"Steel Authority of India Limited

Q3 FY '24 Earnings Conference Call"

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MANAGEMENT: **MR. PRAVEEN NIGAM – EXECUTIVE DIRECTOR OF FINANCE AND ACCOUNTS - STEEL AUTHORITY OF INDIA LIMITED**

MODERATOR: **MR. ASHISH KEJRIWAL - NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day, and welcome to the Steel Authority of India Q3 FY '24 Conference Call hosted by Nuvama Wealth Management. 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.

I now hand the conference over to Mr. Ashish Kejriwal from Nuvama Wealth Management. Thank you, and over to you, sir.

Ashish Kejriwal: Thank you, Aditya. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we welcome you all for post results con-call of Steel Authority of India. We are delighted to have with us Mr. Praveen Nigam, Executive Director of Finance and Accounts, along with his team.

Now I would request Mr. Nigam for his opening remarks. And thereafter, we will open the floor for question and answer. Over to you, sir.

Praveen Nigam: Yes. Thank you, Ashish and good afternoon, everyone. Let me welcome all our investors and analysts who are joining this results con-call for the financial result of SAIL for the period ending quarter 3 of financial year'24 and 9 months of financial year'24. Though the detailed results are already available on the website of the company as well as stock exchange, I would briefly apprise you on the same before we move to the question-and-answer session, where we would be happy to address your queries.

As far as the world economic scenario is concerned, which we have seen operating, but the global economy has moved a long way from the aftermath of COVID-19 and the same, however, was impacted adversely during 2022 on account of multiple factors like inflationary pressure, consequent tightening of the monetary policies, geopolitical situations leading to disruption in supply chain, slowdown in the major economies like China, Europe, etcetera, causing major imbalance in the global demand supply, etcetera.

The inflationary situation has eased faster than expected in 2023, reflecting favorable supply side developments and tightening by the Central Bank, which has kept our inflation expectation anchored. At the same time, high interest rate aim at fighting inflation and the withdrawal of physical support amid high debt are expected to weigh on growth in 2024.

Meanwhile, on account of greater-than-expected resilience in the United States and several large emerging markets and developing economies as well as physical support in China, global growth is projected at 3.1% in 2024, and 3.2% in 2025, which -- with that 2024 forecast, which is 0.2% higher than that in the last World Economic Outlook.

As far as the world steel scenario is concerned, the global steel industry saw the year 2023 pick up slowly with China recording negative growth in the initial months. The performance especially caught up later and helped the world's crude steel production stands at nearly the same level as 2022.

Despite this modest performance by world largest steel producer, its share in the global output has been consistently and reached the level in excess of 55%. This highlights the contraction of performance by rest of the world barring isolated performance by India and a few other countries.

However, the projection for steel demand points towards turnround during 2023 and 2024, although again a gradual recovery. The World Steel Association in its Short Range Outlook published during October 2023 has projected a growth of 1.8% and 1.9% during 2023 and 2024, respectively.

Let me talk about the Indian economy also. Meanwhile, the Indian economy continues to fare better than its counterpart, and this has maintained relative stability in the domestic market. As per the advanced estimate published by Ministry of Statistics and Programme Implementation, the Indian economy is projected to grow at a rate of 7.3% in financial year '24, after reaching a GDP growth of 7.2% in financial year '23. The projection by some of the major agencies like RBI, World Bank and IMF, etcetera, the economy is priced to grow in the range of 6.5% to 7% in financial '25, helping it to maintain its position as one of the fastest growing amongst major economies. At the same time, the economy has countered the forces of inflation, better than the other economies by judicious use of increase in the repo rates by the RBI.

Now let me talk about the Indian steel industry. Indian steel industry has consistently been growing in terms of production as well as consumption number in the post COVID era during April to January financial year '24, the crude steel production has grown by 13% and the consumption of finished steel has grown by 14%. As per WSA, the demand in India is projected to grow at a rate of 7.7% during calendar year '24. With the price of imported coal declining of late, the industry can also have a sigh of relief on the cost front. However, we need to watch out for the subdued price in the steel at the same time. The price of steel have also been operating in narrow band, but there is -- there are of hopes for improvement in the near future.

