



CA-17(44)/2022-23

16th August, 2022

The General Manager (MO) Bombay Stock Exchange Through BSE Listing Centre	The Asstt. Vice President National Stock Exchange of India Ltd. Through NEAPS
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Sub: Transcript of conference call held with Analysts & Investors on 11th August, 2022.

Ref: Regulation 46 of SEBI(LODR) Regulations, 2015: (Security ID:SAIL).

Dear Sir,

This is in continuation to our letter No.CA-17(44)/2022 dated 12th August, 2022, intimating the link to the Audio Recording of the Conference Call held on 11th August, 2022.

Transcript of aforesaid Conference Call is attached herewith.

Thanking you,

Yours faithfully,
For Steel Authority of India Limited

(M B Balakrishnan)
CGM(Finance) & Company Secretary

Encl: As above



“Steel Authority of India Limited Q1 FY2023 Earnings Conference Call”

August 11, 2022



ANALYST: MR. VISHAL CHANDAK – MOTILAL OSWAL

**MANAGEMENT: MR. ANIL TULSIANI – DIRECTOR FINANCE – STEEL
AUTHORITY OF INDIA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Steel Authority of India Limited Q1 FY2023 Earnings 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 “*” and “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Chandak from Motilal Oswal. Thank you and over to you Sir!

Vishal Chandak: Thank you very much, Seema. Good day everyone and thank you very much for joining us for the Q1 FY2023 earnings call for Steel Authority of India Limited. I would like to thank the management of SAIL for giving us the opportunity to host them again for the earning call. From the management, we have Shri Anil Tulsiani, Director Finance and his team. So without much ado, I would call upon Tulsiani Sir to start with his opening remarks. Over to you Sir.

Anil Tulsiani: Thanks Vishal. Good afternoon everyone and welcome to the investor concall on the financial results for Q1 FY22-23 of SAIL. I would briefly take you through the results of the company before we take up the questions. This was a challenging quarter causing profits to slide for numerous steel companies not just in India but abroad as well.

Let me start with the economic scenario. The global economy has been thrown into a battle with inflationary forces across the globe and the governments all around are tightening the respective fiscal policies, which is likely to impact the GDP growth rates in the coming years. Agencies like IMF and World Bank have started revising the projected GDP for various economies onwards. IMF which came out with the world economic scenario in the last week of July has reduced that GDP forecast to 3.2% in current year 2022 from the earlier projection of 3.6% for the entire world. The rate is expected to further slow down to 2.9% in 2023. The major advanced economies which include countries like US, Germany, Japan, UK, France, etc., are all seeing projected growth rates curtailed significantly. The emerging economies are faring only slightly better than the advanced counterparts. The uncertainties relating to fresh waves of COVID, the Russia Ukraine conflict brining in further bad news for the inflationary forces which have already been around and taking a toll on the government polices.

Coming to India, the economy is placed much better and pegged to grow in the range of 7% to 7.5% in the financial year FY2023 in the various reports like IMF, World Bank projections, RBI MPC, etc. This is likely to keep India amongst the fastest growing major



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economies. The domestic industries will, however, have to guard themselves from **audio cut 3:15** the import threats, etc.

Now coming to the steel industry, the global steel industry has seen a decline in the demand and corresponding realization for the past few months. With China seemingly cutting down its production in the wave of environment concerns, it has had its impact on the prices of iron ore. The coking coal which earlier saw unprecedented high prices during February to May following the Russia Ukraine war saw a substantial reduction in its prices from June-July onwards. The prices which had soared to as high as \$670 to \$680 per tonne for HCC have now come down to around \$200 level. The forces on inflation, uncertainty, etc., have also had a negative impact on the global steel industry especially the flat products. The impact has percolated to the Indian markets as well. The prices of steel which were at the peak during April have considerably declined with flat products feeling relatively much greater adverse impact than the longs, since it is guided by the international market. In the longs segment, secondary sector plays a major role and uses thermal coal for its EAF DRI route. The prices of thermal coal have not come down much as compared to the coking coal which has kept the prices of longs relatively in a better position.

