"Steel Authority of India Limited Q4 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the 4Q FY2022 Earnings Conference Call of (SAIL) Steel Authority of India Limited hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '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 financial Services Limited. Thank you and over to you, Sir.

Vishal Chandak: Thank you Rutuja. Good morning everyone and welcome to the Fourth Quarter Earnings Call for Steel Authority of India. On behalf of SAIL I would like to apologize for the delay because of some unavoidable circumstances. I also like to thank the management of SAIL for giving us this opportunity to host them again for this call. From the management side we have Mr. Anil Kumar Tulsiani, who is the ED Finance. I welcome you Sir and over to you for your opening remarks.

Anil Kumar Tulsiani: Thank you Vishal. Good afternoon everyone and welcome to the investor con call on the financial results for Q4 and finanical year 2022 of SAIL. First of all I would like to thank Vishal Chandak from Motilal Oswal for arranging this con call.

The company has published the results yesterday which I am sure everyone must have seen and I am happy to see the reaction from the different corners. I would briefly apprise the audience on the highlights.

Starting with the economic scenario that we have been operating in, the economies around the world has since been fighting the impact of COVID, while the recovery stories around the globe have been heartening the economies have now been thrust into inflation concern as well as the uncertainties and supply chain disruptions emerging from Russia Ukraine war.

Indian economy has also started a V shape recovery path. Though the yearly GDP ended in red at 6.6% for financial year 2021, but the estimate for financial year 2022 has been kept at 8.9% growth in the second revised estimates published recently. The scenario however is now being strained by inflationary measures and Russia and Ukraine war. The projections for the coming years has been getting moderated accordingly.

The steel industry has enjoyed one of the best periods during the first half of financial year 2022 which has later eaten into by the rising prices of imported coal, CDI, ferroalloys, etc. The steel demand and prices have also been volatile during the end of financial year 2022 given the consistent decline in production and demand in China and global trend.

Now we come to the performance of SAIL. Company has clocked its best ever production and sales during the year. The crude steel production for financial year 2022 is at 17.36 million ton as compared to 15.21 million ton in financial year 2021. There is a growth of 15%. The sales for the year has been the highest ever at 16.15 million ton as compared to 14.94 million ton in the previous year.

As mentioned earlier the increase in prices of imported coking coal and other raw materials had a major impact on our cost of production. The impact of coking coal alone had an adverse impact of more than 12000 Crores on the cost of sales. The company had been taking measures for improvement in operational efficiencies has partially offset the impact of the same like reduction in coke rate by 1% replacing coke with CDI by around 12% reducing specific energy consumption by around 2%.

The changes in MMDR Act has impacted the company substantially during the year with royalty payment increasing. In line with the physical performance company has posted its best ever annual financial results. For the first time in the history of SAIL the revenue from operation has crossed 1 lakh Crores. For the year it was 103473 Crores as compared to 69110 Crores. Quarter four also was very good for us and clocked revenue from operations of 30758 Crores.

The EBITDA for the financial year 2022 is at 22364. The PBT is 16039 Crores and PAT is 12015 Crores. SAIL is focused on proactive stakeholders engagement which includes the company has recommended Rs.2.25 as final dividend for financial year 2022. SAIL has declared highest ever dividend in financial year 2022 that is Rs.8.75 which includes two interim dividends declared earlier.

SAIL also emerged as the topmost buyer on GeM amongst all CPSEs in financial year 2022. SAIL has supplied steel for various projects of national importance like the Central Vista Delhi, Mumbai-Ahmedabad High-Speed Rail, Delhi-Meerut RRTS, Polavaram Irrigation project, etc. We have also supplied liquid medical oxygen in excess of 1.3 lakh tons majorly during the second wave of COVID-19, we have also set up separate jumbo COVID's care facilities which increase the COVID-19 dedicated beds. For our employees also we have implemented the wage revision which has helped in improving the motivation to a very large extent. We are regularly holding customer meets to understand the requirement of our customers.

The borrowings also have reduced significantly during the year. We have reduced our borrowings by nearly 22000 Crores to the levels of 13400 Crores. With these words I hand it back to Mr. Chandak for opening the question-and-answer session. Thank you.

Vishal Chandak: Thank you Sir. Rutuja can you please open for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amix Dixit from Edelweiss. Please go ahead.

Amit Dixit: Good morning Sir and thanks for the opportunity and congratulations for a good performance. I have couple of questions, the first one is on coking coal. Like we have indicated that the coking coal cost increase were around Rs.1200 per ton in the quarter. Can you quantify the coking coal cost till Q4 FY2022 in dollar terms and how it is expected to change in Q1 FY2023? that is the first question on coking coal.