Now as far the performance of our company is concerned for the quarter in the -- coming to the company that is Steel Authority has registered best-ever physical performance during 9 months out of financial year '24. The performance of the company during 9 months '24 stand as follows. The Saleable steel production stood at 13.718 MT, that is an increase of 9% over CPLY. The saleable steel sales volume stood at 12.463 MT registering a growth of 8% over CPLY.

The NSR of the mild steel, however, during the period was at 54,921, which was 6% lower than the CPLY. Sales turnover was at INR76,801 crores that is an increase of 3% over CPLY. As for the profitability is concerned, the company has registered an EBITDA of INR 8,451 crores, that is an improvement of 41% over CPLY. Profit before tax and profit after tax stood at INR2,359 crores and INR1,722 crores as against INR1,157 crores and INR854 crores, respectively, during CPLY.

As far as the performance of the company during the quarter 3 is concerned, then the saleable steel stood at 4.551 MT, that is improvement of 4% over CPLY, but a reduction of 4% over the previous quarter, that is Q2 of financial '24. The saleable steel sales volume stood at INR3.813 crores, that is a reduction of 8% per CPLY and 20% over the previous quarter versus Q2 of financial '24. The total saleable steel inventory stood at 1.795 MT that is an increase of about 0.616 MT over the previous quarter, which was 1.179 MT. And as far as a mild steel, the 5 integrated steel ton during the quarter was INR55,361 per ton. That is an increase of 4% over the previous quarter. However, sales turnover at INR23,148 crores, that is a decrease of 7% over CPLY and 22% over the previous quarter.

Under profitability front, the company's registered EBITDA of INR2,319 crores improvement of 5.5% over CPLY, but the decline of 43% over the previous quarter. Profit before tax and profit after tax stood at INR461 crores and INR331 crores as against INR635 crores and INR464 crores, respectively, during CPLY.

As far as sustenance and operational efficiencies are concerned, in the area of operational efficiency, the company has been making steady progress for reducing coal and coal consumption, increasing use of CDI, bringing down the specific energy consumption and improving the blast furnace productivity. Continuing with the drive towards improving the product mix, the proportion of semis in the saleable steel production stood at less than 15%, by engaging conversion services in and around the plant and the demand sector. The percentage of share of semis in sales has been even lower at 7%.

Going forward, the boost from the various measures announced by the government in the recent interim budget for infrastructure spending are boosted well for steel demand in the country. With the overall outlook positive for sustained growth in domestic consumption, we are hopeful of the resilience and consequently, the margin will improve for the company in the quarters to come.

With this word, I hand it back to Mr. Kejriwal for opening the question-and-answer session. I'm sure you all have lots of queries on the performance of the company.

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

Amit Dixit: I have a couple of questions. The first one is essentially on the coal cost. If you could let us know the coal cost for this quarter and what is the percentage or in absolute terms change Q-o-Q? And what kind of coal cost on consumption basis we can expect for Q4?

Praveen Nigam: As far the coal cost consumption is concerned, in Q3, the consumption was INR26,500 tons. And in Q2, it was INR22,751 tons, that is almost increase of almost INR4,000 per ton from Q2 to Q3.

Amit Dixit: And sir, what do we expect in Q4?

Praveen Nigam: In the Q4?

Amit Dixit: Yes.

Praveen Nigam: Actually, Q4, we do not have, but as far as January is concerned, in the January, the prices are at INR26,633 which we feel will remain in February and March also.

Amit Dixit: Okay. So we see roughly INR300 increase in Q4 as of now, as of things stand now?

Praveen Nigam: Yes. Amit, Let me tell you this INR26,000 was excluding the CDI coal. If we include the CDI coal, then our coking coal cost was INR23,700 for quarter 3.

Amit Dixit: Okay. INR23,700 and this compares with INR22,751 number.