Now coming to the company performance, the company has clocked its best ever production during the quarter as compared to the Q1 of previous years. The numbers of Q1 FY2023 vis-à-vis CPLY are as follows:

Crude steel current quarter production is 4.33 MT and Q1 FY2022 it was 3.77MT. The sales however are a bit lower at 3.15 million tonnes as compared to 3.33 million tonnes in Q1 FY2022. Sales have been affected due to lower exports during the quarter however the home sales has seen a growth compared to CPLY. The financial performance has seen a growth in the topline whereas the profitability has taken a hit in line with the industry trends. The revenue from operations is at Rs.24029 Crores as compared to Rs.20,642 Crores in Q1 FY2022. The EBITDA stood at Rs.2076 Crores as compared to Rs.6674 Crores in Q1 FY2022. The PBT is at Rs.1038 Crores vis-à-vis Rs. Crores.5145 Crores for Q1 FY2022 and the PAT at Rs.776 Crores as compared to Rs.3850 Crores in Q1 FY2022. The revenue has grown higher due to higher average realization during the quarter as compared to CPLY. Profitability has been adversely affected due to increase in the input cost especially coking coal. With the coking coal prices coming down, we expect the cost of production to also correct and enable us to deliver better results in the coming quarters. With these words, I hand it back to Mr. Chandak for opening the question and answer session. I am sure you all have a lot of queries on the performance. Thank you.



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- Moderator:** Thank you very much Sir. We will now begin with the question and answer session. We take the first question from the line of Mr. Amit Dixit from Edelweiss. Please go ahead Sir.
- Amit Dixit:** Yes good afternoon everyone and thanks for the opportunity. I have two questions. The first one is essentially on the finished product inventory level so if you can let us know the finished product inventory level at the end of the quarter and is the company advancing maintenance shut down or taking so long production cut so what is the plan on production in Q2 that is my first question?
- Anil Tulsiani:** As regards to our finished steel inventory it was 1.336 million tonnes and regarding the production cut, we do not have any plans of having any production cut in the coming quarter as well.
- Amit Dixit:** You said 1.566?
- Anil Tulsiani:** 1.366.
- Amit Dixit:** 1.366 okay thank you. The second question is on the debt levels if you can, earlier it used to be as a part of the debt but this time around it is not so just wanted to understand the gross debt level at the end of Q1 and also if you can indicate the treasury?
- Anil Tulsiani:** The debt level was at Rs.22101 Crores as on June 30, 2022.
- Amit Dixit:** This is gross debt Rs.22101 Crores?
- Anil Tulsiani:** You can say that yes.
- Amit Dixit:** And what about cash balance?
- Anil Tulsiani:** It is just marginal Rs.30 Crores odd.
- Amit Dixit:** Okay so Sir there has been a substantial increase in debt level if you can quantify there? Is it working capital debt or is it some other thing?
- Anil Tulsiani:** It is basically the working capital debt because we had to give substantial payments for coal during this quarter so it is the basic reason for which the debt has gone up.



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Amit Dixit: Okay fair enough Sir. Thank you. I have more questions but I will come back in the queue. Thank you so much and all the best.

Moderator: Thank you. We take the next question from the line of Pinakin Parekh from JP Morgan. Please go ahead Sir.

Pinakin Parekh: Thank you very much Sir. Sir just trying to understand the earnings trend over the next few quarters so steel prices have fallen sharply over the last three months so first what would be sales blended realizations today versus what the company reported in the first quarter and similarly what was the coking coal cost for the company on the first quarter and what is purchase price at this point of time and when will that flow through into the P&L? Will it flow through in the September quarter or will it be in the December quarter?

Anil Tulsiani: Regarding the coal price it is quite clear that the Q2 the prices will be substantially lower because basically the prices of coal which were there during the Q1 we took the impact of basically the brunt of the supplies which were affected from March to May so the prices at that point of time means if you see the flat index it was hovering between \$500 to \$600, but now when the prices are coming down we will have to take some brunt of the month of June which will go down till you can say middle of August. Subsequently, we will get the prices of coal will be much cheaper. It will be in the range of roundabout we can say round about \$230 to \$240 so the benefits will start accruing of that from you can say middle of August.

Pinakin Parekh: Sure Sir in terms of prices steel realizations at this point of time there is a decline around Rs.12000 to Rs.15000 a tonne versus what SAIL reported on a blended basis in Q1? Is it higher? Is it lower?