Anil Kumar Tulsiani: In the financial year 2021-2022 the total imported coal cost was around Rs.20000.

Amit Dixit: No sir I am asking in Q4 FY2022 what was the coking coal cost and how it is expected to change in Q1 FY2023.

Anil Kumar Tulsiani: It is likely to go up substantially. In Q4 only it was round about 28000 to 29000 in that range and it is expected to be slightly more in the first quarter of 2022-2023.

Amit Dixit: When you say slightly more how much is that slight.

Anil Kumar Tulsiani: You can say around about 10% to 12% increase.

Amit Dixit: The second question is essentially that government of India has imposed export duty and we expect that realization in domestic market would be lower as a result. Now we have a substantial Brownfield Capex plan. So does this move by the government change in anyway your Capex ambition or you are planning to delay the Capex or what kind of Capex we can look forward in the coming two, three years.

Anil Kumar Tulsiani: See we have some long-term plans for expansion. In the immediate future we are basically going in for some rehabilitation and debottlenecking. So for the time being, it is too early to decide on doing something thinking about it in another angle we continue with our investments in our current plants and assets and regarding the future expansion plans we will just take a call after some time means we cannot take a call immediately that we will defer something or we will continue we are neutral on that for the time being.

Amit Dixit: So what would be the Capex for this year and the next year.

Anil Kumar Tulsiani: We have planned a Capex of 8000 Crores for 2022-2023.

Amit Dixit: Okay thanks that is very helpful congratulations and all the best.

Moderator: Thank you. The next question is from the line of Rajiv Bajaj from Systematix. Please go ahead.

Rajiv Bajaj: Good morning Sir. Sir what is your total borrowing as on March 31, 2022.

Anil Kumar Tulsiani: The total borrowings are 13386 Crores.

Rajiv Bajaj: But Sir in your presentation you are showing 17284.

Anil Kumar Tulsiani: That is the Ind-AS impact.

Rajiv Bajaj: Because at that equity also you have shown according to that.

Anil Kumar Tulsiani: Yes according to that.

Rajiv Bajaj: What that 17284 consist sir.

Anil Kumar Tulsiani: It consists of financial leases.

Rajiv Bajaj: This current liabilities have also taken in that borrowing.

Anil Kumar Tulsiani: The financial leases are 3898 Crores if you add this to that, that probably it will add up so basically the borrowings are 13386 Crores.

Rajiv Bajaj: Borrowings I have seen that because it does not include that lease liability which is appearing in balance sheet but that 17000 figure I am not able to reconcile that is in your presentation not on your accounts.

SAIL: The borrowings are basically in the presentation shown inclusive of the financial lease liabilities which we have to account for in terms of the Ind-AS requirements so that is considered as a part of the borrowing so the presentation reflects that figure of 17000 but if we talk about the pure debt what we are holding as on March 31, 2022 like Sir has said the borrowing stood at 13386 Crores.

Rajiv Bajaj: Okay got it thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you for this opportunity. Sir firstly as the earlier participant has spoken about this export tax so sir how is the steel sector and SAIL in particular impacted by this if I am use the word ad hoc introduction of export tax how is this going to impact the industry and SAIL in particular you're understanding on the same.

Anil Kumar Tulsiani: Actually from the sources what you have got, there are about contract was nearly 2 million tons of steel exports which will have to be cater to in this coming future. SAIL does not have that much quantity of export and SAIL also has got one advantage that it is basically into exporting of semis also, it has exports of semis also. So semis are basically not impacted by this export plan, but yes we have got certain orders and we are evaluating what is to be done about it.

Saket Kapoor: But for the general steel industry sir how is the demand supply scenario for the country going to very likely change because of the introduction of this tax.

Anil Kumar Tulsiani: Too early to comment on this at this point of time for the industry but of course we have certain things that our export orders are comparatively less so not much of an impact is expected because of this, but yes extra quantum which comes into the country and so that will surely have an impact and put some pressure on the prices also.

Saket Kapoor: And sir can you give some more color how the Q1 as is shaping, generally we find the quarter preceding the monsoon being the strongest quarter I mean in the sense of built up and also the demand push is there on the construction front. So how have you seen this 45 days shaping up for Q1 and also for the finance cost had been significantly higher for this quarter. Any one-off item that you have been factored for this quarter.

Anil Kumar Tulsiani: Can you just repeat the question.