Praveen Nigam: No, no, no. Because what I have told you is the imported coal consumption cost. If we include the CDI also both the costs will come down. And if we include CDI in the Q2, it was INR23, 271 and Q3 it was INR23,693 including CDI.

Amit Dixit: Okay. Okay. Okay. And on sales volume, given that we have done around 12.4 million tons in 9 months. What do you expect to end the year with? And what is the target for next year?

Yes. Actually, we will try to do the best of what we can, but we cannot give you any number as of now.

Amit Dixit: Okay. Sir, any indication on how the demand is panning out in January? Is it better compared to Q3? Because we have built sizable inventory as well. So just wanted to get your views on that.

Praveen Nigam: Yes. In the month of January, we have done sales of 1.489, you can say roughly 1.5 million tons.

Amit Dixit: Okay. So you saw demand improving in January compared to Q3?

Praveen Nigam: Yes.

Amit Dixit: Okay. Okay. All right, sir, I have other questions, I will come back in the queue.

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

Ritesh: A couple of questions. Sir, first, can you detail how are of the flat prices and long prices trending? And what it means on implied parity business?

Praveen Nigam: Yes. As far as long is concerned, in Q3 long was INR53,938, can say roughly INR54,000 and flat was INR56,600.

Ritesh: Sir, how much will be the spot right now?

Praveen Nigam: Yes. In the January, as far as the long is concerned, it is INR51,900 and flat is around INR53,000.

Ritesh: And sir, on an import parity basis, are we trading at a premium discount? How should we understand that?

Praveen Nigam: Just a minute. Yes, presently import prices are at par with the domestic prices.

Ritesh: Sir, I have just 2 other questions. Sir, we had a lot of ore inventory, which was there, which we were looking to monetize. Sir, any specific update over there?

Actually, there were 2 states where the ore inventory was there. In Odisha, there was no issue because the permission was there and that inventory is getting liquidated. As far as Jharkhand is concerned, initially, there was no permission for the moment. But now we have got the permission for using internally within our plants. So we have started moving the inventory. This is the update as far as the inventory in Jharkhand is concerned. That is old inventory, which we have accounted for.

Ritesh: Sir, would it be possible for you to quantify the impact of the Odisha sales where in you say that it is getting liquidated. And what sort of impact it was there on Q3 and 9-month basis, if it's possible?

Praveen Nigam: That we will give you offline because right now, I'm not having that figure specifically for Odisha inventory, that is price for what we have sold.

Ritesh: Sure, sir. And sir, just last question specific to RINL what we understand from the print media was, I think, one of the other private listed companies, they were looking for some working capital infusion in exchange of metallics. Did steel authority consider a proposal of that sort, given both the entities are PSUs? Or is it something that we have not looked at?

Praveen Nigam: No, no, no. We -- yes, there is no such official communication to us. We are not given any working capital assistance to RINL as of now.

Ritesh: Okay. But sir, will we be open to something of that sort?

Praveen Nigam: We have to see, we have to wait. Let the proposal be there, then only we can answer. As of now, it is difficult for me to comment on this.

Moderator: Our next question is from the line of Rajesh from B&K Securities.

Rajesh Majumdar: So sir, I think that you have given the outline of the NSR fall in Q4, that is very helpful. However, Q4 is normally the highest volume quarter for the steel company. So is it worthwhile to assume that on higher volume, the fixed cost other expense will be spread out in such a way that the overall margins will not get impacted or they will get impacted?

Praveen Nigam: As far as the trend of the current year concern, the NSR is -- under stress in Q4 also. So what you are saying that Q4 historically has been the best NSR that we are not seeing in this particular quarter...

Rajesh Majumdar: Not the best NSR, highest volume, since the highest volume will be spread over the higher fixed costs. So the NSR fall will be captured in the cost in better utilization of the assets? Or will we see a fall in the margins?

Praveen Nigam: There -- what we have said that we will try to maximize the volume, but how much that we cannot quantify as of now. What we have done in the month of January that we have told you.