Anil Tulsiani: Actually in the month of June it was around Rs.58000 and in the month of July it was around about Rs.1200 to Rs.1300 lower and there is a tendency to push down the prices of flats but the longs are holding ones. So we expect that if this trend goes through for the quarter then though the results for July are not good if you see the trend but then may be from August onwards, our performance will be better on the financial front also.

Pinakin Parekh: This Rs.58,000 compares to what average price for the June quarter Sir?

Anil Tulsiani: For the June quarter it was Rs.66,000.

Pinakin Parekh: Thank you very much Sir.



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- Moderator:** Thank you Sir. We take the next question from the line of Divyansh Kalra from Shaurya Capital. Please go ahead Sir.
- Divyansh Kalra:** Thank you. Thank you for taking my question. Sir I had some queries about how the COGS is going to be in Q1 and Q2 so basically you are telling that coking coal prices are going to be lower in Q2 so I think COGS per tonne as per as of Q4 FY2022 and Q1 FY2023 was close to Rs.35,000 on a per tonne basis so if coking coal prices are going to go down where can we expect this to go through?
- Anil Tulsiani:** Regarding the cost of goods we normally do not disclose that.
- Divyansh Kalra:** Okay so can you give some guideline as to what was the coking coal prices back in Q4 FY2022 versus Q1 FY2023?
- Anil Tulsiani:** Yes in Q1 2022-23, the price of imported coal was in the range of Rs.37,000 to Rs.38,000 and in the Q4 of 2021-2022 it was in the range of around Rs.29,000.
- Divyansh Kalra:** Okay may be 30% or 20% increase right? Sir my second question will be regarding the volume so if I compare Q4 FY2022 with Q1 FY2023 so I think sales volume has taken a 29% hit and realizations have in fact been very strong despite of the steel prices correcting post April? I think based on my calculations the realization have gone up from around Rs.65,000 to Rs.72,00 based on my calculations so can you please provide some more details as to why was the reason for the significant 30% fall in volumes and stronger realization despite so much correction on steel prices?
- Anil Tulsiani:** Basically we should not compare the volume for Q4 with the next quarter volumes because if you basically see it is always a trend that the Q4 volumes are always higher in all the industry and if we compare the volumes of this financial year as compared to the previous financial year it is more or less hovering at the range of 3.1 to 3.3 to 3.4. It is similar volumes also in the Q1 and Q4 volumes are not basically comparable. It should not be compared. It will always be high for the entire industry.
- Divyansh Kalra:** Is there a seasonality in this business so Q4 was not going to be higher? Q1 was going to be the lowest comparing the seasonality I just wanted to understand?
- Anil Tulsiani:** I could not get your question actually you are not audible.



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Divyansh Kalra: So the thing which I am asking is so you are telling that I should compare the Q1 volumes of FY2023 with FY2022 and not with Q4 FY2022 so I was asking if there is some sort of seasonality that Q4 volumes are going to be the highest and Q1 volumes is going to be at the lower end of the spectrum so is there some seasonality in this business I was asking this?

Anil Tulsiani: Sir it is a similar trend in all the years. Like what I was telling you just now is that if take **audio cut 16:50** the 2021-2022 we are leaving out 2020-2021 because of the COVID impact it was 3.33 and now it is 3.154. The lower volumes have been basically because of exports. Exports were substantially higher in Q1 FY2021-2022 at 3,64,000 which are now at 1,66,000 in this particular year.

Divyansh Kalra: Okay and you are telling that Q4 was not comparable?

Anil Tulsiani: Yes Q4 is not comparable. Actually if you just see the entire industry I think you will probably get the same trend everywhere.

Divyansh Kalra: Thank you Sir. I will get back in the queue.

Moderator: Thank you Sir. We take the next question from the line of Mohit Bhansali from Bonanza Portfolio Limited. Please go ahead Sir.

Mohit Bhansali: Thank you for the opportunity Sir. I just want to ask that URM head hardened rail was supposed to be made last year so what is the status? Do we plan to make it in this year or what quantities if you can quantify? This is my first question?

Anil Tulsiani: The head hardened rail is still under trial and we will be of course producing some quantity in this year but once the trials are successful then we will be able to finalize how much quantities we can produce for the head hardened rail.