Saket Kapoor: Yes, Sir. Finance cost had been significantly higher Q-on-Q when we take December versus March from 316 level to 440 level so what explains this increase. Secondly for the business environment for us for the current 45 days with first quarter being a strong quarter just preceding the monsoon so how is the demand currently shaping up your thought on the same.

Anil Kumar Tulsiani: Actually I do not know your finance cost what you are telling about.

Saket Kapoor: Yes, Sir, finance cost for March 31, 2022, is 440 Crores whereas for December 31, 2021, it was 316 Crores so I was just looking for the reason for the increase Q-on-Q.

Anil Kumar Tulsiani: So mainly the Forex loss which has also been accounted for yes the interest cost is quite low actually the interest cost for the particular quarter is in the range of around 250 Crores the balance is the Forex loss.

Saket Kapoor: Now on the demand part how is the demand shaping up and currently what we exited March quarter the realization how was the realizations currently for the flat and the long product.

Anil Kumar Tulsiani: Realizations in April were better. I think the entire industry has better realizations that was basically the better of the coal cost, but of course May again like there are some pressures on the prices so we are trying to cope up with that.

Saket Kapoor: And there have been a decline in the realization can you quantify for us what kind of cut has been happening.

Anil Kumar Tulsiani: What happens is this quantification cannot be done at this moment of time because there are certain long-term contracts which we are continuing and there will be certain contracts which will be entering now so overall what is going to be the impact we cannot predict during the month it is possible only after the month is completed.

Saket Kapoor: On the iron ore sales can you quantify what have been the number revenue we have booked for this quarter and for the entire year on the sale of iron ore.

Anil Kumar Tulsiani: We normally do not share this figure.

Saket Kapoor: And on the inventory part there were some litigation issues with the Jharkhand government so any update on the same.

Anil Kumar Tulsiani: There is not much change.

Saket Kapoor: Lastly Sir on this divestment of the loss-making unit at Visveswaraya and Salem steel plant any update you would like to share and also in the segment results we have find the other segment showing a profitability of 240 Crores on a revenue of 434 Crores if you could explain the same.

SAIL: Actually here we pay the incentive PRP to the employee of the same so last time it was kept in the HO Books and this time it is appearing in the plant books so that is why that 208 Crores (negative) we are getting is appearing in the previous year and this time this is coming in the plant book so the other units it is showing the plus figure.

Saket Kapoor: On the disinvestment part where are we on the divestment of Salem and the Visveswaraya steel plant.

Anil Kumar Tulsiani: Steel plant.

Saket Kapoor: Yes the divestment of the small unit.

Anil Kumar Tulsiani: Yes, actually there is not much headway made in that for the disinvestment of the smaller units it is more or less at status quo what it was say a year back and basically what is happening is that DIPAM is driving this particular disinvestment so we are not much in the know of these things that what we are finally going to do about it.

Saket Kapoor: Thank you.

Moderator: Thank you. The next question is from the line of Naresh Majumdar from B&K Securities. Please go ahead.

Naresh Majumda: Good afternoon and congratulations on good set of numbers. Sir I have one question on the wage bill. So we have been seeing a lot of wage settlements and payout this year and we have also seen a reduction in the number of employees as on March 31, 2022, so what is the take at the wage bill going forward now that all the arrear receipts have been paid what should be the steady kind of wage bill now going forward.

Anil Kumar Tulsiani: It should be more or less stagnate at this level or maybe a bit less because what is happening is that at this particular year we have taken some major hit because of the actuarial valuations of leave encashment and gratuity which will not be a similar impact in the coming year plus with the reduction in man power which is expected at almost 3500 odd so a reduction of 5% over the year surely will help in reducing our bill. So overall we feel that with a normal increment in that and this reduction in retirement we will not require this provision for actuarial valuation of leave and all so I think it should more or less see in this lines or maybe slightly less.

Naresh Majumda: No, the total for the year is 12800 Crores and that is a sharp jump so on a steady state basis I think in the earlier call we had guided at 11000, 11500 Crores is that a correct figure to take for a steady state engagement.

Anil Kumar Tulsiani: See what has happened is there are two major impact one is what I was telling here was this actuarial valuation which has impacted us for around about 700 to 800 Crores and in addition to this as compared to the previous year there has been an additional impact of around about 300 to 400 Crores approximately that is for PRP payment of the employee. So these two factors have basically added up to the additional amount.

Naresh Majumda: So is it correct that 11500 Crores is it a good figure to take steady state.

Anil Kumar Tulsiani: Means in the coming years you can take maybe you should keep it at round about 12, 12 should be the comfortable figure.

Naresh Majumda: Okay thank you very much.

Moderator: Thank you. The next question is from the line of Aditya Wadekar from Axis Securities. Please go ahead.