But it is difficult for me to quantify the volume in February and March. But yes, we will try to maximize it as much as possible.

Rajesh Majumdar: And sir, my second question was that out of the INR30,000-crores debt you have outlined, what is the short-term debt or what is the inventory-related debt that you have? And will that come down substantially when the inventories come off a little bit in this quarter?

Praveen Nigam: This entire INR33,000 crores actually is not the short term. It is basically short-term debt, long-term debt, and this accounting of the leases as for the Ind AS, this INR33,000 debt consists of all these 3. As far as the litigation is concerned, yes, if the inventory will be liquidated, we are trying to bring down the debt in Q4 as much as possible, but difficult how much it will come down. If you want to see that in the month of December, our total debt in absolute terms. I'm not talking about the accounting debt. Absolute terms, it was INR28,000 crores.

Rajesh Majumdar: And what is it now?

Praveen Nigam: In the month of January, it has increased, now presently it is INR29,000 crores as of the January is concerned, 31st January figure.

Rajesh Majumdar: Okay. Despite the higher sales, debt is still high?

Praveen Nigam: Yes, debt is still high that we are trying to bring down in February and in the month of March, because we are expecting a higher sales and the coal price probably will remain constant, so the debt would come down.

Rajesh Majumdar: Okay, sir. And sir, what is our target capacities over the next 2 years? What is the capex we will do, keeping in mind the debt that we have and what kind of debt equity or debt EBITDA ratio will we assume in terms of the capex and the overall increase in capacity we are targeting going forward over the next 2 or 3 years?

Praveen Nigam: For next year, we have taken a target of INR6,000 crores that much I can tell. But thereafter, what would be the capex, it is difficult to predict at this juncture. But next year, we have taken a target of 6,000 capex.

Rajesh Majumdar: And what is the target capacity, sir, over the next 2 or 3 years from where we are right now?

Praveen Nigam: Almost -- we are almost at, you can say, 95% of the capacity, so we'll retain in this range only.

Rajesh Majumdar: And the next expansion will happen after the 2 years or the next big expansion once we are -- because we already had 95% utilization.

Praveen Nigam: The next big expansion is going on. And what we have already said that by 2030, '31, we are expecting that our capacity will increase to around 35 million tons.

Rajesh Majumdar: I wanted actually a more 3-year kind of picture. I know '30, '31 you've given that figure. But 3 years we'll be at what, 18 or 20, what kind of figure can we assume for that?

Praveen Nigam: Yes. No, no. Here, there will not be any major shift as the capacity is concerned.

Moderator: Our next question is from the line of Kirtan Mehta from of BOB Capital Markets.

Kirtan Mehta: I wanted to check in terms of the near-term demand trends, if you would be able to elaborate beyond the January sales numbers to give any color around how particularly thing is happening on the volume side, which would be helpful.

Praveen Nigam: You see we have already given you January numbers, that was 1.5 million tons. Traditionally, the demand is strong in the month, as far as Q4 is concerned. We are expecting that the demand will be there. We are trying to maximize it. But how much that I cannot quantify at this juncture.

Kirtan Mehta: Sure. In terms of the -- another question was about the provisional rail price hike based on the FY '22 numbers for the FY '23. Are we sort of pitching in for the FY '23 hike at this point of time, at least at the provisional rate when is that likely to come through?

Praveen Nigam: We have taken up with the railway. We cannot, for sure, say whether any benefit will come in Q4 or not. It's very difficult to commit at this juncture -- at this moment. Yes, we are taking up with railways for giving us the provisional price, but no commitment as of now.

Kirtan Mehta: Sure. And one last question was between the Q2 and Q3 EBITDA per ton bridge. So what we understand is that if we exclude the effect of the prior period rail benefit, there was sort of an improvement into the EBITDA per ton number and this was despite basically the INR4,000 per ton increase that we have seen in the coking coal cost, which was partly offset by the increase in the realization. So would you be able to explain the delta between Q2 and Q3?

