"JSW Steel Limited
4Q FY'24 Results Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to JSW Steel 4Q FY'24 Results Conference Call. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwin Bajaj, Group Head of Investor Relations. Thank you, and over to you, sir.

Ashwin Bajaj: Thank you Sagar and a very good evening, ladies and gentlemen. It's a pleasure to welcome you to JSW Steel's Earnings Call for Q4 and FY 2024. We have with us today the management team represented by Mr. Jayant Acharya, Joint MD and CEO; Mr. G. S. Rathore, Chief Operating Officer; Mr. Rajeev Pai, CFO; and Mr. Swayam Saurabh, CFO Designate and who will take over as CFO from 1st June as we have announced today.

We will start with opening remarks by Mr. Acharya and then open the floor to questions. So with that, over to you Mr. Acharya.

Jayant Acharya: Thank you. Good evening, everybody. Just a small perspective on the global macro, 2024 is expected to be slightly better. The print of IMF was revised to 3.2 from 3.1 aided by better PMI and mild expansion, which we have seen in the quarter 1, which has been positive. Disinflation, we are seeing across regions. However, probably at a slower pace than what was earlier thought. So, the rate cuts could be pushed in some of the countries. U.S. would look at it probably with a gap. But we may expect lesser rate cuts than what we had initially anticipated. Europe would go ahead with the rate cuts since their inflation is dropping faster. In China, the property sector continues to be a drag, but has been offset by strong growth in manufacturing and investments, which enabled strong 5.3% growth in quarter 1. We expect targeted stimulus by the Chinese government to continue during the remainder of the year.

In India, the growth momentum continues with positive trends across key sectors and a resilient macroeconomic profile. The IMF has upgraded India's FY'25 GDP growth to 6.8% and its medium-term growth projections until FY'30 to 6.5%. We expect a further pickup in activity levels post the ongoing general elections. Key sectors such as real estate manufacturing, automotive, energy transition continued to show strong trends.

If you look at the steel sector, global crude steel production during January to March grew by 0.5% to 469 million tonnes. Within this, China fell by 1.9% YoY, while the rest of the world saw a growth of 3.6%. India crude steel production grew by 9.7% YoY to 37.3 million tonnes and consumption grew 9% to 35.7 million tonnes. Steel demand overall for the year grew at 13.6%, and we expect a strong steel demand growth to continue on the back of healthy government capex as well as strong demand from manufacturing, real estate, automotive and the overall consumption.

Private capex is also likely to pick up with increasing utilization supported by healthy balance sheets.

India steel imports at 2.61 million tonnes grew 30% YoY in Q4 and at 9.65 million tonnes for the full year grew by 37%. Rising steel imports remain a key risk for the domestic steel industry, especially from China and the ASEAN.

Sustainability: At JSW Steel, mainstreaming sustainability across the businesses and generating sustainable value has been one of our strategic priorities. We have committed to achieving Net Zero emissions by 2050. JSW Steel has been recognized as a steel sustainability champion by World Steel Association for the sixth consecutive time. And we are the only steel company globally to have secured the CDP A rating for water security. Under the CDP Climate Change, we have retained leadership rating for the fourth consecutive year. Transition towards renewable is a major thrust for us, and we are pleased to announce further 600 MW of renewable capacity, including 400 MW of wind and 200 MW of solar. For the first time, we are also adding battery storage of 320 MWh with this capacity at Vijayanagar. This new capacity, along with the earlier announced renewable capacity will ensure that 26% of Vijayanagar's power requirement at 18 million tonnes capacity will be met through renewal.

If you look at the strategy direction, which we have been giving you earlier towards 50 million tonnes, and we have updated a slide, on Slide number 18. I would like to draw your attention to that. JSW Steel has been an industry leader for the last 10 years with respect to growth and we have grown our capacities, production, EBITDA and benefited from higher economies of scale. We have also added value-added product capabilities and capacities. You will see from this slide that over the years, we have grown in volumes. We have grown in terms of value-added product share, and we have grown in terms of EBITDA, while we keep our EBITDA in a reasonable range.

Economies of scale and margin expansions are playing out, and this will enable us to generate higher cash flows and fund our growth mainly through internal accruals. This transformation will be driven by 5 elements or pillars, viz. growth, product enrichment, cost optimization, raw material security, and the decarbonization pathway, which we have earlier been trying to reach with a net zero emission target by 2050. We are also maintaining a strong focus on Innovation, R&D and Digitalization. The aim is to continue to transform JSW Steel, make our margins higher and more resilient.

Now moving on to quarter 4 and the FY'24 operational performance. During quarter 4, we reported the highest ever consolidated quarterly steel sales at 6.73 million tonnes, which was up 3% YoY and 12% QoQ. Crude steel production during the quarter grew 3% to 6.79 million tonnes YoY. Export sales at 1.3 million tonnes was sharply up QoQ, driven by restocking demand opportunity in the global markets and constituted 20% of our overall sales volume.