Aditya Wadekar: Thanks for the opportunity. In FY2022 our saleable steel productions stood at 15% higher at 16.9 million tons so how do you see the production profile going forward in FY2023 and do we see any reduction in semis as a proportion of total production going forward if you can throw some color on that.

Anil Kumar Tulsiani: See basically it is always our endeavor to reduce our semis, so first we take care as to what has happened is now most of our plants are stabilizing like we have the medium structure mill at Durgapur and universal structural mill at IISCO so they have now stabilized so they will take more of a volumes of semis for that own consumption and whatever is available we will be probably taking it to the market, but we are very optimist that this year it will be lower than what it was in the previous year in 2021-2022.

Aditya Wadekar: Thank you.

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

Ritesh Shah: Hi! Sir, thanks for the opportunity. Can you quantify the average flat and long prices for the quarter that you usually give and the second is how should one read into the trend line on flat and long into this quarter specifically after this export duty. Even if you do not quantify it perfectly fine just wanted to have a sense on the trend line given flat account for a bulk of export out of the country so could one assume that the impact over here will be far more as compared to long or are there any other industry variable that one needs to take into account to understand this. Thank you.

Anil Kumar Tulsiani: There is still a substantial difference between the prices of flats and long. In our case of course the long has a component of semis also in that which is also impacting the NSR of the long we can say that there is a difference round about Rs.8000 to Rs.9000 between the two.

Ritesh Shah: Sir my question was currently HR coil prices are at around Rs.70000, Rs.72000 the export pricing what we understand it would be around the Rs.60000, Rs.61000 so there is a huge gap between 60000 and 72000 how should one understand after this export duty where this can actually end up would it be at a midpoint how should one understand the scenario.

SAIL: Mr. Ritesh this is Amit see the question is quite relevant of course the export duty is definitely like we said earlier also is going to impact the prices and demand as well maybe but see overall it would be difficult to say anything right now how and where the prices would move how much quantity would get diverted into the domestic market from the exports, what kind of qualities would shift into the country so that would be difficult to say of course what happens is the prices whatever impact would be there would be in line with the market and will have to move in line with those what we also understand from our competitors like say JSW and JSPL, Tata Steel and all they were into exporting this HR Coil quite a bit so they will definitely have a direct negative impact but how much of the demand impact or the price impact overall would be there would be difficult to quantify right now. Additionally, we would also be looking at the prices of imported coking coal to correct somewhere because that is also not sustainable at the current levels so hopefully we would be able to make margins given those prices do correct themselves.

Ritesh Shah: Related question how should one understand the iron ore pricing locally given there are steep export duty given on pallets over here so are we looking at a significant surplus locally and hence it can pull down prices how should one understand this.

Anil Tulsiani: We expect the iron ore prices also to soften because of the export duty there will be a softening of the prices which will in fact help us to some extent because the softening of the prices will be effected in the IBM rate and our royalties are basically paid on the IBM rate so we will stand to benefit from that.

Ritesh Shah: Sure sir this is quite helpful I will join back the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Mohit Bansali from Bonanza Portfolio Limited. Please go ahead.

Mohit Bansali: Hi! Sir and congratulations for the good set of numbers. My question is regarding your Bhilai Steel Plant. You were earlier mentioning that you are going to start the head hardened rail production so have you started that and what will be the order book this year.

Anil Kumar Tulsiani: We have started on trial basis but however the quantity to be supplied we have to be still well like we have to see into it because once we produce the head hardened there is an impact on the normal rails production so we are still trying it on trial basis we have some trials in the month of April but I am not too sure that how much we will be able to produce during this year so railways is insisting for quite a large quantity but it depends upon like how much we are able to do.

Mohit Bansali: Sir you are facing some problem regarding production I just want to understand because from quite long time you are trying to produce this head hardened rails.

Anil Kumar Tulsiani: Yes, actually it take some time because it is a new item and it takes some time to stabilize so it is taking some time we have the foreign exports also on this thing so it will take some time to stabilize.

Mohit Bansali: Second question since you mentioned that you are facing this coking coal pricing problem shooting up like anything whatever your plans for your in-house production like you have Tasra Coal Block, you have ICVL coal block and second you are sourcing from BCCL please go-ahead Sir.

Anil Kumar Tulsiani: Yes, actually we have planned from our Indian sources we have planned around about 2.5 million tons of coking coal and this thing includes Tasra as well as BCCL and our other mines. But yes and we are also following up with our ICVL mines at Mozambique and we expect a slightly higher quantity in the coming year from there also. So overall we have planned that the imported coal component which will also include these Benga mines will be round about 86% in the coming year as compared to round about 87.5% to 88% in this year in FY21-22.