Mohit Bhansali: Can you give some time two months, three months or another if you can give?

Anil Tulsiani: I will have to collect that information. I can give it you offline.

Mohit Bhansali: Sir the second question is on employee cost is it rising do you think it is sustainable the way you are selling or producing the quantity and if you compare with private companies your employee costs are too high? Suppose there is downturn or if there is COVID like scenario



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like last year so I am wondering how you are going to survive? Can you please give us some details on that Sir?

Anil Tulsiani:

The salaries and wages cost the employee related cost which you are mentioning we had wage revision last year in the month of November. Subsequent to the wage revision last year the expenditure is on a quarterly basis around Rs.3000 Crores so it is a similar trend. If you see in Q4 of 2021-2022 and in 2022-2023 it is around Rs.3000 Crores and prior to that in the Q1 of 2021-2022 it was around Rs.2800 Crores so the rise is not much and basically what is happening people are at the higher end of their service career so many, many will be retiring in the coming years and the recruitments will not be commiserate with that and moreover one thing is that whoever is retiring is having a very high pay and the person joining will be at the basic scale so we do not apprehend much of an increase in the salaries and wages in the coming years.

Mohit Bhansali:

But your sales are not rising to that level I mean if you are selling Rs.25,000 Crores to Rs.26,000 Crores in a quarter and having a 3000 bill it is almost 12% to 15%, in case of down turn that is what I was asking is a down turn like COVID like scenario you will have having a fixed cost? Then it will be like very burdensome thing since you are carrying over that also your expenses? Your expansions are also getting delayed so how you are envisaging further expansion which you are planning in such as scenario?

Anil Tulsiani:

Basically what happens is that this manpower will come of use. At that point also when we have an expansion because with the larger volume and the same number of manpower may be even the lower level of manpower the productivity will be much better in that case.

Mohit Bhansali:

So you are trying to improve the productivity and Sir my last question since I was tracking SAIL for very long time? This time in the presentation it is not as detailed as it used to be earlier like you have not mentioned the employee total number of employees in the presentation and financial detail also debt level and all and the third thing is that in mining also where your mines earlier in your presentation everything was very crystal clear so this time it was no there so is there any change in policy in disclosure or something else?

Anil Tulsiani:

There is nothing like that. I think lot of additional information was given this time so I think maybe we will have to take up with our people that your thing is taken care means our point is well taken.

Mohit Bhansali:

Last time you have given plant wise details that where extension has completed and what expenses are pending? Everything was very detailed? This time it is not there?



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- Anil Tulsiani:** But that is very old. I think all our expansion plans are more or less been completed except may be a few casters here and there because of which some production capacities are in that otherwise all our expansion plans are in place.
- Mohit Bhansali:** Like mining was also there where your mining and how much your mining and in future how much you are going to mine everything was there? This time it is not there? If you can elaborate it is better for us that is my request Sir?
- Anil Tulsiani:** Okay you can just otherwise talk to our people about it. If you want additional information they can surely provide it to you.
- Moderator:** Thank you. We take the next question from the line of Vikas Singh from Phillip Capital. Please go ahead Sir.
- Vikas Singh:** Good afternoon Sir and thank you for the opportunity. Sir I just wanted to understand in our other costs which has inflated sharply are there any inventories loss which we have booked for this quarter?
- Anil Tulsiani:** Come again.
- Vikas Singh:** Sir any inventory losses or inventory value write downs which we have also booked in this quarter since our other costs are very high sequentially?
- Anil Tulsiani:** No. There is no inventory loss.
- Vikas Singh:** No inventory losses have been booked?
- Anil Tulsiani:** No nothing at all.
- Vikas Singh:** Sir my second question pertains to our yearly guidance while we have not said anything about guidance saying that the 1Q numbers 3.15 million tonnes so you do really thing that you would be able to recover and would be able to meet our guidance at this point of time?
- Anil Tulsiani:** Your voice was cracking Mr Vikas. We could not get your question.
- Vikas Singh:** So just wanted to understand your yearly volume guidance so given the 1Q what dull and still the export duty stays in place so how confident are we in terms of meeting our volume



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guidance? I know the production is not a problem but about sales so how confident are we meeting our sales volume guidance or are we cutting the volume guidance now?