Domestic sales at 5.16 million tonnes fell marginally due to elevated imports and channel destocking pre-elections. However, we were still able to liquidate inventory by 300,000 tonnes during the quarter on additional exports and better structured execution of the domestic sales. We had the highest ever sales of value-added and special products in the quarter at 62% share

in quarter 4 versus 60% in the previous quarter. We also reported the highest ever coated and long product sales, which grew 5% in coated and 11% YoY, respectively. The tinplate and renewables have also shown very good growth during the quarter.

On an annual basis, we reported combined crude steel production of 26.68 million tonnes and sales of 25 million tonnes in FY'24 and have achieved 101% of our production guidance and 100% of our sales guidance for the year. Please note that the combined volumes include JISPL for the full year. JISPL was merged with JSW Steel effective 1st August '23.

At the consolidated level, our revenues from operations were INR46,269 crores, up 10% QoQ. EBITDA at INR6,124 crores, which was down 15% QoQ with an EBITDA margin of 13.2%. Our EBITDA per tonne on a consolidated basis stood at INR9,101, and the profit after tax was INR1,322 crores. The performance on QoQ basis was impacted by lower NSR and higher coking coal costs, which was partly offset by better blend and higher sales volumes. We were able to liquidate 300,000 tonnes of inventory, which gave us an additional EBITDA. The overseas operations reported stable performance on QoQ basis with overseas EBITDA falling marginally compared to the previous quarter.

The U.S. operations, Ohio and Texas combined had an EBITDA of US$18.5 million in quarter 4, which was an improvement from EBITDA of US$12 million plus in quarter 3. The Italian operations EBITDA at EUR7.5 million was lower QoQ primarily on lower volume of production in rail, where the raw material for the rail production got delayed due to the geopolitical disturbances in the Middle East, and we expect that to come into our volume in quarter 1. We expect the overseas operations to continue to do well in FY'25.

Our net debt stands at INR73,916 crores, down INR5,300 crores on a QoQ basis largely driven by a release in working capital and calibrated capex. We have, however, not calibrated any growth capex. Our revenue acceptances as on 31st March'24, were US$2.05 billion and capital acceptances were at US$163 million.

Importantly, our balance sheet remains healthy. The ratio of net debt-to-EBITDA was at 2.62x versus 2.64x in December. Our net debt to equity at 0.93x improved over the last quarter of December '23. We expect to fund our growth primarily through our cash flows and we aim to maintain our leverage ratios below 3x.

The Board has recommended a final dividend of INR7.3 per share, subject to shareholders' approval at the AGM. This translates to a payout ratio of 20%, which is at the upper end of our stated dividend policy. We had guided for coking coal cost to increase by US$20 to US$25 per tonne in quarter 4, and we have seen an increase of US$22 per tonne with the CFR cost of coking coal at US$274/t CFR. Given the recent fall in coking coal prices, we expect the coking coal prices to go down, in quarter 1 by US$22 to US$27 per tonne.

In case of iron ore, despite elevated prices, we have managed to keep iron ore costs under control during the last quarter on the back of optimized blends and specific consumption.

Improving raw material security has been one of our strategic objectives. And in case of iron ore, we have secured 24 mines through various auctions and resources of 1.6 billion tonnes

over all these mines. Out of these, 13 mines are operational and remaining are in the various stages of commissioning. In the near-to-medium term, we are increasing our iron ore mining capacity in Karnataka from 7 to 15.5 million tonnes with increase of EC limits by 4 million tonnes in existing mines and gradual commissioning of 3 new mines, which will further add 4.5 million tonnes. The Goa mines will add another 1 to 2 million tonnes once they are commissioned. We will continue to participate and bid rationally at upcoming iron ore auction, especially in Karnataka with a focus on mines closer to our plants.

In case of coking coal, we are in the process of commissioning 3 coking coal mines, which should give us 2 million tonnes of clean coking coal. We are also happy to announce the acquisition of a coking coal mine, the MDR coking coal mine in Mozambique in continuation of our strategy to improve our raw material security of coking coal as well. The asset has reserves and resources in excess of 800 million tonnes, including more than 270 million tonnes of prime coking coal. This transaction is subject to regulatory approvals, and we expect the mining operations to commence after the necessary approvals and condition precedents are satisfied, and we take over the development of the mines.

Domestic steel demand continues to be strong. In the last year, we grew by 13.6% as we discussed. In the last quarter, we grew by 9%. Even if you were to take a growth between 8% to 10%, which we have been saying as a conservative kind of a growth trajectory for India for this decade, we would be adding incremental demand of 12 million tonnes per year.

We have seen an increase in global steel prices rising by around US$20/t in China and some of that has been reflected in April and May in India as well. Domestic prices have bottomed out, and therefore, we see a better pricing environment and that should support margins. However, the prices even after the increase is probably where we were 6 months back.

