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“Steel Authority of India Limited

Q3 FY 2023 Earnings Conference Call”

February 15, 2023

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**Management: Mr. Anil Tulsiani – Director Finance – Steel Authority of India Limited**

**Moderator: Mr. Ashish Kejriwal – Nuvama Institutional Equities**

**Moderator**: Ladies and gentlemen, good day and welcome to the Steel Authority of India Q3 FY 2023 Earnings Conference Call, hosted by Nuvama Institutional Equities. 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. I now hand the conference over to Mr. Ashish Kejriwal from Nuvama Institutional Equities. Thank you and over to you, sir.

**Ashish Kejriwal:** Thanks, Arman. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we would like to thank the management of Steel Authority of India to give us an opportunity to host this call. Today, we are happy to host Mr. Anil Tulsiani, Director, Finance, along with his team.

Now, I would request the management for his opening remark and thereafter we will open the floor for Q&A. Over to you, sir.

**Anil Tulsiani:** Thanks. Ashish Ji. This is Anil Tulsiani, Director Finance, SAIL. Good afternoon, everyone. I welcome you all to the investor con call on the financial results for Q3 and nine months financial year 2023 of SAIL. Financial year so far has been quite volatile with sudden surprises. While the first quarter saw the coal prices at the peak, the second quarter witnessed a sharp decline in steel prices on global cues.

The demand has been steady in India and has resulted in the prices again showing a rising trend and aided by the reduction in the coking coal prices, this helped the Indigenous producers to stem back this slide. Before I brief you on the performance of the company in Q3, let me take you through the macroeconomic scenario which influences the steel industry in a big way. Therefore, as mentioned by Ashish, we will take up your queries thereafter.

Starting with the world economy, the industries across the globe seemed to have adjusted quite well to the new norm, leaving behind the effects of COVID-19. The inflationary forces which affected a major part of the year, now have been slowly pointed to a recession, maybe in the near future. The slowdown in China due to the lockdown from their zero-tolerance policy also affected the scenario and making the matters worse has been the fluid geopolitical situation from the prolonged Russia-Ukraine conflict.

The measures taken by the economies to necessitate are leading to slowdown in growth. Despite these headwinds, real GDP was surprisingly strong in the third quarter of 2022 in numerous economies, including the United States, the euro areas and the major emerging market and developing economies, as reported by IMF in its World Economic Outlook published last month.

Another silver lining in the offing has been the recent uptick in the economic activities in China as they come out of the lockdown. This has resulted in the financial agencies being upbeat about the improved scenario in the near future. IMF in its Jan 2023 World Economic Outlook has raised the projection for global GDP to 2.9% for calendar year 2023 from the earlier 2.7%.

The rate is expected to further improve to 3.1% in 2024. The major advanced economics, which include countries like US, Germany, Japan, UK, France, etc. are seeing much slower increase in GDP growth projection for 2023 with UK actually projected to contract by 0.6%. The emerging economies are expected to fare much better than the advanced counterparts. World Bank, however, is less upbeat on the global GDP growth, cutting it down to 1.7% for 2023, as the impact of central bank rate hikes intensifies, Russia’s war in Ukraine continues and the world’s major economies slow down.

Now coming to the Indian economy. The Indian economy meanwhile stands out as a silver lining, with strong demand and consumption pack. Amongst the major economies, we are placed much better and beating the growth projections even over China. India is expected to grow in the range of 6% to 7% over the next year in various reports like IMF, World Economic Order, World Bank Projections, Monetary Policy Committee of RBI etc.

As per IMF, growth in India is expected to moderate in calendar year 2023 to 6.1% from 6.8% estimated for 2022, reflecting the less favorable outlook and tighter financial conditions before climbing again higher to 6.8% in 2024. Uncertainty around the outlook though remains high with risks tilted to the downside. A sharp global growth slowdown in the near term would affect India through trade and financial channels. Intensifying spillover from the war in Ukraine can cause disruptions in the global food and energy markets with significant impact on India.