Praveen Nigam: Yes. In Q2, our EBITDA was INR4,043 crores and in Q3, it is INR2,390 crores. The major reason for difference is that in Q2, we have got this rail price revision of INR1,700 approximately. And then there were certain improvement in NSR also.

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

Pallav Agarwal: So just wanted some clarification on our salable steel capacity. So if I remember, it was about 20.2 million tons, and there was some balancing issue with the Bhilai caster. So is that now sorted out?

Praveen Nigam: Yes, the implementation of caster is going on in Bhilai, and we are expecting that next year we will come to it.

Pallav Agarwal: So once that is done, we'll have a saleable steel capacity of 20.2 million tons?

Praveen Nigam: Yes, it will remain between 19.5 million tons to 20 million tons.

Pallav Agarwal: Okay. And right now, if I look at the 9-month saleable steel production, and probably extrapolate that, then the utilization comes to about 90% to 92%. So how much -- what is like any ramp-up over the next couple of years? Can we reach those production levels of close to 20 million tons?

Praveen Nigam: We will try to sweat our assets further, but yes, some improvement will be there because there are certain capacities in a few of our plants, and that we will try to exploit.

Pallav Agarwal: Sure, sir. Also, just on the employee costs. So I think broadly, we are at a quarterly run rate of INR3,000 crores of employee cost and the number of employees continues to reduce. So going ahead also, we broadly see this increasing in line with inflation? Or this is probably stable at these levels.

Praveen Nigam: As far as this year is concerned, we will remain in the range of INR3,000 crores, as we have said per quarter. But yes, later on, as the employee numbers will go down, this cost will come down further.

Pallav Agarwal: Okay. So any percentage if you can guide us?

Praveen Nigam: It depends upon the superannuation, which is nearly about 3,000 employees per year.

Pallav Agarwal: Sure, sir. Okay. Sir, lastly, just on the royalty that we pay on our captive iron ore, I think the pricing is linked to the general IBM price index. So with NMDC having taken significant price hikes, so will that impact reflect in higher royalty premiums going ahead?

Praveen Nigam: Naturally, if the NMDC has increased the price, if the ideal price will go up, automatically the royalty impact will be there because the royalty is calculated on IBM price.

Pallav Agarwal: So have you seen any impact on 3Q over 2Q of this?

Praveen Nigam: Yes, some impact will come, but that calculation, we are not having at this time, can't say how much impact will come.

Moderator: Our next question is from the line of Aditya Welekar from Axis Securities.

Aditya Welekar: Yes, sir, can you just come again on coking coal consumption cost in Q4 versus Q3 on a blended basis? I know you have touch based on that, but if you can repeat that.

Praveen Nigam: On a blended basis, including the CDI in Q2, it was INR23, 271, in Q3, it was INR23,600.

Aditya Welekar: Okay. And same for blended realizations, Q4 to Q3?

Praveen Nigam: This realization -- average utilization, if you talk then it is in Q2 was INR53,400 crores and in Q3, it is INR55,300 crores.

Aditya Welekar: Okay. And if you can elaborate on the status of the expansion projects when we are planning to peak on the CapEx and various approval status and all?

Praveen Nigam: We have already told you that we have a plan for increasing the capacity to 15 million by 2030, '31. As far as the CapEx is concerned, expansion is concerned, yes -- just a minute -- we have already got and you can say, Stage 1 approval from SAIL Board for expansion of 4.08 MT for our -- one of our plants is crude steel plant. So Stage 1 approval of the crude steel plant is already there. PFR for the expansion of Bokaro is complete, and it has been according to principle approval by the SAIL Board and a consultant has already been appointed for the preparation of the DPR. And as per the brownfield expansion of the Durgapur is concerned, it has submitted -- it

was submitted in October and the same has been accorded in-principle approval of the SAIL Board and we are expecting it will come soon. So this is our status of expansion as of now.

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

Amit Dixit: I have a couple of questions again. The first one is on what kind of finished good inventory we would be having at the moment.

Praveen Nigam: Presently, as of 31st December, it is 1,795,000 tons., 1.7 million, you can say.