JSW One platform is doing quite well, has scaled up significantly since the beginning and has more than 50,000 registered customers. The annualized gross GMV is INR9,400 crores on March '24 exit run rate and continues to grow rapidly. JSW One platform had raised US$25 million from Mitsui, Japan in March '23, you will recall, and JSW Steel holds majority shareholding in JSW One.

The capex and expansion program continues. At JVML, we have commissioned the Hot Strip Mill, 5 million tonnes brownfield expansion. The commercial production has commenced. The integrated production will be completed in the next 2 months. We have already completed the Phase II expansions in BPSL, and we expect ramp-up of both these capacities during the course of this year.

At BPSL, the Phase 2 expansion is largely completed. Here we may be able to do the ramp-up earlier, maybe by October of 2024. At JSW Steel coated products, the color coated line in Jammu and Kashmir is expected to start commissioning activities in quarter 2. The 30 million tonnes slurry pipeline in Orissa is also progressing well with commissioning expected in FY '27.

The company's consolidated capex spend during FY'24 quarter 4 was INR3,500 crores. And during FY'24, it was INR16,752 crores. We expect consolidated capex in FY'25 to be around INR20,000 crores. With the new facilities at Vijayanagar and BPSL, which will be ramped up during FY'25, we expect higher volumes in FY'25. We will also be taking a shutdown of our BF3 furnace in Vijayanagar for capacity enhancement. And consequently, our consolidated production and sales for FY'25 will grow.

Our guidance for FY'25 stands at 28.4 million tonnes for production and 27 million tonnes for sales, respectively. We will get the full benefit of the expansion at Vijayanagar and BPSL in FY'26. We expect improvement in EBITDA per tonne going into FY'25 versus quarter 4 given the lower raw material cost, which we are seeing. We expect the quarter 1 coking coal cost to go down by US$22 to US$27 per tonne, as we discussed. Better efficiencies and some of the cost-saving projects, which we have done will help to reduce the cost. We see more stable prices, which will support margins going into the quarter 1 and the rest of the year.

I would also just like to add that our normative EBITDA numbers for 9 months of FY'24 have been in the range of INR12 to 12.5 thousand per tonne. We expect to be returning to our normative EBITDA numbers during FY'25 with various improvement measures, falling coking coal prices, stable steel prices, which we see.

To conclude, India remains a bright spot amongst major global economies. However, we are watchful of rising geopolitical tensions. We remain positive on the overall India growth story, and we expect a strong steel demand to sustain with continued thrust on infrastructure development, pickup in public as well as private capex and continued momentum across sectors. Additionally, the rural economy has picked up and with better monsoon, we will see a better recovery in the rural economy as well.

Thank you, and we look forward to your questions.

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

Sumangal Nevatia: My first question is on the Mozambique acquisition. Is it possible to share what sort of volume, cost structure and investment are we looking at? And the time period as to when the tentative mine can start commercial production?

Jayant Acharya: So MDR is a pre-development stage mine. It's one of the largest mining assets for prime hard coking coal available globally. We have been able to secure this. This has got a JORC reserve of more than 800 million tonnes. We have been able to secure 92.19% of this at US$74 million outflow. The enterprise value was at US$80 million plus closing adjustments.

Subject to normal approvals and conditions precedent, we expect to close this mine in the next half of this year. So, it could go to H2, hopefully. And we should be able to start development of the mine in FY'25. This is prime hard coking coal. You are aware we have been looking for such assets in the past, internationally as well as domestically. This is not only going to provide us some cushioning with respect to the highly volatile PLV index. It also is logistically closer to India, and therefore, will give us an optimized cost.

Sumangal Nevatia: Sir, is it possible to quantify some volumes or cost structure, which we can commercially produce from these mines?

Jayant Acharya: As we said, this has 270 million tonnes plus of prime hard coking coal. So therefore, the ability to produce will not be a constrain. We will look at the evacuation from Beira port to start with, and we will start scaling up the evacuation capacity as we go along and as we continue to expand our own operations. But it will be a little early to comment exactly with respect to how many years. As I said, it's a predevelopment mine. Explorations have been done. Resources have been identified. We will close this transaction and once we go a little deeper, we'll be able to give you some more flavor on cost and timing.

Sumangal Nevatia: Understood. That's very clear. My second question is on the Slide 18, where you mentioned how we've increased our share of value-added over time. Is it possible to share in terms of total India consolidated entities? What sort of capacity we have in value added? And what sort of contribution we think is attributable incrementally, if we do more value added in terms of margin. And then in September'27 at 42 million tonne capacity, what are we looking at in terms of value-added mix?

Jayant Acharya: So this Slide 18, basically gives you a broad story line of where we are with respect to our growth and value-added special products in our journey so far. Our current capacities of downstream operations, when I say downstream it is from hot rolled, cold rolling, galvanizing, galvalume, color coated, etcetera, is almost 12.5 million tonnes. If you were to add our downstream operation for our plate mill and the LRPC operations of wire, we will be close to 13.5 to 14 million tonnes of downstream capacity.