Anil Tulsiani: Absolutely not. We will be achieving our sales as per whatever guidance we have given because we feel that in this coming quarters the domestic consumption is surely going to go up and we will be surely achieving our target. I think in the month of July we had a sales of more than 1.4 million.

Vikas Singh: So volumes has been recovering as of now?

Anil Tulsiani: Yes and we also have a very strict targets for our marketing team and we are planning to have the highest ever August also.

Vikas Singh: Understood Sir just one clarification about the earlier participant question regarding no plans to cut production, there was a news regarding you are shutting down couple of older blast furnaces so just wanted to understand is the permanent shut down of older furnaces because new furnaces had been ramped up fully or is it basically something wrong news which we have come across?

Anil Tulsiani: Actually the blast furnaces are sometime shutdown for some major capital repairs so is it because of that otherwise we do not have any plans of shutting down any blast furnace as such until some major capital repairs has to be taken up for that.

Vikas Singh: Even after that there is no impact on the monthly production on it?

Anil Tulsiani: No impact on our production.

Vikas Singh: Thank you Sir. That is all from my side.

Moderator: Thank you. We take the next question from the line of Sumangal Nevatia from Kotak Securities Limited. Please go ahead.

Sumangal Nevatia: Thank you for this chance. First thing is on the net debt question? Quarter-on-quarter there is Rs.6000 to Rs.7000 increase is it possible to give the breakup of what was the capex in 1Q and what is the working capital increase and also directionally given that we have a lot of creditors almost Rs.17,000 Crores to Rs.18,000 Crores do we expect working capital to keep increasing in 2Q as well?



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- Anil Tulsiani:** There has been an increase in the working capital. No doubt about it and regarding the cash flows we have had capex of around Rs.1000 Crores in this quarter in Q1 and regarding the cash from operations there has been rise by around about Rs.8000 Crores. This is mainly on account of the coal payment.
- Sumangal Nevatia:** Okay so working capital increased by Rs.800 Crores and cash flow is Rs.1000 Crores right?
- Anil Tulsiani:** Yes.
- Sumangal Nevatia:** Okay understood and directionally how do you see it shaping up in 2Q and 3Q the working capital requirement?
- Anil Tulsiani:** The working capital requirement will come down now because our payments of coal are supposed to come down quite a lot in this coming month so we expect a substantial reduction in the working capital.
- Sumangal Nevatia:** The second question is on the coal cost you said Rs.37,000 to Rs.38,000 in June quarter what was it in July and August?
- Anil Tulsiani:** In July it is around Rs.38,000 and it is expected to come down by another Rs.4000 to Rs.5000 more in the month of August and further down from September onward.
- Sumangal Nevatia:** Understood and the last one in terms of prices you said?
- Anil Tulsiani:** This I am talking about is the imported coal.
- Sumangal Nevatia:** So Rs.38,000 in July same as June quarter average right?
- Anil Tulsiani:** Yes Rs.38,000 is in July and in the month of August it is going down to come down by further Rs.5000 and yes Q1 the procurement cost of this was around Rs.39,500.
- Sumangal Nevatia:** Understood and just one last clarification on the price? Thanks.
- Moderator:** Thank you. We take the next question from the line of Falguni Dutta from Jet Age securities Private Limited. Please go ahead.
- Falguni Dutta:** Good afternoon Sir. Just a clarification so the coking coal cost that you mentioned for the June quarter Rs.39,500 this is on consumption basis right?