The domestic industry will also have to guard themselves from the import threats. The global steel industry, which was seeing a decline in demand and corresponding realizations for past few months, seems to have woken up to a new beginning in the new year with prices in January exhibiting an improvement. With China also crawling back to life, there are expectations and hopes of the international demand picking up, not only for steel but also the raw materials that go into making it.

However, in the wake of environment concerns, it remains to be seen how far the Chinese government will be allowing its producers to increase their production. Meanwhile, with China again starting to procure coal from Australia after a gap of nearly three years, there are concerns on coking coal prices pushing higher. The prices for hard coking coal sourced from the world’s biggest suppliers are already operating in the range of $360 to $370 per ton. For steel industry, the price of this fossil fuel dictates the cost of production for major producers to a large extent.

Now coming to the Indian steel industry, the impact of improvement in global markets has poured over to the Indian markets as well. The prices of steel have seen an improvement during past few weeks for both flat and long segment. The demand projections for steel in India, however, remains upbeat with the crude steel production in the country recording a growth of around 5% during April to December financial year 2023 over CPLY. Meanwhile, the consumption of steel has also grown by around 12% in the country during this period. As per the World Steel Association, short-range outlook has projected growth of 6.1% and 6.7% in calendar years 2022 and 2023, respectively.

Now coming to the performance of the company. The company has recorded its best-ever nine-month production performance during April to December financial year 2023 for all the segments, like hot metal, crude steel, as well as saleable steel. The crude steel production during the nine-month period stood at 13.337 million tons as against 12.770 million tons during the CPLY. This is a growth of around 4%.

At the same time, the saleable steel production has grown to 12.547 million ton during nine-months period financial year 2023 vis-a-vis 12.454 million tons during CPLY. The sales volume during the period has also been the highest ever nine-month performance, growing to 11.516 million tons from 11.447 million tons. The sales in the domestic market have grown from 10.314 million ton to 11.213 million ton, a growth of nearly 9%. During the period, however, exports have been lower by around 830,000 tons.

Now coming to the financial performance, the financial performance during the nine-month financial year has seen a growth in top line, whereas the profitability has taken a hit in line with the industry trends. The average realization during nine months remained higher than the CPLY period, coupled with higher sales volume. This has helped in revenue from operations in growing to INR 75,317 crores for the nine-month period financial year 2023 from INR 72,715 crores during CPLY, a growth of 3.6%.

EBITDA, PBT and PAT during the nine months financial year 2023 stood at INR 5,978 crores, INR 1,157 crores and INR 854 crores, respectively. During quarter three financial year 2023, the steel prices have reduced significantly, led by -- which has led to the revenue from operations showing negative growth over CPLY, as well as previous quarter. With the cost coming down in quarter three, the company has posted a positive PBT and PAT of INR 635 crores and INR 464 crores respectively, vis-a-vis a loss in the previous quarter. Meanwhile, EBITDA has increased by more than 87% over Q2. The increase in coking coal prices again is threatening to increase our cost of production in the current quarter. However, the simultaneous improvement in the steel prices is expected to cover up the same.

With these words, I hand it back to Mr. Kejriwal for opening the question-and-answer session. I’m sure you have a lot of queries on the performance. Thank you.

**Moderator:** The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** Yes, hi. Good afternoon, everyone. Thanks for taking my question, sir. Congratulations for good performance. I have two questions. The first one is on essentially the rail price revision that we have been -- that impact we saw in Q1, we saw in Q3 also. How much quantum of this is left actually for FY 2022, FY 2020, FY 2021, if you can mention it? That is the first question.

**Anil Tulsiani:** Okay. The rail price revision, we have got it till 2021. We have already submitted our rail price to the CA Cost Organization for 2021 and 2022 and it’s expected that we will get the benefit of this in this financial year itself. So it will be for roundabout 1.1 million ton, there be a revision in price.

**Amit Dixit:** Is it possible to quantify at this stage?

**Anil Tulsiani:** We may not be able to quantify it, because it entirely depends on the way the CA Cost calculates it, but we should get a good amount.