Our focus is to see that this downstream capacity is maximized with respect to volumes. We see lesser volatility in these segments. They are more sticky in nature and typically give you an incremental EBITDA in the range of INR4,000 per tonne. Depending on the market situation, that does vary. At times it can improve, at times it can be marginally lower. But as we are growing our capacities, branding more in the downstream segment, are able to approach wind segment through our plate mill. These are all far more non-volatile areas of operation, and therefore, we see more sticky EBITDA coming through VASP operations as we go along.

Sumangal Nevatia: And sir, FY'27, at 42 million tonnes, what's our vision there in terms of expansion pipeline, etcetera, for downstream?

Jayant Acharya: So, as we grow our capacities of Hot Rolled Coil, you already have our numbers on Hot Rolled Coils. We have been keeping a guiding principle that we would like to be at least having 50% thumb rule downstream operation of Hot Rolled Coils. We continue to be there or better. And as we grow our capacities in our Hot Strip Mill area, we will continue to add facilities in both our downstream facilities at Vijayanagar, Coated or close to Dolvi.

Having said that, I would also like to make one point that you would have seen in the press release that we have got the approval for the Phase III expansion at Dolvi to 15 million tonnes for integrated operations. This line is, again, a part of our VASP process because it's a 5 million tonne wide mill with 2,600mm wide up to 32mm product, which can give you a

combination of sheet and plates. We will be able to do plate in this mill at much lower cost versus a normal conventional plate mill, and therefore, this will be additionally able to contribute to our accretive value story. So, this is also going to be part of our special product strategy going forward.

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

Ritesh Shah: Sir, first is on the coal mine, is this the same coal mine which Anglo American acquired in 2012 for 59% stake for US$550 million. The consideration what I heard was around USD74 million. Is this the same mine?

Jayant Acharya: No, this is not the same mine. This is a mine which is in that area where Vale, Rio Tinto had their mines, which is currently now with Vulcan and ICVL, International Coal Venture, they are operating in that region. But this mine is different. It's got a very rich hard coking coal based on the geography of that area, which we have seen. As I said, 800 million tonnes and above of resources, reserves and a very good quality hard coking coal. So therefore, we were able to close this transaction with an enterprise value of US$80 million plus closing adjustments for 100% stake, but we have now acquired 92.1% with an outflow of US$74 million.

Ritesh Shah: That's helpful. And sir, I just checked on the geography, there are 2 mines. One is Zambezi and the other one what you indicated was Benga. Looking at the past history, they have not actually done pretty well on the tonnage part. So, what gives us confidence basically on this particular asset? And if you could give some timelines on the offtake. Any guidance on the numbers be it cost or volumes maybe useful.

Jayant Acharya: So, if I look at the current operations, which are happening in that area of the adjoining mines, I think both together would be probably in the range of 11 million to 12 million tonnes of mining per year. They are evacuating through 2 ports that is Beira and Nacala. We will be closer to the Beira port. We will first try out evacuation through the Beira port and then look at further expanding the port operations to increase the capacities, otherwise do midstream loading.

From an operational perspective, seeing what others are already doing now, we do not see a constraint to ramp this up in terms of capacities to where we would like it to be from an integration perspective with our operations in India and maybe potentially for the market as well.

Ritesh Shah: Sir, when you say EC of 5 million tonnes, would that be a fair number to assume, say, 2 years out, 3 years out?

Jayant Acharya: Sorry, could you repeat that, Ritesh?

Ritesh Shah: Based on the last plan, what I saw, there was an EC limit of 5 million tonnes for the assets that we have looked at. Is that a fair number outer limit that one should look at? Or is it something beyond this?

Jayant Acharya: No, I don't think we have a yearly kind of number, which can be increased. We don't see any constraints on that, but we can check further and update you. No, the mine life is already there for 15 years, extendable by another 25 years. There is that way, no problem. Resources are actually higher; reserves is what I told you. So we should be able to ramp it up. We don't see a constraint on EC.

Ritesh Shah: Sure. That's helpful. And sir, second question, you emphasized on value-added products. I think on Slide number 18, you have given a number of 61% as well. Is it possible to give a broad breakup on the EBITDA for upstream and specifically on the value-added part?

Jayant Acharya: As of now, maybe it will be a little difficult to do that. But as I indicated that the value-added VASP portion has been giving an incremental EBITDA in the range of INR4,000 a tonne. We continue to add capacities in downstream as well as in the Phase III of expansions in Dolvi, which we are now taking up. It will be a plate mill kind of a product with a mill cost rather a plate mill cost and that will give us the ability to market higher thickness, wider plates from this capacity in the market. So that way, I think our focus will continue. Whether we will be able to give you down the line, some more flavour on how we are structuring our downstream overall business profitability, we'll have a look at it and then maybe come back to you over the year as we call off.