Amit Dixit: 1.79, you said, right? 1.8 million tons...

Praveen Nigam: 1,795,000 tons.

Amit Dixit: Okay. Okay. Okay. And sir, what was the working capital buildup in Q3 and how much working capital unlocking can we expect in Q4?

Praveen Nigam: This, I will provide you offline.

Amit Dixit: Okay. Okay. Sir, just wanted to understand here from a -- I mean, I know you were speaking about the EBITDA bridge in answer to people's questions, but unfortunately, my line got disconnected. So for the sake of repetition, just wanted to understand, we had a negative operating leverage Q-o-Q, but still, our EBITDA per ton, if I look at it.

If I exclude the benefit from the provisional rail prices in last quarter, it was not as impacted as other deals. One thing I understand is, of course, the coal cost increase was much lower, but what the other factors played out in this quarter? Because other expenses also if I look at it, that is significantly within control. So just wanted to understand, what did you do differently in this quarter compared to your peers in the industry?

Praveen Nigam: This detail, we will provide you offline because right now, I'm not having that break up what you are asking for but reconciliation between the 2, that is Q2, and the Q3 EBITDA that we are having that, we have explained also.

Ashish Kejriwal: Yes. If you could repeat it again, maybe my line was logged off, so I was unable to -- yes, yes.

Praveen Nigam: Yes, just a minute. Yes, our EBITDA in Q2 was INR4,043 crores and EBITDA in Q3 was INR2,319 crores. The major reason for this downfall in Q4 was the rail price impact, what we have taken in Q2 was INR1,700 crores. We have got better rail realization, NSR is concerned to the tune of INR600 crores. Some material users, there was a negative impact of INR333 crores and the volume mix INR1,037 crores. So these are the major reasons for EBITDA, which came down from Q2 to Q3. If you exclude the rail price, then this EBITDA was better than Q2.

Moderator: Our next question is from the line of Manav from Yes Securities Limited.

Manav: My first question is basically on the debt part, I wanted to just come back again. Earlier, we had a discussion and had said that probably by the end of this year, we will roughly be in the range of INR23,000 crores. And on a Q-on-Q basis, the debtors increased again. So can I assume that there would be significant debt reduction in the next couple of months? So if you could just enlighten me on that.

Praveen Nigam: Yes. We have said that by the end of this financial year, our debt should come down to the level of INR23,000 to INR24,000 crores. But because of the pressure on the NSR and the coal prices, which in the Q2 were quite low, we were expecting that this will continue and our debt will come down further. But as you know the coal prices have increased and there was a pressure on the NSR, that has resulted in increase in debt. I'm not expecting that in February or March, by the 31st March, there will be any major reduction that debt is concerned. Still we are trying that by increasing the sales volume, we will reduce our debt to some extent.

Manav: Yes. Okay. Sure, sir. My other question is it's not basically for this particular quarter. I was just going through the company's annual report, the total amount of contingent liabilities mentioned now over there was counted roughly about INR38,000 crores as the claims against the company and pending the judicial decision. I just wanted to know the nature of these claims and what is the company's outlook and how much of these liabilities can we see as a cash outflow in the upcoming fiscal.

Praveen Nigam: These are actually -- most of the cases are subjudice and they are pending at various courts. As far as our understanding is concerned, we have a very fair chance of winning this case. We are continuously evaluating these cases. And as far as we are concerned, we have a better chance of winning these cases and these are pending in various forums. These are -- all are subjudice.

Moderator: Our next question is from the line of Vikas Singh from PhillipCapital.

Vikash Singh: Sir, I want to understand first that our semis, mainly the composition is very high in DSP and ESCO plan. So the steps we are taking to bring it down and realistically, can it be bring down to the level of DSL or DSP or not?

Praveen Nigam: So Durgapur is concerned particularly, then we have a plan to bring a TMT mill there, so once the TMT mill will come, the impact this semis, which is being sold in the market from Durgapur will get consumed there and will be converting into the finished goods. And we are also trying to increase the production of our mills. So there also additional consumption will come.