**Amit Dixit:** Great. The second question is essentially on wagon wheel capacity that we have. Now, we have been hearing that government is focusing on this. There’s a plan to set up another factory. So just wanted to understand the current utilization of this wagon wheel capacity that we have and whether we’ll be participating in some sort of investment in that new facility.

**Anil Tulsiani:** Yes. Actually, we have also participated in the tender, which has been floated by the government of -- by the railways for this. And at present, our wheel capacity -- we are able to supply wheels to the extent of 40,000 wheels per year, but this year planning to increase it to the next year with some modifications in our -- in the plant also.

**Amit Dixit:** Okay. I will take it up offline some more details. Thank you, sir and all the best.

**Moderator:** Thank you. The next question is from the line of Pinakin Parekh from JPMorgan. Please go ahead.

**Pinakin Parekh:** Yes. Thank you very much sir. Sir, my first question is, if we look at the crude steel production, 4.7 million tons is what we did in this quarter, which is higher if we compare to the last few quarters. But what is the maximum that we can do at this point of time if demand were to be very strong, given what you’re -- all the expansions that the company did? And what will it translate into saleable steel volumes on an annualized basis if everything was maxed out at full utilization?

**Anil Tulsiani:** Yes, actually, this time, whatever we have done, it’s more or less at our capacity. Our capacity is roundabout 19 million ton of crude steel. So if you take a proportionate of that, so we have present capacity, but we can sweat out our assets more and get a better quantity maybe in this quarter. We have already -- January was one of the best months ever for SAIL and we expect the trend will continue in the remaining two months. So we feel that we should be doing more than 4.5 million ton of crude steel in the last quarter.

**Pinakin Parekh:** Understood, sir. So to that extent, while there is some scope for higher volumes, not beyond much -- unless we see a new round of capacity expansion at the crude steel level. My second question, sir, is on the balance sheet and their borrowings, what is the outlook for borrowings and debt for FY 2023 and FY 2024, given where the profitability and the capex commitments are?

**Anil Tulsiani:** Yes. We have our capex commitments of roundabout -- we will be spending roundabout INR 5,500 crores. We have already spent around INR 3,500 crores already and we expect to end the year with a capex of roundabout INR 5,500 crores. And slightly more than that, we can say roundabout INR 6,500 crores to INR 7,000 crores in the coming financial year. And regarding the borrowings, yes, there was an increase in borrowings as compared to the beginning of the financial year, but now we have stemmed it and we had a reduction of borrowings even in the month of January. And it’s at roundabout INR 28,000-odd crores levels and we expect it to come down by another INR 3,000 crores to INR 4,000 crores by the end of this financial year.

**Pinakin Parekh:** So INR 28,000 crores and another INR 3,000 crores to INR 4,000 crores, so we are talking about INR 24,000 crores, INR 25,000 crores borrowing number?

**Anil Tulsiani:** INR 24,000 crores, INR 25,000 crores, Yes, it should be. Until unless there are some surprises somewhere and otherwise we should have a borrowings of INR 24,000 crores to INR 25,000 crores.

**Pinakin Parekh:** Understood. Thank you very much sir.

**Moderator:** Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

**Sumangal Nevatia:** Yes. Sir, just continuing on the previous question, what is the net debt as on March 31 -- December 31, sorry?

**Anil Tulsiani:** INR 29,270 crores.

**Sumangal Nevatia:** Sorry, INR 29,270 crores? Okay, sir.

**Anil Tulsiani:** Yes.

**Sumangal Nevatia:** Okay. And sir, what is the like -- I mean, the reason behind the very sharp increase over the last nine months, is it unwinding of working capital?

**Anil Tulsiani:** Now, basically what was happening was that we had -- the coal prices have increased. So because of that, plus besides that, the capex also was quite high. So these are the major factors which have actually led to the increase in the borrowings. And quarter-wise, if you see, in the first quarter, the borrowings were to the tune of INR 9,000 crores higher and which have now come down by -- to roundabout INR 2,000 crores in this particular quarter.