Moderator: The next question is from the line of Satyadeep Jain from Ambit Capital.

Satyadeep Jain: I'll just follow-up to all the questions around Mozambique. Just wanted to check, I know the other players are operating. But overall, on the infrastructure, mine development, as we stand here, what kind of capex could you possibly imagine here in the next few years? I'm asking this question because all the overseas ventures by Indian companies, mining or otherwise have not really turned out against your expectations, many companies ultimately end up taking impairments and losses. So, in that context, what gives you the confidence looking at the deposit? And what kind of capex do you look at for mine development to get this up and running? That's the first question.

Jayant Acharya: So while mining is an area which requires naturally more effort and more diligence, but this particular mine, why we are looking at it and why we have taken it is because it is prime hard coking coal, which is a PLV coal, which has been the most volatile, has impacted our costs. You will recall that it went up to US$600 and has been hovering in the US$300, US$350 for a better part of the last year. And we have had various volatility in our operations of profitability because of that.

The other indexes have not been so volatile. So, we wanted to have access to PLV coal which would integrate with our operations and thereby provide the cushion to arrest this volatility. That's the main reason. The second advantage of this particular mine is that it's a large mine logistically close to India, Mozambique. So therefore, we will be able to get into India with a faster turnaround, lesser logistics costs versus US, Canada and maybe even Australia. So that's why that's the second positive.

From a cost perspective, it will be too early to say. It's a new mine. It's a pre-development mine. We are going to develop this after the approvals are fully in place. So, we'll have to wait for a little bit more after we get some flavour, we'll be able to tell you as to how much we'll be able to do per year and how much would be the cost structure, etcetera. But the way we see it now in our due diligence initially because the operating mines around us are reasonably doing well. We do not see any concern to achieve volumes from this mine.

Satyadeep Jain: Okay. Secondly, on the growth path that you laid out you have Dolvi is there. Beyond Dolvi, there is 8 million tonnes from FY27 to FY31. That seems relatively conservative of adding only 8 million tonnes from FY27 to FY31. Could there be an upside? And when you look at that 8 million tonne, what kind of capital costs can we look at? Is it going to be similar to Dolvi or is there a greenfield component in that?

Jayant Acharya: No. From 43.5 to 51.5 million tonnes, there is no greenfield component. It will be an option between Vijayanagar, our Salav green steel, discussion which we have been having, low carbon emitting steel, which we'll do in 2 phases, a 4 million tonnes facility and BPSL brownfield. So, these are all brownfield and that will take us to 8 million tonnes and beyond.

As you said rightly, the scope is more. We can do 5 million in Vijayanagar, we can do 5 million in BPSL, we can do 4 million in Salav. So technically, we can do more in the brownfield expansions. But we will look at prioritizing basically 2 of them, and that's how you are seeing 8 million tonnes. But yes, there will be a capex for the third facility beyond this, which will be started before FY'31, which will start giving you probably volumes after FY'31, a year or 1.5 year after. So that is what we are evaluating whether we would be looking at BPSL in Orissa or the new site at Orissa, which is the Jagatsinghpur site.

Satyadeep Jain: Okay. If I can squeeze in 1 quick question on the power capacity you're adding 600 MW and 320 Mwh of battery, what is the procurement cost for that power? And how does it stack up against the PPA you have with JSW Energy for coal and other sources?

Jayant Acharya: See, our strategy for renewable power, we have been highlighting that our effort will be to go towards a decarbonization pathway, which we have undertaken for ourselves. We want to replace thermal coal with renewable energy. We had already announced 1,000 MW of projects for renewable energy, which is already under execution mainly in Vijayanagar, some in Dolvi, a little bit in Salem.

Now we are adding 600 MW to this. So, our total renewable capacity will be 1,600 MW across 3 locations, but mostly in Vijayanagar. With this, Vijayanagar will be 26% on renewable energy at 18 million tonne level, which is a good kind of a direction to achieve. From a cost perspective, it will be difficult for me to share exactly what cost. But I would only like to say that it is more cost effective than our current power, also providing greener power with a fixed kind of a price contract over the years.

Moderator: The next question is from the line of Noel Vaz from Union Asset Management.

Noel Vaz: I just had one query. So now that we are ramping up capacities, how does the ramp-up look on a QoQ basis, say, from 1Q onwards, how will the growth basically be? say first half versus second half, first quarter versus second quarter?

Jayant Acharya: So as we are ramping up our capacities, you will notice in the press release, we have mentioned that the integrated steel capacity at Vijayanagar will be completed in the next 2 months or so. Then it will start the ramp-up. The Hot Strip Mill is already commissioned. BPSL is already completed, so that production will slowly increase. But difficult to give a QoQ flavour, but I would say that H2 will see a ramp-up of both the locations. BPSL, a little earlier and JVML which is starting later, therefore, a little after.

