to Railways for thermal coal to be supplied to thermal power plants. As a result, despite coal being available in plenty, Railways have not been able to cater to the demand. This is the reason why we say that when thermal coal availability is in-house and next door, we are not dependent on Railways. We are not dependent on anybody else.

We have coal when we want it in the size and shape we want it. So this is the reason to say that our CGP-DRI has constantly suffered over last 10 years because of lack of availability of coal, which gets removed the moment our own self-sufficiency is there in thermal coal.

As far as coking coal is concerned, we are, of course, dependent on imports. It's a different matter that there are also mines abroad that we have got and our sister concern has got. So that in case of any crisis, we still have some internal capability to handle coking coal. It is at arm's length pricing, etcetera. But at least the security of coking coal is not a big problem for us. We are also hopeful that our mines in Australia, for example, who are putting up FGX and multi-bolters and all that, they will start giving us much better ash coals that we can utilize in our capacity.

Ritesh Shah: Sure, sir. Sir, a lot of emphasis on rail and logistics, sir. Is it possible to give some timelines or specifically on the railway logistics in around the plant and you did emphasize on the Paradip port JV. Sir, what exactly are the timelines over here? Because that looks like the key call over here.

Bimlendra Jha: So we will tell you, there are some of the things -- as that is part of another company where we are a partner. So we can give you these numbers from their perspective.

Ritesh Shah: Sure, sir. Okay. And sir, I just wanted to confirm how much of the cement capacity right now, what are the expansion plans over there? And does it fall all under JSPL, the listed entity?

Bimlendra Jha: No. The cement plant other than the grinding mill that we have, all other expansion in cement is coming under Jindal Panther Cement, JPC. That is not within our listed entity.

Moderator: As there are no further questions, I will now hand the conference over to the management for closing comments.

Bimlendra Jha: I think we continue to see India walking to a different drumbeat. We see that there is a sustained continued demand in construction. Construction happens to be the single largest consumer of steel and we happen to be as JSP, the single largest player in the construction space with the widest range of products.

Whatever was the gap in our product portfolio for construction is getting bridged in the coming quarters and years, so that we are in a position to cater to the entire basket from a construction and infrastructure possibility. There is, of course, an expansion of railways and all that is happening. We are very hopeful on that front as well. We our rail forging plant is coming up very soon. So that will also be something that we will be able to leverage the opportunities in India.

And we are able to also expand our capacity in fabrication. So currently, a lot of that capacity is getting utilized for in-house purpose. But there is huge demand opening up for these kind of value-added services. So as and when our capacities are built, we are also ready simultaneously with value-added construction-based fabricated structure capacity for the country. So we continue to be bullish on steel industry in India.

And thank you very much for supporting us. Those investors who invest in steel, they know that they are in cyclical industry, but they are more courageous than anybody else because they also know that it is black gold. So we continue to thank you for your continued confidence and interest in steel industry. Thank you very much.

Moderator: Thank you very much. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.