**Sumangal Nevatia:** Okay. And sir, given that coal prices again are back to -- I mean, almost approaching $400, do we expect a further build-up on the working capital side and a increase in borrowings?

**Anil Tulsiani:** Yes, actually the prices of coal which has gone up, luckily along with that there has been some increase in the price of steel also. So it is going to offset, more or less neutralize the effect of the increase in coal prices.

**Sumangal Nevatia:** Okay. But, sir, neutralizing maybe on margins, but at least on the working capital side, it should increase, right, logically?

**Anil Tulsiani:** We will try to -- because our collections will also be going up because of this and we are trying to also reduce our receivables by something like INR 1,500 crores to INR 2,000 crores in the remaining two months. So this will surely help us in reducing our borrowings also.

**Sumangal Nevatia:** Understood, understood. Sir, my second question is with respect to our growth plans in the medium term. In between, we had articulated a plan to add almost 10 million-to-15-million-ton capacity. Now if you see, we are approaching our rated capacity as far as volumes are concerned and we have not yet started any growth expansion. So from a next three to four-years point of view, I mean what sort of volume or capacity addition are we looking at?

**Anil Tulsiani:** We are already on our -- we have already firmed up some sort of plan for expansion, but there are two things what we are doing. One, whatever assets which we have now, we are trying to sweat them out, means whatever is there -- we are doing some debottlenecking schemes and all that. With that, we will try to probably increase the capacity by another 3 million tons in the coming three to four years. And in the meantime, we will be going in for our expansion plans and most probably we will be initially starting with the modernization -- I mean it’s a new expansion at our IISCO Steel Plant, which will be the first one, where we are planning to increase the capacity by 4.5 million ton and then staggering the other expansions also, which will take place subsequently to probably go in for a 12 million-to-13-million-ton expansion by 2030-2031.

**Sumangal Nevatia:** Okay. And this, sir, 4.5 million ton, when should we expect the capex to start, because FY 2024 your guide, Yes.

**Anil Tulsiani:** Capex should start from the year 2024, 2025, because we’ll have to, firstly, finalize the DPR and then go in for the tendering process, so the entire process should take almost one and a half to two years.

**Sumangal Nevatia:** Okay, got it. And just one last question, if you could just guide on the NSR realization and coal cost movement which we are expecting in the fourth quarter versus third quarter?

**Anil Tulsiani:** Fourth quarter, so far so good, like we’ve got some improvements in NSR in the month of January, but February, now, there are again some tremors which are coming up, like there has been some stabilization and maybe some cooling off of the NSR. March, we cannot predict anything now, it’s too early to predict for the March.

**Sumangal Nevatia:** And sir, coal cost?

**Anil Tulsiani:** Coal cost, it’s -- for January and February, the coal cost whatever we will be having really more or less in line with the December costs, maybe INR 1,000 or INR 1,500 extra, but March we can have an increase of roundabout INR 4,000 in the cost of coal.

**Sumangal Nevatia:** Understood. All right. Thank you, sir and all the best.

**Moderator:** Thank you. The next question is from the line of Aakash Goel from Tara Capital Partners. Please go ahead.

**Aakash Goel:** Yes. Hi, sir. Sir, I just wanted to get an idea on the employee cost because when I’m looking at it, I see there has been a significant reduction from -- both on a Y-o-Y basis and on a quarterly basis. So if you can give me some insights on what was the reason for the coal cost reduction as such?

**Anil Tulsiani:** The employee cost has been gradually reducing, that is basically because the senior level people who are in the age category of 60, around 3,000 have left the company now and the recruitment has not been that much, it has been very less. We are not -- we are trying to reduce the recruitment to the extent possible. So there is a gradual decrease of roundabout -- you can say, in a quarter roundabout INR 50 crores to INR 100 crores reduction is there in every quarter. I think probably this trend should continue on for the future also, because retirements are there in the near future also of -- you can say in a year, almost 3,000 to 3,500 people will be retiring, so that benefit we will get in the employee cost coming down.