Mohit Bansali: Sir this rail order it has been increased this year or it is on the similar line last year because it is very significant part of your sales just want to ask that thing also.

Anil Kumar Tulsiani: They always want raise from us they want more actually on in various forums they are projecting more than 1.5 million tons also but let us see what best we can supply because we are very much keen in supplying as much quantity as possible to railways.

Mohit Bansali: Regarding your deleveraging plan for the future as you have already reduced your loan to 13500 Crores, can quantify any figure.

Anil Kumar Tulsiani: Actually it depends entirely on the market scenario the coal prices and the steel prices so it is very difficult to give any projections for the time being now.

Mohit Bansali: But you plan to make it zero as soon as possible because last con call you were saying that in next two quarter of this financial year you will try to make it zero.

Anil Kumar Tulsiani: Sure but that was the scenario when coal was very low and the NSR was also very good but now with the coal prices going up substantially there are some pressure.

Mohit Bansali: Last question what is your inventory level as on March 31, 2022.

Anil Kumar Tulsiani: It is around 6 lakh tons.

Mohit Bansali: Okay thank you Sir.

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

Kirtan Mehta: Good afternoon Sir thank you for this opportunity. I wanted to understand more about basically the Bhilai and Durgapur problems where the segment results have sort of dropped over the last two quarters what are the specific problems that we are facing at Bhilai and Durgapur plant and when do you expect them to resolve.

Anil Kumar Tulsiani: See basically what happens in case of Bhilai is more or less 50% a long product plant and Durgapur is completely a long product plant. The long products, the NSR were lower as I had explained earlier as compared to the NSR for the flat product. So this has impacted the profitability of Durgapur and secondly there is one more issue that we have requested the railways to give us the pricing for 2020-2021, 2021-2022 we have not yet so once the pricing of the rails come the revised pricing of the rails come we expect that the benefit of that we will get it in the subsequent period. We expect a substantial increase in the rail prices in 2020-2021 and 2021-2022 which we are considered at the levels of 2019-2020.

Kirtan Mehta: In terms of the Rourkela and Bokaro both plants have sort of shown particular improvement in Q4, Rourkela profit increased from 637 to 1800 Crores and Bokaro profit increases from 986 to 1432 to Crores. So what are the key changes that has happened during this quarter which supported this better performance.

Anil Kumar Tulsiani: Actually the NSR in the fourth quarter for the flat products was again better than the third quarter firstly and secondly they would have done better volumes also that is another factor which has helped.

Moderator: Thank you so much. The next question is from the line of Rakesh Dubey from Dow Jones Company. Please go ahead.

Rakesh Dubey: Actually I just wanted to congratulate you for coming out with good financial results in fourth quarter as well as in previous financial year and as you have mentioned that coking coal was a major factor which might have impacted your profitability to certain extent in the quarter as well as in the financial year. So coming from that level we have been hearing that offers for Russian coking coal are likely to come at substantially discounted prices. So what would be your strategy, would you be planning to increase Russian intake in coming days and if yes what would be the payment mechanism like because that is the main constraint at this point in time.

Anil Kumar Tulsiani: Actually we normally have long-term agreements with our coal suppliers but with Russian coal suppliers we do not have any such long-term agreement however we are trying to get some consignments on trial basis from them once those trial consignments are found to be in order then we will try to take more coal from the Russian supplier.

Rakesh Dubey: When this is likely to happen.

Anil Kumar Tulsiani: Actually we are trying to get it now only but the only problem is there are some payment issues with them and there are some issues relating to insurance of the vessels and even some other issues which are there linked with that. So we are trying to resolve those issues the moment these issues are resolved we will surely try to start taking from Russia.

Rakesh Dubey: Thank you very much and my second question is related to the indication which has been given by RBI Governor that interest rates are likely to go further firm up to tame inflation. So what impact this will have on sales overall financials.

Anil Kumar Tulsiani: Of course if the interest rates are expected to firm up it will surely have an impact on the entire industry and actually on the entire economy you can say. So sale will be impacted by that also but there is just one thing that we are getting our borrowings whatever are there they are at very competitive rates and bankers are willing to give it at you can say the lowest rates also to us so of course whatever the difference is there we will also be bearing the impact of that but I do not think it will have much of an impact with the borrowings coming down to the levels of 13400 odd so I do not think it will have a major impact.

Rakesh Dubey: Okay thank you this is all I had to ask you. Thank you.