Vikash Singh: So this TMT, what is the timeline and the capex which we are investing?

Praveen Nigam: It is actually 1 million ton plant we are bringing in Durgapur. And I think about 0.4 million also on the comp basis. But timeline is not yet decided.

Vikash Singh: Understood. Sir, second question pertains to the new expansion in IISCO, given that if the kind of a plant is already there and I assume that the basic infrastructure would be there. So why the capex cost per ton seems to be pretty high...

Praveen Nigam: It is a totally greenfield project. It will come in the area in which they are having an old plant. It's not that this expansion is of the existing plant. The entire new setup is going to come in the IISCO. It is a greenfield expansion and that too in the flat.

Vikash Singh: So -- but then you have already the land with you with the site leveling, etcetera, would have been done already, right? Is it coming in place of some old plant, what you said?

Praveen Nigam: Yes.

Vikash Singh: So even then the cost seems to be on a higher side. So just wanted to understand this module is in HRC or still CRC, galvanized. So what is the overall setup you are looking at? Is it still HRC, CRC, galvanized, till what level basically, the entire 4.5 million tons we are looking at?

Praveen Nigam: Initially, it is at the HRC level, once it will get stabilized, then we go for the CRC also. So as the project -- this project is concerned, CRC is under consideration, but that will come at a later stage.

Vikash Singh: And that cost is over and above what we have announced now, right?

Praveen Nigam: No, no, no, no, it's including CRC.

Vikash Singh: Okay. So the entire project cost includes the CRC -- till the CRC level?

Praveen Nigam: Hello?

Vikash Singh: I'm here, sir.

Praveen Nigam: Yes. I told you that the cost, what we have declared is including CRC. Initially, HRC will come, once that is stabilized, then the CRC will come. But the cost what we have declared is including the CRC.

Vikash Singh: Understood, sir.

Moderator: Our next question is from the line of Mohit Bhansali from Aryan Group.

Mohit Bhansali: Sir, can you hear me?

Praveen Nigam: Yes.

Mohit Bhansali: Sir, my first question is that just we are heard in the month of July 2023, you have awarded one big coal mining project to one MDO that is Power Mech. And we hear that they are going to mine the coal from your Tasra mine, and they will be getting around INR1,200 crores per annum. So just want to know what benefits SAIL can have by that mining and how much it is going to be expected. And what is the timeline?

Praveen Nigam: Yes. Approximately, you can say, 1.5 million of the coal will be extracted from the Tasra mine, and that will help us in placing the imported coal as it will ultimately bring down my cost as the overall blend cost is concerned.

Mohit Bhansali: So had the mine started sir?

Praveen Nigam: Not yet, not yet.

Mohit Bhansali: So what is the timeline, sir?

Praveen Nigam: Most probably, it will start coming -- the production will start from next year onwards, later part of next year.

Mohit Bhansali: So all the approvals like environmental and everything is in place, sir?

Praveen Nigam: Yes, yes, yes. All the approvals are there, no issue on that.

Mohit Bhansali: Okay. So you'll be getting 1.5 million tons of coal?

Praveen Nigam: Yes, once it will get fully operationalized, then we will get 1.5 million, and that will decrease our imported coal.

Mohit Bhansali: Okay.

Praveen Nigam: [inaudible 0:42:44] portion will increase in the blend...

Mohit Bhansali: Okay. Okay. Okay. And sir, second question is that I heard that you are going for the big expansion. And by 2020, you have a big plan of expanding your capacity by around 15 million to 16 million tons. So I just want to know before going to this expansion, have

all the raw material securities like coking coal or iron ore and everything has been placed or after expansion you are going to look for because coking coal and iron ore are the major cost in your production of steel. And if coking coal prices goes up like INR400, INR500 as we have seen earlier, it affects the company a lot. So just wanted to know, the curiosity, that before going the big expansion, we are spending almost INR1 lakh crores, do you have the plan first to have the raw material security, then go ahead or after completing the expansion you are going to scout for the raw maternal security?