**Aakash Goel:** So going forward, we can expect the trend to continue?

**Ashish Kejriwal:** Surely. Yes, Yes, it will continue, because whatever recruitment we’ll be doing also that will be at the lowest of the scales, so -- means at the lowest of the grades. So, their salary is quite low as compared to the people who are retiring now.

**Aakash Goel:** Understood. Thank you so much and all the best, sir.

**Anil Tulsiani:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.

**Rahul Jain:** Yes. Sir, coming again on the debt question, so if you see on March, we were at about some INR 13,000-odd crores and we have reached this massive number of INR 29,000 crores. So I’m wondering, what gives you the confidence to go ahead for this another league round of capex. So -- earlier because I remember in, say, 10 years ago when we started this capex round, we were net cash, we had INR 10,000 crores cash and after that we pursued massive expansion and where we are today at whatever, 20-million-ton production. So I’m just wondering what is giving this kind of confidence to -- despite setting on such a huge debt number to go ahead with this capex?

**Anil Tulsiani:** Basically, the past gives us the confidence for the future. As on June 20, we had total borrowings of nearly INR 52,000 crores, which you can say in a matter of -- you can say, less than two years, we could bring it down to roundabout INR 13,386 crores. And now, yes, it has inched up, it has gone up, basically because coal prices being extremely high and -- but -- and steel price has not been commensurate with that. But I think the industry is not going to last just with very high coal prices and lower NSR.

So they’ll come -- the time has now more or less come where it will stabilize, like the coal prices are also at a level where we can sustain our steel production. And with higher volumes coming up, so the benefits of higher volumes and lower fixed costs will surely help us. So we are very optimist that by this year-end, though we had at one point of time nearly -- at least more than INR 29,000 crores, but by this year-end we should be at roundabout INR 25,000 crores level.

**Rahul Jain:** Right, right. Sir, and secondly on the -- we had huge revaluation, which we have done for iron ore and we’ve had these plans of selling good quantity of iron ore. Any major progress over there in the anvil, I think Jharkhand we will not get approval, something like that.

**Anil Tulsiani:** See, there is not much of a progress during this financial year, basically because the price which we expect from that, until unless you don’t get a good price, we are not going to sell it, because it’s an asset for us. So if you get a good price for it, we are probably going to sell it. And if there is something like in case of -- we have got a major resource at -- in Jharkhand mine. So we are awaiting clearances from the Jharkhand state government. So once we get the clearances from Jharkhand state government, the sale of fines from there will go up.

**Rahul Jain:** Right. And sir, lastly, on this revaluation exercise which we have every year. So you think this is going to be a feature which is going to remain with us or are we working to have a more streamlined method that we have a correct accounting picture, right, because from railways, like you said, you’re going to get money from 2022, right? And for this year, you will get probably next year. And what I can understand the adjustment would be at least more than INR 5,000 a ton, right? So it can be -- it really has a lot of mismatch in your accounting -- reporting?

**Anil Tulsiani:** Are you talking about the fines part of it?

**Rahul Jain:** No, no, I’m talking about the railways sales, 1-million-ton sale which we are having. So there is a huge timing difference, right? I mean, last year sales difference you will get this year, right?

**Anil Tulsiani:** Yes. See, actually what has happened is that the cost of -- input costs have gone up tremendously. So what happened was railways also realized that there was a point at one point of time where the cost was high and even the NSR for structures, it was higher than that of the rail products. So then the railways immediately realized this and they gave us a INR 5,000 hike in our NSR -- in the price for the rails. Okay? But that is also not substantial for the cost which we are -- which are there for 2021, 2022 and now on 2022, 2023 also. So we have already given our pricing for coal to the CA cost and they are evaluating it. So we will -- we should get a benefit on that account.

**Rahul Jain:** But how much benefit have we been asking and what benefit that is?

**Anil Tulsiani:** No, we cannot disclose that at this point of time, Yes, the moment it will be made public, we will let you know.