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- Anil Tulsiani:** Yes. This is on consumption basis, but it is not that we consume entirely this. Besides this there is a CDI and the indigenous coal so all put together the consumption will be much lower.
- Falguni Dutta:** Sir can you give a range or a broad number?
- Anil Tulsiani:** I can just tell you that the indigenous coal is round about Rs.13,000 per tonne and you can say 14% to 15% of the total component.
- Falguni Dutta:** How much did you mention?
- Anil Tulsiani:** 14% to 15%.
- Falguni Dutta:** No in indigenous coal cost absolute how much did you say?
- Anil Tulsiani:** Around Rs.13,000.
- Falguni Dutta:** Rs.13,000?
- Anil Tulsiani:** Yes 13.
- Falguni Dutta:** Sir one more clarification the realization that you mentioned for June Q1 average Rs.66,000 per tonne is the blended realization right?
- Anil Tulsiani:** Yes that is the blended realization.
- Falguni Dutta:** Okay thank you Sir. That is all from my side.
- Moderator:** Thank you Madam. We take the next question from the line of Pratim Roy from B&K Securities. Please go ahead Sir.
- Pratim Roy:** Thanks for the opportunity. I have two questions. One is how much uplifting you can expect from coking and the second one is what is the NSR upliftment that we can expect blended bas in 2Q like you have mentioned that the 1Q the NSR is around Rs.66,000 so how much upliftment you can expect form that level and what is the outlook for the iron ore sales that you are doing so if you can throw some light on that?



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- Anil Tulsiani:** Regarding the NSR it is basically market driven so wherever the market takes us we will go there because it is not that SAIL decides the market prices. It is basically market driven so regarding the sales we have not had any sales in this quarter. It was just basically the liftment of the old orders placed in the last quarter that some quantities are lifted in this quarter.
- Pratim Roy:** I got my answer. So 1Q iron ore sales was nil and now 2Q you can expect from the iron ore right?
- Anil Tulsiani:** Provided we get the right price for that.
- Pratim Roy:** Okay thank you Sir.
- Moderator:** Thank you very much. We take the next question from the line of Pallav Agarwal from Antique Stock. Please go ahead Sir.
- Pallav Agarwal:** Good afternoon Sir. Sir I had a question on realization so you mentioned that the flat products have been impacted more than long products so given that we have a very fairly healthy proportion of long products in our mix so the decline in Q2 realization should be lower than us as compared to our competitors is that a fair understanding?
- Anil Tulsiani:** I think your understanding is quite correct because we are in long products and we expect, the Indian market is basically with this coming with the monsoon just going off from August the purchases will go up basically in the long products so yes we surely have a good advantage since we have a slight a big range of the long products also and quite a large component also.
- Pallav Agarwal:** Sure Sir so also if I just look at the segment PBIT so again Durgapur and some of the other plants IISCO have again probably gone into a loss so is this because again the semi proportion in the mix is high and so there we did not get the benefit of better realization?
- Anil Tulsiani:** Yes actually it is basically Durgapur has got semis so it is an impact of that and regarding IISCO there is a slightly lower production in the Q1 which once it goes up we feel that it will surely come out of the red into the black.
- Pallav Agarwal:** Thank you.



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Moderator: Thank you Sir. We take the next question from the line of Kamlesh Bagmar from Prabhudas Liladher Private Limited. Please go ahead Sir.

Kamlesh Bagmar: Thanks for the opportunity Sir. Sir one question on the part of your capex guidance. Sir last quarter you mentioned that you will spend around Rs.8000 Crores and in this quarter we had a Rs.1000 Crores of capex and despite the fact that there is no visibility on the new capacity additions no orders have been floated so is there chance for this guidance to come down or we are going to settle with like say to Rs.4000 Crores to Rs.5000 Crores of capex or what would be the capex in this year?

Anil Tulsiani: It is too early to give you the guidance of the entire year. Yes we have lot of projects in the pipeline for which already the Board has given approvals and the orders will fructify in this year only but yes our endeavor is to do as much as possible because these schemes whatever are there they are basically some debottlenecking schemes so the more we finish them off in a faster time, it will be better for the plants also.

Moderator: I see the participant line has got disconnected Sir. The next question is from the line of Anuj Singla from Bank of America. Please go ahead Sir.

Anuj Singla: Thank you very much for the opportunity Sir. Sir you talked about the NSR blended NSR at Rs.66,000 can you also give the long and flat of NSR for this quarter and what they were in the March quarter?

Anil Tulsiani: Actually the difference between the two NSR in the quarter was around about Rs.7000 to Rs.8000.

Anuj Singla: Okay and the blended NSR for March quarter Sir what was it?

Anil Tulsiani: For the March quarter, it was around Rs.59,000 to Rs.60,000.

Anuj Singla: Okay Sir got it and Sir the second question when you talked about the realizations in July being a bit lower? I think it is Rs.1200 to Rs.1300 lower versus June quarter so if the prices were to stabilize here is it fair to assume this is the trend we should be assuming for the full quarter as well given the scenario the fact it has declined further from here?