Moderator: Thank you. The next question is from the line of Prashanth Kumar from Dolat Capital. Please go ahead.

Prashanth Kumar: Good afternoon Sir and thanks for the opportunity. You have mentioned that the Capex for this year planned is 8000 Crores, do you intend to incur this Capex irrespective of whether cash flow supporting or only if the free cash flow supports you will do this level of Capex.

Anil Kumar Tulsiani: Of course to some extent the cash flow will have to support it but then what happens basically in all these plants some are committed already. So that we will have to continue on.

Prashanth Kumar: The next question is today if we see our EV, Enterprise Value will be lower than the pandemic close that is the flash crash that we had in March 2020 and in such a scenario although the external environment is quite challenging like coking coal prices international markets being very tough to crack into and things like that in this kind of a situation government has imposed this duty, by when do you expect to go into if at all some sort of a cash loss situation and would you sound the government that this is a situation out there is not easy, exporting steel itself is an achievement 18 million ton if India is doing that, that will still be an achievement because they are doing these kinds of duties etc. Today barring industry such as labor arbitrage being able to establish our self as a country in the international market at a global scale competing with the best of the world and actually being able to solve all of that it will be an achievement. So why are we not getting credit for that.

SAIL: See to answer your question this is basically something beyond our control it is a government decision and whatever they decide there are factors they do not necessarily look at only steel industry keeping in mind the entire economy they have to take the decisions of course steel industry given whatever the impact they would be facing or are facing we would definitely be talking to the government on that if it starts to hurt the margins and all there would be maybe representations from the steel industry also. As of now we are not planning anything on that we will have to wait and watch how the impacts turn out because it is so likely that it can also give us a benefit in the sense that if steel prices come down it can on the other side also help us in getting a higher demand from the consumers of steel so if that happens maybe it can turn out to be a silver lining in that cloud for us we will have to wait and watch and as far as government decisions are concerned we are going to be with them for the time being we will take whatever call is to be taken in future keeping in view the entire economy and the industry as such.

Prashanth Kumar: Okay Sir thanks and all the best.

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

Sumangal Nevatia: Thank you for the opportunity. My first question is on working capital if you see last two years we have reduced debt by 36000, 37000 Crores but 20000 of that has just been contributed by working capital almost 10000 in each of the last two years and if we look at our receivable, debtors, inventory they have all gone favorable to a very unprecedented low level. So just want to understand these low levels of working capital how is it sustainable and how do you see this working capital movement in FY2023.

Anil Kumar Tulsiani: Actually what has happened is these debtors which were substantially high in the earlier years we had a special drive and we took up with the railways the main debtors were railways on this, out of the 8000 odd Crores which was there in the earlier year almost 4000 to 5000 was from the railway. So this we had taken it up with the railways and we were quite successful in liquidating most of them, there were some invoices which are two to three years ago which they were not clearing. So we had a special drive with them and we could clear it. So that has basically helped us in reducing the debtors if you see basically the other debtors which are there we have got PSU debtors which always hovers in the range of sub 1000 Crores say 800, 700 so it is in the range of that only almost 600 Crores and other debtors also that is normally in the range of round about 3000 odd Crores so it is at the same level it is basically the railway debtors which are very high which we have brought it down to round about 1100 Crores in the current financial year. But yes it is a thing that maybe the debtors will go up the basic reason for debtors going up is also it depends on the price of the material which we are selling and so that also has an impact on the debtors if the price is high so the debtors also tend to increase.

Sumangal Nevatia: So any further benefit are we expecting in FY2023.

Anil Kumar Tulsiani: No, I do not think this is actually absolutely rock bottom I think I do not think we will be able to because again railways it depends on the budgets whatever they get. So last year they were quite liberal in releasing all the budgets to us but we do not know what is going to give an impact in this year.

Sumangal Nevatia: And what about the liabilities, I mean, even the payables etc., have gone up substantially these levels have never been seen before so if you can just explain on that front as well.

Anil Kumar Tulsiani: It is basically what is happening is that we have got arrangements with our coal suppliers so basically what happens is that since the coal price has gone up so it has had a subsequent impact on these payables because we have got credit lines with them of two to three months so we take advantage of that and since the prices have nearly travelled from what levels it was since March 2021 so this has also had an impact on the payables position.

Sumangal Nevatia: So since of credit is increasing from 7000 to 17000 so once the coal situation normalizes this benefit which is sitting in working capital it also should reverse.

Anil Kumar Tulsiani: Right.

Sumangal Nevatia: Sir second question is on the coking coal front, I mean, what sort of inventory levels do we have and you have said a 10%-15% increase in 1Q so what is the dollar per ton cost are we factoring in that estimate.