**Rahul Jain:** And when will you submit the revision for this year that is FY 2023?

**Anil Tulsiani:** FY 2023 will be done only after the AGM. They actually normally take the annual report and based on that only they just do the working. So it will be probably, you can say, in the month of September or October, then we will have to submit for financial year 2023.

**Rahul Jain:** So the ad hoc payments are made based on the pricing which was prevailing in FY 2022, is that the right way to look at it?

**Anil Tulsiani:** Yes, Yes. That is the thing. And now what is happening is, if FY 2022 gets revised, then -- and it goes on a higher side, then they probably revise the ad hoc price for 2023 also.

**Rahul Jain:** Right. Okay, sir, thank you so much.

**Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

**Ritesh Shah:** Hi, sir. Thanks for the opportunity. Sir, two questions. One is, I just wanted to understand how much is our total iron ore production, out of that how much comes from Orissa? And specifically, with respect to the Orissa iron ore, how should one understand the royalty aspect? The reason I ask this is, we understand that the Orissa state government has been very aggressive in giving out demand notices pertaining to the revised IBM-notified rates. So is there any impact that we have over here?

**Anil Tulsiani:** The iron ore prices -- see, basically, it is guided by the IBM rates for royalty. Okay? Now what has happened is this time on the contrary, I would just like to tell you that Orissa government earlier, they were charging us the royalty on fine at the highest rate for lumps. Okay? But they in this particular financial year, they have changed it for the royalty being charge to us is the highest rate for fines, instead of royalty for lumps. So that has given us some benefits in this particular financial year. It’s not basically a benefit. What they should have done it years ago they have done it correctly for this financial year. Otherwise, the rates of royalty in Orissa basically those IBM rate, so we don’t have much of a thing in that. I don’t think the Orissa government has got anything in -- any role to play in this.

**Ritesh Shah:** And sir, what percentage of a production comes from Orissa?

**Anil Tulsiani:** I’ll just give you the figure.

**Ritesh Shah:** Right. And sir, my second question was…

**Anil Tulsiani:** Can I give it to you offline?

**Ritesh Shah:** Yes, sir, that should be fine. And sir, my second question was, if you could please help us with what is the current prevailing rate for long product prices and flat product prices and the average for the quarter gone past?

**Anil Tulsiani:** For January, the long product prices are hovering in the range of, we can say, INR 56,000 and the flat product prices are in the range of INR 54,000. And when we come to the previous quarter, the long product prices were in the range of INR 54,500 and so were the flat products at roundabout between INR 54,000 to INR 54,500.

**Ritesh Shah:** Right. Sir, just one question. Sir, you indicated that the coking coal prices are moving up very sharply what we see for the month of March. Sir, are we confident of increasing the steel prices in a similar way? Are we confident of demand and our ability to increase the steel prices?

**Anil Tulsiani:** That is purely on demand and supply. We cannot decide -- the market only basically decides. But yes, there’s just one thing which we should always bear in mind that this increase in coal prices is basically for the entire industry, it doesn’t impact only SAIL. So, the industry will surely try to push up the prices.

**Ritesh Shah:** Sure. This is very helpful sir. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Prashanth Kumar Kota from Emkay Global. Please go ahead.

**Prashanth Kumar Kota:** Sir, good afternoon and thanks for the opportunity and also guiding us on the net debt part that we are almost peaking over here and things like that. Sir, my question -- you have alluded to this point on coking coal. Sir, if we see next year, we may be buying about 15 million tons or 14 million tons of coking coal and at the current price, close to $400, just SAIL will be spending $5 billion to $6 billion, India as a whole will be spending $20 billion, $25 billion. And it’s -- I think probably the second largest import item for a country now that we are the world’s largest coking coal importer etc.

And sir, the thing is, something does not seem right over here, rather after doing everything correct, not just SAIL or the Indian industry as a whole, we still -- we are suboptimal profitability, just because of one reason -- one external force. Then there is -- something is not right, probably there is also this -- various managements have indicated that the Platts Index which is the reference index has to be more transparent, etc., those things are there. Sir, what should we be doing so that we move to something like a more -- India as a country, more negotiated deals for example, the thermal coal, Japan is to set the price and with -- large miners and the smaller miners benchmark their grades with these negotiated prices and for the quarters of the month, those prices prevail.