Praveen Nigam: This expansion was planned after taking into consideration the raw material securities for which already the projects are there to increase the capacities of our mines from where the major raw material is coming. So there is no issue as far the raw material is concerned.

Mohit Bhansali: And coking coal sir?

Praveen Nigam: Coking coal, we will be importing, no issue on that, but Tasra -- Second, Tasra mine will get fully operationalized. Third, in this expansion, we are planning for the [inaudible 0:44:32] factory where the more of the indigenous coal will be placed, we can use as compared to the present where we are using more of the imported coal. So all these have been taken into consideration and factored in while going for the expansion.

Mohit Bhansali: Okay, sir. Okay. And my other question is sir, are you getting railway payments on time? Or right now, how much is the due? How much you are going to get from the railway sir for your...

Praveen Nigam: There are 2 shoes. One is the provisional price that Railways is giving, there are no issues, payments are coming in time. Second, the final price is decided by the chief adviser of course, they have already decided the price for the '21, '22, which will be finalized soon by the Railway, and we'll get the money. As of the '22, '23 is concerned, we have submitted all the information to the CFO and we are waiting for their confirmation of the fair price.

Mohit Bhansali: Right now, how much is the -- do you -- can you quantify the provision you are saying that, provisional you are getting...

Praveen Nigam: You cannot quantify. You -- We cannot quantify because it is under the discussion stage. So until it is under the discussion stage, it's not right to quantify at this juncture -- at this moment.

Mohit Bhansali: Okay. Okay. And sir, last question is, your Rowghat mine, can you update, sir, what is the update on Rowghat mine? Since we heard that your Bhilai, Rajhara mine is depleting very fast. And you need Rowghat mine to supply the iron ore for your Bhilai already expanded plant. So what is the status of your Rowghat mine?

Praveen Nigam: In Rowghat, in one of the blocks, I think it's under rail. We have started interim mining. The interim mining in that block has started. That is the update as far as the Rowghat is concerned.

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

Siddharth Gadekar: Equirus Securities Private Limited, Research Division

Just, first, on your iron ore mine, what is the total capacity that we have and what -- how much are we mining this year? In terms of royalty, what is the royalty plus premiums that we are paying to the government in terms of percentage? And in terms of the validity, until when our mines are valid?

Praveen Nigam: Total production as far as iron ore is concerned, it is roughly 36 million, you can say. And the royalty, what you have talked about that extra royalty that is being paid in Jharkhand and not in Odisha.

Siddharth Gadekar: Equirus Securities Private Limited, Research Division

So when does our Odisha mine come up for renewal?

Praveen Nigam: That I have to check, actually, because they are different mines and every mine have a different renewal that I have to check. Ashish?

Ashish Kejriwal: Sir, I think that will be the last question. I'll request for you for closing remarks, please.

Praveen Nigam: Yes. Thank you, Ashish. While we are -- my closing remarks, while we are quite part with the global economy scenario and the forecast, the Indian economy has stood out as a silver lining with a strong demand and the consumption pattern. The forecast for the Indian economy by various agencies had been quite encouraging and the economy is expected to grow in the range of 6.5% to 7% over the next 2 years, which is enough to categorize it as the fastest growing amongst the major economies. The steel demand forecast by the World Steel Association for India are also quite promising at the rate of 7.7% in current year '24. The government focuses on

the infrastructure spending is a big boost to the economy in general and the steel industry, in particular. The residential sector is also expected to grow backed by affordable housing projects and urban demand.

Private investment is improving on the back of the production-linked incentive scheme. Indian capital goods sector is also expected to benefit from the momentum. And the infrastructure as the investment in the renewable energy, automotive and the consumer durable are expected to maintain healthy growth, driven by the sustained growth in the private consumption. The company remains committed towards a sustainable performance, including impresses on the decarbonization, improving the capacity utilization, value addition and achieving the cost competitiveness. I'm hopeful that are good times are there and our investors in the coming -- for our investment in the coming quarters. Thank you.

Moderator: On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.