The BF3 of Vijayanagar, which we are looking at debottlenecking and increasing capacity, that shutdown, we would be taking in H2 of this year. And that would add additional capacity to our overall capacity. I think it's about 1.5 million tonnes or so, we'll add in that debottlenecking in addition to JVM and BPSL. So total about 8 to 8.5 million tonnes will be the total addition during this financial year by the year-end. Part of that capacity will be seen in production this year and the full impact you will see in the next year.

Noel Vaz: Okay. Also, just one other question, which is there. I just wanted to just confirm so I think you had mentioned that the journey till about 50 million tonnes is mostly brownfield in nature, and possibly a greenfield component just to understand that?

Jayant Acharya: Up to 51 million tonnes is brownfield, what we have indicated to you now. 51.5 million includes 1.5 million of US and therefore, 50 million in India. That is all based on brownfield. What I mentioned is that in the interim between FY27 to FY31, the question was whether we'll do anything more. We may look at adding another capex program, everything else going well between 1 brownfield location, which will remain and our Orissa new greenfield location. And that decision we will take as we go along, that will add additional capacity beyond 51.5.

Noel Vaz: And just one last clarification. The 1 GW of RE, which is currently at JSW Steel and 600 MW, which I think is under execution. These are captive units?

Jayant Acharya: These are group captive. So, we would have, as per the group captive regulations in India, we will have 26% stake in that asset.

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

Amit Dixit: A couple of questions. The first one is essentially on your growth plan. Now earlier, we had indicated it will reach 50 million tonnes by FY '30. Now it seems it is delayed by 1 year. I just wanted to understand what prompted this particular delay? And most of our capacity if you look at it, I thought you would also like to venture into long, but even Dolvi 3 is primarily focused on flat, except BPSL expansion that we are looking at, we are nearly focusing on flat. So just wanted to get I mean, in this 50 million tonnes that you're talking about approximate split perhaps and when do we see long's capacity being added, if any?

Jayant Acharya: Yes. So your question regarding the timing, we had said FY30-31 is what we expect, it's the financial year 31. So it is up to March of 31. That is just for the sake of a financial year, we are

mentioning. So, 9 months of that still is in 30 calendar year. So timing-wise, we have done no change at all.

On the flat versus long, we are looking at a possible enhancement in our long product mix, which we are studying right now. That will also be added in one of our brownfield locations. There is an opportunity to do that. And that's something which is on the drawing board right now. And we would come back to you with some more detail once we finalize that. BPSL, we have anyway indicated that we could do longs, but that you already know. That's 1 option in BPSL, which we already have.

Amit Dixit: The second question is on realization. Now you had highlighted about coking coal cost going down by US$22 to US$27 in Q1. We have seen some price hikes being taken by various players in May. So I just wanted to get an idea on how much price hike we have taken in May and how much is expected in June and what could be on a blended basis, the overall price difference between Q4 and Q1?

Jayant Acharya: So, longs and flats increased at different speeds. Long products went up faster because the secondary sector in longs increased the prices on the back of higher iron ore as well as higher thermal coal price, which went up for them. The long product price, especially bars was already low. So that price went up more. In the flats, internationally, the prices went up by almost US$20 per tonne in China as we saw during this period. And in India, I think we have reflected a similar number during April and May combined. So that is where we are. In long products, it's slightly higher in both TMT and wire rod.

Amit Dixit: So if I compare on an average, Q1 would still be slightly lower compared to Q4 or it will be at par?

Jayant Acharya: I know that that's a question which you probably are looking at. So, I would feel that it is likely to be at par or a little better because the coking coal prices are going down, as we mentioned, US$22 to US$27, we see a softer coking coal environment. As we speak today, it's US$235 or so FOB Australia and that would give benefit in quarter 1. And if this price continues for a month or 2 more, you will see the benefit flowing into quarter 2 as well.

So in H1, I would say that overall, you will see a cost benefit. You are seeing already stable prices. Keep in mind that domestic prices have corrected in quarter 4, and even after the correction now, we are probably where we were 6 months back. So, from a domestic price environment, I see it has totally bottomed out, and therefore, prices would remain stable with maybe range bound as we go ahead. So therefore, on a QoQ perspective, I would say we are likely to be similar or a little better.

Moderator: The next question is from the line of Rashi Chopra from Citi Group.

Rashi Chopra: Just continuing with the last question. So, if pricing is likely to be range bound and you have a US$22 to US$27 benefit on the coking coal price. So essentially, from an EBITDA per tonne perspective, we kind of factor in the coking coal improvement and any efficiency gains that you may be seeing, right?

Jayant Acharya: Yes, Rashi, that's right. Coking coal, some efficiencies, which we see, yes, those will get built into cost reduction in quarter 1. And some part of that will flow into quarter 2. As I said, if the coking coal continues that benefits quarter 2 as well.