And that’s a function of what -- at the end of it, we are buying coal to produce using the -- doing business out of it. Now this is completely isolated -- they are just increased in isolated way, and sir the one provision is, iron ore prices, if they go up by -- impact on steel is one is to one. But in the case of coking coal, various parts of the world have different sources, different mix, different -- their own domestic sources, gas-based steel etcetera, it’s not one is to one sir.

In a country like India tends to bear the brunt more than others and the pricing is global anyway sir. So what is this long-term solution, apart from India developing its own research facility it will take 5 to 10 years maybe or but apart from that, what can we do on the negotiations as a country? Can we take the help of our leadership, as in the -- Indian leadership, how do we go?

**Anil Tulsiani:** I’ll just tell you one thing, actually this Indian Steel Association is basically looking into these aspects, wherever high coal pricing is concerned or wherever this import of steel is concerned, they are basically looking at it and where all are involved, SAIL, Tata Steel and all and so this is there. And besides that there is just one thing that we are -- it’s just that the index is like that, but we are getting some discounts on that when we are purchasing from the parties.

And we also have our own -- SAIL has got its this thing, a company, a joint venture in the name of ICL, which has got its own mines at Mozambique. So though the coal quality is slightly not as good as Australian or US coal, but then we are getting it at a comparatively lower price. And we have also forayed into Russian coal also, where also we are getting quite a lot of discount.

So I think the more we find avenues to -- with other suppliers of coal, this will put pressures on the regular suppliers and who are playing a part in the Platts Index and all -- Argus and Platts index. It will put pressure on them to also bring down the prices to some extent. Yes, at this moment a price of 380 is hovering at this point of time, it is really very difficult to absorb it, but I think this industry has seen a time when we were having the index at more than $650 also. So we are just keeping our fingers crossed that this sudden hike which has started taking place from middle of Jan, I think, should now start showing a downward trend.

**Prashanth Kumar Kota:** Okay, sir. Hope things get resolved and wish you all the best.

**Anil Tulsiani:** Thank you.

**Moderator:** Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

**Siddharth Gadekar:** Hi, sir. Sir, just one question in terms of our volumes, like, we have almost have, I think, sir, 1.6 million tons to 1.7 million tons of inventory. So in terms of our 4Q guidance, what kind of sales volumes can we expect in 4Q?

**Anil Tulsiani:** The inventory is actually 1.2 million ton. And if you see, at the beginning of the year, we had roundabout 6 lakh tons of inventory. So our targets are to bring it down, maybe to less than 1 million ton in this financial year.

**Siddharth Gadekar:** So, sir, what sales volume can we expect in the fourth quarter or the current run rate that we are looking at?

**Anil Tulsiani:** 4.8 -- around 4.8 million tons.

**Siddharth Gadekar:** Okay, sir. Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Somaiah V from Avendus Spark. Please go ahead.

**Somaiah V:** Thanks for the opportunity, sir. Couple of clarifications, one on the coking coal. You did mention from December levels, there is a INR 1,000 per ton increase. Can you just help us with what was the carrying cost last quarter for coking coal?

**Anil Tulsiani:** Last quarter, it was in the range of roundabout INR 25,500 per ton, the imported coal.

**Somaiah V:** Got it, sir. The second one, the debt number that you referred to with the INR 4,000 crores reduction that is by which financial year?

**Anil Tulsiani:** This is by the end of this financial year.

**Somaiah V:** FY 2023?

**Anil Tulsiani:** Yes, FY 2023.

**Somaiah V:** Got it. Sir, one question on the industry trends. You did say that February, you were seeing a bit of softening in NSR. How do you see domestic demand? That’s one. And second, given that international prices have gone up for the industry, is exports becoming a viable option now? And also we are seeing that rebar is at a premium to HRC. I mean, what has been the driver there?