Anil Kumar Tulsiani: Come again.

Sumangal Nevatia: So one is in terms of inventory days what sort of coking coal inventory do we have.

Anil Kumar Tulsiani: Inventory days we normally have 35 days of inventory with us that is being at the ports as well as at our steel plants.

Sumangal Nevatia: When you say the 10%-15% increase in coking coal cost in 1Q in the coming quarter what is the dollar per ton cost have we calculated.

Anil Kumar Tulsiani: It should be in the range of around about $450 or maybe because see what is happening it depends on entirely on the blend what is being consumed. So if there is higher level of PCI so the rate of PCI is lower so we stand to get an advantage so as far as for the soft coal. So now our emphasis is mainly on higher quantity of PCI and higher usage of soft coal so hard coal is one of the most expensive. So we are trying to restrict it to the optimum level so that the overall cost of coal comes down even we are planning to have more of indigenous coal in future so the overall cost of coal should come down to some extent, but it will be high it will be at least 15% high.

Sumangal Nevatia: Just want to understand on the coking coal front and what is the spot rate versus what we will average out in terms of cost in 1Q. So just want to get some directional sense as to in 2Q what sort of inflation one can expect if coking coal prices stay flat from here on.

Anil Kumar Tulsiani: See basically we are also guided by the spot rate we take the average for the month for the Argus and Platts and based on that whatever we have, we have got some long-term agreements as I have explained earlier with our suppliers so we get a discount on that. So we avail that particular discount and we arrive at the price for a particular month but then what happens is that is at the load port whatever the rate is there that is where still it comes and gets consumed it takes normally one and a half to two months. So that arbitrage is that means whatever we are going to get today it may not affect say in the month of June it will probably affect the month of July or maybe even August.

Sumangal Nevatia: Is the understanding correct that if there is no change in coking coal prices in the market in the next few months your second quarter coking goal cost will further increase from first quarter as well.

Anil Kumar Tulsiani: We should keep our fingers crossed.

Sumangal Nevatia: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Good afternoon Sir. I have a question on our capacity so when will we start actually realize this 20.2 million tons of saleable steel capacity because now if all units have stabilized I guess Bhilai there was some issues with the finishing facilities. So when can we expect utilization of close to 90% at all the plants.

Anil Kumar Tulsiani: Actually see we were having some issues about stabilization of our facilities due to which we were not able to reach our capacities but 2022-2023 we expect that we will surely be doing well as compared to even 2021-2022. So we expect that we will be very near to our capacities this 2022-2023.

Pallav Agarwal: You think that the Indian market can absorb this incremental volume now especially with the export duties coming in or do you think there will be some sort of production cuts that can happen across the industry.

Anil Kumar Tulsiani: See it is too early in the year to talk about it see what happens is like we did not expect a COVID year and suddenly things turning around last year so it is too preliminary to talk about this and maybe whatever policies the government has implemented now introduced now whether they will last for the entire year or they may come out with some sops for us we really do not know so it is really a preliminary thing so we cannot just think but yes our intent is to produce and sell the most.

Pallav Agarwal: Just lastly Sir what was our export proportion in FY2022.

Anil Kumar Tulsiani: Around 8.6%.

Pallav Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: Good afternoon Sir. I have two questions what is our coke rate.

Anil Kumar Tulsiani: Coke rate for the current financial year is 445.

Falguni Dutta: And what was our average steel realization for Q4.

Anil Kumar Tulsiani: Around 60000.

Falguni Dutta: And if you could just give the flat realization separately for Q4.

Anil Kumar Tulsiani: It was around between 64000 to 65000.

Falguni Dutta: And lastly what would be the current flat realization, currently.

Anil Kumar Tulsiani: We really do not know in April it has improved to some extent.

Falguni Dutta: If we just say as on date like we know that it is not possible in this volatility but as on date.

Anil Kumar Tulsiani: Yes, again I had explained it earlier that it is the average rate or whatever rate we arrive at it is basically the earlier contracts as well as whatever we have entered in this month plus what we planned plus with the projects we have got around so the projects rates are something different so it is preliminary to tell you the figure for May.

Falguni Dutta: That is all no problem thank you.

Moderator: Thank you. The next question is from the line of Sagar Gandhi from Future Generali India Life Insurance. Please go ahead.

Sagar Gandhi: Sir my question is on dividends. So is my understanding correct this year we have paid 30% of profit after tax so next year as we cannot predict our PAT is it fair to assume that of the 54000 Crores net worth 5% is what we will have to pay the number which will be close to 2600 Crores in absolute terms.