Anil Tulsiani: The market is quite volatile. We really do not know where the prices will end up so we have not been able to comment on this at this point of time.



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- Anuj Singla:** Sir for the **inaudible 37:30** have we seen a further decline in August versus July?
- Anil Tulsiani:** It is more or less flat.
- Anuj Singla:** So August pricing is still Rs.1200 to Rs.1300 lower versus the June level?
- Anil Tulsiani:** Yes.
- Anuj Singla:** Okay got it. Thank you.
- Moderator:** Thank you very much. We take the next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** Sir thank you for the opportunity. Sir if you could give us some color on what is the quantum of inventory for the industry in the system currently because of now it is a quarter now almost that export tax has been implemented so how are currently the inventory is being in the system Sir?
- Anil Tulsiani:** Actually in the month of July inventory has come down but we do not have the figures readily with us for the industry as a whole.
- Saket Kapoor:** Okay Sir as the Pallav Sir was speaking about the capex part of the story that if you could complete that answer? You were telling that there is some debottlenecking exercise in the various units that we are going ahead so if you could give some color what kind of amount, I think Rs.1000 Crores has been spent so what are we planning to spend and how are those resulting is cost optimization for our units and also in our result presentation Sir as one of the speakers did mention we hope that if unit wise explanation is provided to us wherein the variation in profitability is explained that would suffice a lot of questions on the part of the speaker so if the major units we can get how the Bhilai, Durgapur and Rourkela plants have performed vis-à-vis the comparative numbers that would give us an understanding the reasons why the profitability has changed the way it has been so that is the request on the part and on the capex front kindly conclude that answer that how much is to be spent on the debottlenecking and what would be the cost optimization that will happen post the same?
- Anil Tulsiani:** Regarding this capex our plan for the year was Rs.8000 Crores and we are still maintaining our plan for that. Of course there may be some slippages but we are not too sure about it but there is just one thing that this Rs.8000 Crores whatever we are mentioning it is also the capex being spent by our subsidiaries and joint ventures also. That also forms a part of this



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so we expect some of our subsidiaries and joint venture to have some expenditure during the coming quarters and regarding our expenditure if you normally speak in the Q1 everywhere the capex was low. It normally starts picking up from the month of October and November so these things if you see because what is happening we place orders in the Q1 and then the funds start flowing out from the Q2 only so based on that I think we are quite optimistic but we are not too sure whether we will be able to achieve the target of Rs.8000 Crores in this quarter.

Saket Kapoor:

That is true Sir but on the cost optimization front it is in your presentation you can come up with an explanation what are we envisaging to spend and what would be the modernization and the benefit that would be really helpful for us as you have already outlined how much to be spent so that would give more color? Sir would you like to share more on the same Sir where is this amount going to be spent and how is that going to benefit the unit in terms of cost of production going down or value addition in the final product?

Anil Tulsiani:

Basically in the value addition of products there may not be much of an investment now but the main thing is on the iron side where we will have some investments for improving our production.

Saket Kapoor:

Correct Sir and in the line item other expenses Sir how should one treat this line item with the lower revenue for this quarter also on a comparative basis? This line item has gone up significantly to Rs.7200 Crores so what are the key components and the reasons for this moving ahead?

Anil Tulsiani:

One major component which has increased is the royalty. The royalty has gone up by around about you can say round about Rs.400 Crores and then there is some hit on us on the foreign exchange variation also.

Saket Kapoor:

On the foreign exchange variation how much would it be?

Anil Tulsiani:

Foreign exchange variation we have had a hit of around about Rs.500 Crores.

Saket Kapoor:

Sir the only request was to make the presentation more update on capex and the business environment currently so kindly into the request going ahead?

Anil Tulsiani:

We will see whatever best is possible.