**Anil Tulsiani:** Actually, there is a very good demand for steel in India. There is absolutely -- means, whatever we are producing we are able to sell. And rebar prices which were higher, now they have slightly come down in the month of February also and HR coal has gone up marginally. So more or less, you can say they are at par.

**Somaiah V:** The question on the export options for the industry, given that Europe prices…

**Anil Tulsiani:** Exports up to March, everybody is booked. SAIL is less on exports and concentrating more on the domestic market, but the others what we have come to know, they have booked up to the March.

**Somaiah V:** Are we seeing any import pressures in recent months at an industry level?

**Anil Tulsiani:** It was there, now it is not there. At one point of time, it was there, but now it is not there.

**Moderator:** Thank you. Next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

**Kirtan Mehta:** Thank you, sir, for giving this opportunity. It’s good to see basically the SAIL plant coming up at the full capacity now. I just wanted to understand the opportunity available in improving the product mix based on the existing plant configuration. So in this regard, I wanted to understand is there a possibility to reduce needs further below 9% at which we are operating? Second, related part was, what is the utilization level in Universal Section Mill as well as Mid-Section Mill? And what sort of the improvement we can achieve there? And the third related part was, are there any other products where we are operating at a lower utilization on where we can upgrade the product mix further?

**Anil Tulsiani:** As you have rightly said, the component of semis is gradually coming down in SAIL. And yes, we have got two new mills, if you see the USM in IISCO Burnpur and the Medium Structural Mill in Durgapur. Medium Structural Mill has now stabilized and we are getting orders even to the extent of roundabout 50,000 tons per month. And the USM has also picked up from levels of, say, 15,000 to 20,000 which was there last year and now it is at 35,000 and we continue to get orders. So once the USM stabilizers, which will have a capacity of roundabout 840,000, we can be 70,000 per month, so I think semis components will further come down.

**Kirtan Mehta:** And apart from these two mills, are there any other products where there is a possibility to increase the production level?

**Anil Tulsiani:** In the flat product range, there’s not much, except we may have -- we have got this Hot Strip Mill 2. So Hot Strip Mill 2, which is a new plant, we will try to ramp up that further and that is also -- there is one good advantage that the product is very good of that and we’ll get a higher NSR for that also.

**Moderator:** Thank you. The next question is from the line of…

**Anil Tulsiani:** Let this be the last question, please.

**Moderator:** Yes, sir. It’s from the line of Falguni Dutta from Jet Age Securities. Please go ahead.

**Falguni Dutta:** Yes, good afternoon, sir. Thank you for allowing me. Sir, I had just one question. We have seen a price increase of INR 6,000 per ton in the secondary markets, HRC Mumbai from mid-December to now, 6,000 per ton increase. So if steel prices were to remain where they are now, should we see this kind of an increase translating into our numbers in Q1 FY 2024?

**Anil Tulsiani:** This will basically like, we are not too sure how it will happen -- what is going to happen in Q1 2024, because this increase of coal prices which are there, that will start having an impact in Q1 also. So that will have a major impact in Q1. So…

**Falguni Dutta:** Sir, just wanted to know if -- sorry for interrupting -- assuming coking coal prices remain where they are and steel prices remain where they are, how do you see Q1 margins directionally, better than Q4 or flat?

**Anil Tulsiani:** Maybe flat.

**Falguni Dutta:** Okay, thank you sir. That’s all from my side.

**Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you, and over to you.

**Anil Tulsiani:** Yes. Thank you, Ashish ji and we hope to do well in this quarter. We have started this quarter on a good note and we are continuously getting support from the -- we have got a good support from the government in the form of the budget, where lot of investments have been made in -- means investments have been made in infrastructure, which will also help us to a large extent in marketing our products. So we hope that this quarter and the year to come also will be good for us, as well as the steel industry. Thank you very much.

**Moderator:** Ladies and gentlemen, on behalf of Nuvama Institutional Equities, that concludes today's call. Thank you all for joining us, and you may now disconnect your lines. Thank you.