Anil Kumar Tulsiani: See what is happening is that we will decide that basically based on our profitability and our capability to pay out also because it depends on the cash flow also means if you are finding some difficulties since you are having substantial investments in Capex and all so we will have to take up with the government at that point of time.

Sagar Gandhi: But Sir in case you choose to do 8000 Crores Capex as you guided then can you convince the government or is it a negotiable item because in my understanding whichever is higher I mean 30% of PAT or 5% of networth if you are a profitable enterprise then that is what you will have to pay.

Anil Kumar Tulsiani: Yes, but then in previous years also just this guideline was there but we have somehow got our exemptions from the government.

Sagar Gandhi: Second thing is because we have made solid OCFs over the last two years and that is also at very reasonable levels even assuming that debt levels will go from here is there a scope that a company will consider a buyback is it something on your agenda.

Anil Kumar Tulsiani: We do not plan to have any buyback in the near future.

Sagar Gandhi: Okay thank you sir that is it from my side.

Moderator: Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bagmar: One question on the part of coking coal it seems very unlikely that your cost can hardly go up 15% even if we take like whatever lag which we want to take on the spot prices or the benchmark pricing. So it should not be lesser than like the 25%-30% and when we say that we consume PCI but even today PCI is at the lowest ever discount to the prime coking coal so it is really difficult to understand your guidance on hardly around 12% to 15% increase in coking coal cost when our inventory is hardly at around 35 days.

Anil Kumar Tulsiani: See basically what is happening is that we expect to improve our blends to some extent and then higher level of uses of pellets which have already started so this will bring down the coke rate also to some extent like whatever we have planned that nearly a reduction of around about 5% in the coke rate in this current financial year so we surely expect that all these cost control and cost cutting measures will surely help us in bringing down to some extent the impact of the coking coal cost.

Kamlesh Bagmar: It is not about the adjusted for input output mix, it just purely on the coking coal cost so coking coal cost price has nothing to do what your consumption levels are.

Anil Kumar Tulsiani: No we are talking about the consumption cost.

Kamlesh Bagmar: So usually we used to give the precise number for the coking coal cost and this time around surprisingly you are giving the ranges but sir how much was our consumption cost in the previous quarter and what happened in the consumption cost in like the April.

Anil Kumar Tulsiani: You want the consumption cost of fourth quarter.

Kamlesh Bagmar: Coking coal yes.

Anil Kumar Tulsiani: Offline we will send it to you.

Kamlesh Bagmar: Secondly on the Capex side we have roughly around 3500 Crores Capex in last year and this time like that we are guiding 8000 Crores Capex so what incremental Capex we are going to take because we have not ordered any single machine in the last one to one and a half years because we were focused on commissioning those assets which have been due for commissioning for years and ages. So what all new Capex or new ordering we have done in last six months.

Anil Kumar Tulsiani: We have actually had a lot of automations in Bokaro and we have also gone for our stamp charging batteries which we have also got clearances for our stamp charging batteries which are very capital intensive and moreover other major other expenditures are in the small schemes which the plants will be taking up. So you can say each plant will be taking around the 300 to 400 Crores worth of schemes at the local level which are known as AMR schemes which will be taken up. Actually I am not too sure that how we are going to achieve it but then yes our target for the year are 8000 Crores and some major schemes have are in the pipeline for which the major expenditures will also take place.

Kamlesh Bagmar: It would be appreciated sir if you can give at least some breakups like where we are going to spend because in the earlier presentations you give like how much would be on the process management and all those things.

Anil Kumar Tulsiani: We will send it to you offline.

Kamlesh Bagmar: Thank you Sir, thanks a lot.

Moderator: Thank you.

Anil Kumar Tulsiani: Please let this be the last question we will take the rest of the queries offline.

Moderator: Sure Sir. I would like to hand over the conference to Mr. Vishal Chandak for closing comments.

Vishal Chandak: Thank you everyone for participating in today's call. I can see a huge amount of queue on the question answers still there, but unfortunately due to paucity of time the management has to leave. I would like to thank Mr. Tulsiani for the time and his team as well. So Mr. Tulsiani handing over to you for the closing comments please.

Anil Kumar Tulsiani: Thank you Vishal. Just that this year is a real challenge for us, last year was really a dream year for I think the entire steel industry and we just hope for reduction in the prices of coal and other inputs which will help us in reducing the rising cost of production and going forward our focus will be on increasing volumes, improving the product mix and improving operational efficiency for controlling cost and hopefully we are able to deliver sustainable results in the coming quarters also. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.