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- Saket Kapoor:** Whatever best can be done so that it could optimize and it is for the benefit of all the investor community? Thank you Sir.
- Moderator:** Thank you very much. We take the next question from the line of Ritesh Shah from Investec. Please go ahead Sir.
- Ritesh Shah:** Sir thanks for the opportunity. Just two questions. One is on any specific update on what our take is on export tariffs?
- Anil Tulsiani:** On the export tariffs actually we have been also requesting the ministry to waive off those tariffs but not much headway has been made so for that. There is an organization by the name of Indian Steel Association. This agency normally takes up this ministry for this so we are also following up with them too.
- Ritesh Shah:** Right Sir just wanted to stress on this? Is there any particular variable that the government is looking at a particular steel price or a particular inflation number what they are targeting and post they will look to revise this?
- Anil Tulsiani:** We do not have any idea from that.
- Ritesh Shah:** Okay no problem and Sir second question was on PLI scheme with respect to steel are we going to participate in it? How do we look at it? Thank you so much.
- Anil Tulsiani:** In the PLI scheme we will be participating for this rails which we have got from Bhilai. We will be participating in that front.
- Ritesh Shah:** Sir what will be the extent of capex here?
- Anil Tulsiani:** This is being worked out now.
- Ritesh Shah:** Sure. Thank you very much for the answers.
- Moderator:** We move to the next question from the line of Kamlesh Bagmar from Prabhudas Liladher Private Limited. Please go ahead.
- Kamlesh Bagmar:** Thanks for the opportunity. Sir a question on the part of realization. Sir over the years SAIL has been very consistent in giving the exact numbers so it is very surprising that you are



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giving the ranges for the realization 59 to 60 can you give the precise realization numbers what was there in this quarter and last quarter Sir?

Anil Tulsiani: The average NSR for Q1 is 66,829 and for Q4 2021-2022 it is 59,495 and for Q1 2021-2022 it is 53,929.

Kamlesh Bagmar: Sir lastly on this Rs.489 Crores of price revision for the rails which we have booked in this particular quarter Sir that is also an one time in nature because it is for the prior year and what is the process or the thought process on this like say provisional based revenue which we are recognizing on the part of realizing that amount?

Anil Tulsiani: This money we will get it. We have already raised invoices for this so the money will start coming for this and this is actually just a provisional figure which they have given us. Since we have already submitted the pricing for 2020-2021 to the chief advisor cost the organization which finalizes the price for us so we expect something like around about Rs.5000 to Rs.6000 extra for 2020-2021 and this price whatever they have given it is basically for 2021-2022 a provision of Rs.5000 increase. This will also further go up. Once we submit our pricings to the CA cost so this is an ongoing affair till probably all our these costs are finalized up to 2021-2022.

Kamlesh Bagmar: Okay but Sir when we took it for the last year so even in the Q1 we took that as a base for our realizations in rails?

Anil Tulsiani: Yes in the last year it was at around Rs.62,000 when we had taken it and they have given us an increase of Rs.5000 in this year.

Kamlesh Bagmar: So even for the Q1 it would be priced at Rs.67,000?

Anil Tulsiani: Yes.

Kamlesh Bagmar: Sir lastly realizations which you mentioned for the July was around Rs.56,000 how much was the realization since July month NSR?

Anil Tulsiani: July.

Kamlesh Bagmar: July month Sir NSR?

Anil Tulsiani: July it was around Rs.57,000.



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- Kamlesh Bagmar:** Okay Sir thank you Sir. Thanks a lot.
- Moderator:** Thank you Sir. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Vishal Chandak from Motilal Oswal for closing comments. Over to you sir.
- Vishal Chandak:** Thank you every one for participating so I would request Director Finance for closing remarks. Over to you Sir for closing remarks.
- Company Speaker:** Like thank you very much Vishal and I thank the people who are there who could participate in this concall and just a few closing remarks. The government has done a commendable job in ensuring this vaccination and we feel that now there may not be further jolts of COVID and the economy will surely rebound. The results of the Q1 of SAIL were basically impacted due to the input cost and they have also come down now to manageable levels and we expect things to improve from hereon. We will meanwhile continue with our efforts to improve the internal factors like increasing volumes, improving product mix with higher volumes of value added steel even greater thrust on operating operational efficiencies to reduce cost of production. With coking coal cost coming down we are also smell opportunities to again take the path towards a net debt free company. Thank you.
- Moderator:** Thank you Sir. On behalf of Motilal Oswal that concludes this conference call. Thank you for joining us and you may now disconnect your lines.