Rashi Chopra: On the iron ore side, just to break it down, you will have about 15 million tonnes of captive ore in Karnataka, about 25 in Orissa and 1 to 2 in Goa. Is that right?

Jayant Acharya: Yes, that is 15.5 million from the existing mines, including the new 3 mines, which are to be operationalized in Karnataka, that's correct. And Goa mines 1 to 2 million tonnes. Correct.

Rashi Chopra: And 25, Orissa?

Jayant Acharya: Yes, Orissa should be in the vicinity of 25. We can do slightly higher if that is so required. So from EC perspective, we don't have a problem. But yes, approximately, you can take 25 million.

Moderator: The next question is from the line of Pallav Agarwal from Antique Stockbroking.

Pallav Agarwal: I just had a question on the iron ore price hike that NMDC took in Q4. So it doesn't seem to be reflecting in either the raw material cost or the mining premium and royalty. So was this due to the change in the mix of sourcing of iron ore in Q4?

Jayant Acharya: Yes. You're right, the prices of iron ore, we were able to contain to a better mix, both from a geographic mix perspective, a grade perspective and also reduce the specific consumption. So with that, we were able to control the price of iron ore going into the cost.

Pallav Agarwal: And so it sustains going ahead?

Jayant Acharya: Yes, this should be. We don't see a challenge in that.

Pallav Agarwal: Sure, sir. The other question was this quarter, subsidiaries seem to have done pretty well. So, if I just look at the difference between the consol. and standalone EBITDA, it's a pretty significant number. And BPSL and the foreign subsidiaries and Coated add up to about half of it. So, which are the other subsidiaries like maybe Amba River which of these subsidiaries contributed to the EBITDA this quarter?

Jayant Acharya: So the major Indian subsidiaries, which have contributed is BPSL, Coated, and you have Amba River, as you said rightly, and the balance 2 are small, which is JIGPL and Mivan. So that is the Indian subsidiaries, which have contributed to the overall EBITDA. Overseas, as you have seen and as we mentioned also has done quite well. On a yearly factor, just to give you because you will get an idea of the improvement which has happened. The US operations overall between Ohio and Texas combined generated US$75 million of EBITDA in FY'24 versus US$27 million in FY'23. And Italy generated EUR52 million versus EUR26 million in FY‘23.

Going forward, we see stability in operations, both at Ohio from a steel production perspective. Baytown is doing better because of this demand of plates and wind, etcetera. And now with the investments at Ohio for special grades, along with vacuum de-gassing, soft reduction of the

casters, we'll be able to provide those grades, which will be incrementally getting better spreads.

So, US operation, we feel will do better. And Italy has bilateral orders from the Italian rail as well as from some markets around in export. And we expect the Italian operations to also do well. So, overseas, I think you have seen a substantial improvement. And I think this kind of range you will see in FY '25 as well.

Moderator: The next question is from the line of Siddharth Gadekar from Equirus.

Siddharth Gadekar: Just wanted to know what was our captive iron ore production in FY'24 and how should we see that shaping up in FY'25 and '26?

Jayant Acharya: You are asking about the captive iron ore production?

Siddharth Gadekar: Yes.

Jayant Acharya: We just don't have the number off hand. Investor Relations will get back to you. But in FY '25, we will probably be using close to 35% from our captive mines. We will be mining probably a little higher, but some of that may also go to outside external market. So 35% will flow from the captive.

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

Amit Murarka: On the expansion front, Vijayanagar and BPSL. Just wanted to understand, it seems like the ramp-up guidance seems to have been delayed to Q3 or earlier understanding was that commission by March and then probably ramp up in Q1, Q2. So, is it because of the mechanical completion being delayed a bit or it's because of the market situation that the ramp-up guidance is going to Q3 now?

Jayant Acharya: No, So let's look at both the assets separately. BPSL Phase II expansion commissioning is done. It's completed. There is only 1 oxygen plant, which is pending, which will be completed in June. With that BPSL is fully done. So, it will enable volume as well as some cost savings because with the oxygen, we'll get some better throughput of PCI and reduced cost, etcetera. So BPSL ramp-up will happen faster.

However, there are some shutdowns in BPSL, annual shutdowns, which are planned for some installations, which was already pre-ordered. So that may moderate some part of it, but the new capacities will start running, my sense is from October onwards. So, October onwards, when I say it will start anyway running, it's anyway operational. But October onwards, you will see close to ramp up of the facilities in BPSL. So, blast furnace, which is the major area will pick up to its full capacity by October.

At JVML, we have done the HSM part, as you must have read. We are doing the integrated operation now in the next 2 months. So that would basically take a little bit more time to ramp up, and it's a much bigger furnace. And that is why we are just being a little bit more cautious

on that, and we are saying that it may ramp up by probably quarter 3 end. And you will see full capacity utilization of that particular asset by quarter 4.

Amit Murarka: Got it. Also like for Dolvi 3, would you have the land acquired, because I thought that land was going to be an issue going beyond 10 million tonnes or do you think you sorted that out?

Jayant Acharya: So we've been able to sort that out. Some of the land adjoining, we have been able to acquire and still in the process of acquiring. So, we have enough land to complete this Phase III. It's been done with that plan only. So additional land your question, additional land, yes, additional land was required, which is partly procured, partly under procurement. So, we'll be able to do that.

Moderator: The next question is from the line of Ashish Jain from Macquarie.

Ashish Jain: Sir, my first question pertains to pricing and your earlier comment on normative EBITDA closer to INR12,000/t. So like last 12 months or so, we have seen Indian steel prices have by and large been at some premium to parity versus being at a discount in the preceding decade or so. So what's driving that? How should we think about that number?

And secondly, your comment on normative EBITDA, if I think about it in context of the volumes, we can theoretically do INR25,000 crores, INR30,000 crores of EBITDA. Should we think that from a leverage point of view, we have peaked out if we stick to the current capex guidance that we have given for the next 3 years?

Jayant Acharya: The second part of the question, I'll just request Rajeev to respond. I'll come back to you on the price.

Rajeev Pai: Yes. So in terms of our capital expenditure, which we indicated about INR20,000 crores, which we will be spending in FY'25, that should be possible based on our internal accruals with refinancing of the repayments which are due. So, our take would remain flattish. So to answer your question, yes, I think in terms of debt, we have peaked out. There could be in a quarter or 2, there could be some investment in working capital, but that should also result into release in subsequent quarters.

Jayant Acharya: So the way we should also look at capex is that while we are growing, we are keeping a very close eye on our ratios and our ratios have improved. We are at 2.62x as we exit the year, which was 3.2x when we exited FY'23. So, in spite of adding so much of capex, our net debt-to-EBITDA and net debt to equity both have improved. And we would like to keep this range bound and maybe improve upon as we go along. If the cash flows improve, there is a potential to reduce debt, we will do that without sacrificing the growth. But at the same time, I don't think we will sacrifice on the ratios.

As far as the price is concerned, I think difficult to give a guidance on how the price will move but I would just like to say that in India, what you should see, price is an outcome of supply and demand. So today, the way Indian steel has grown over the last 2 years at 13% - 13.5%, 14% in terms of demand growth, that consumption increase, which has happened in the

country is basically pulling this steel. So, while price is 1 factor, but the movement of goods is happening. And that is something which is very, very encouraging.

And we see that people are now also looking at a little bit more of trying to optimize their cost with respect to long lead time procurement. So maybe people who are wanting to play the market they try to import as well. But otherwise, long-lead imports for an OEM or a manufacturer is something which doesn't really pay off. So those benefits should accrue to us over time. But having said that, China imports is a concern, and we will have to continue to watch that in this year as well.

Ashish Jain: Sir, if I can just have a follow-up, like of the 9-odd million tonne that India imported this year. Is there a number that what amount of import is sticky in nature, not dependent on pricing because I guess some of this is global contracts by global MNCs and also CRGO kind of steel, which will always come into India at least at this point of time. So is there a number which is sticky and not depending on prices and all?

Jayant Acharya: So let me put it this way. I think more than 95% of the steel, which is imported or maybe 96%, 97% is produced in India fully capable by all the domestic mills or most of the domestic mills. So therefore, availability in India for those is not a constraint. Second, you're talking about contracts, I don't think there are any long-term contracts with anybody in this from any OEM.

So your question, your limited certain grades, which may be imported because they are not MOQ, that means the minimum order quantity is not available for some special items, which may be too small for us to do. Other than that, I don't see any need for import or for somebody to rely on the import. And I don't see that as well. I think most of the import is primarily due to an opportunity of a price arbitrage, which takes place. And there are some units which buy from their parent units in overseas. These are the only 2 reasons.

Moderator: Thank you. Ladies and gentlemen, we would take that as a last question. I would now like to hand the conference over to the management for closing comments.

Jayant Acharya: So just to summarize on what we have said earlier. I think the year has seen a very strong operational performance. We have been able to do growth in crude steel, in sales as well as EBITDA. Going forward, next year, and the years beyond, we have now taken up our new capacity expansion.

Directionally, we are moving towards 50 million tonnes. Phase III of Dolvi will be started now. Our focus on value-added continues to be there. While we are growing, we are not leaving our focus on raw material security, both for iron ore and coking coal. So, we are trying to make sure that whatever we are doing in terms of growth, we make it sustainable in every way and not only on decarbonization. Thank you.

Ashwin Bajaj: Thank you very much, ladies and gentlemen, for joining us, and please contact us if you have any other queries.

Moderator: Thank you. On behalf of JSW Steel, that concludes this conference. Thank you for joining us. You may now disconnect your lines.