

“JSW Steel Limited -2QFY15 Earnings Conference Call”

October 21, 2014, 5.30pm (India Time, UTC/GMT +5.30 hours)

Management: Mr. Seshagiri Rao, Jt. Managing Director & Group CFO
Dr. Vinod Nowal – Dy. Managing Director
Mr. Jayant Acharya, Director – Commercial & Marketing

Call host: Mr. Prasad Baji, Edelweiss Securities

Moderator: Ladies and gentlemen, good day and welcome to the JSW Steel 2QFY15 Earnings Conference Call, hosted by Edelweiss Securities. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prasad Baji from Edelweiss Securities. Thank you and over to you!

Prasad Baji: Thanks Mohsin. Hi! Everybody, I am Prasad Baji from Edelweiss Securities. I extend a warm welcome to all the participants on this call to discuss the 2QFY15 Results of JSW Steel. I would like to straightaway hand over the proceedings to Mr. Pritesh Vinay – Vice President, Capital Markets and Group Investor Relations of JSW Steel. Thank you, over to Pritesh!

Pritesh Vinay: Thank you Prasad. Good Evening everyone. On behalf of JSW Steel, I welcome all of you to this earnings call to discuss the 2QFY15 Results. With us we have the senior management team of JSW Steel – represented by Mr. Seshagiri Rao, the Joint Managing Director and Group CFO; Mr. Jayant Acharya, the Director Commercial and Marketing; Dr. Vinod Nowal, Deputy Managing Director and other members of the Senior Management team. So I would like to handover the floor to Mr. Rao for his opening remarks and post that we can start with the Q&A. Mr. Rao over to you!

Seshagiri Rao: Good evening to everybody. You must be seeing what the external environment is: threat of steel imports and non-availability of iron ores in India. We have to rely on iron ore imports, and domestic steel demand is not picking up to the extent was expected at the beginning of the year. So, within this context, JSW Steel has delivered excellent results.

We have produced 3.3 million tonnes of crude steel for the quarter. We have also sold 3.07 million tonnes of steel. We have guided, in the beginning of the year that, we will achieve 12.9 million tonnes of crude steel production and we are on track so far.

Similarly we have given a guidance of 12.4 million tonnes of steel sales. We are slightly lower than proportionate amount of volume in terms of sales but we are confident that we will be able to achieve our sales guidance for the year.

There are several important features which made our performance better in the quarter. On the one side, we are ramping up the coke and pellet capacity at Dolvi and on the other side; we are also improving our value added product mix. We are

consolidating our market share in India.

We were reducing our interest cost and at the same time we were very conscious about our overall financial ratios which have improved in this quarter.

So going forward, we are expecting the things to improve. Particularly on JSW Steel's performance: Dolvi is improving further and also value added products as a proportion of overall sales volume is increasing. The iron ore imports are increasing as a proportion of overall iron ore consumption which should improve productivity and fuel efficiency. With that we expect our margins to improve.

We believe the steel prices will be stable.

With this, I think we prepared a brief presentation. My colleague Jayant Acharya and Vinod Nowal will take you through and after that we will take your questions.

Jayant Acharya:

Good evening everybody. I think all of you must have gone through the presentations. So we would not spend much time on the economic and the global scenario. Just to sum up our highlights, our crude steel production was the highest ever at 3.3 million tonnes. Our standalone steel sales was 3.07 million tonnes and our gross steel sales was 3.1 million tonnes. Our crude steel production was higher by 11% on YoY basis and our steel sales, at 3.1 million tonnes, was almost flattish on YoY basis. However the change this time is that we have grown by about 10% on sequential basis in the domestic market. Value added products component in our sales, where we have said that we would try to achieve 33% by the end of this year, we have already touched 33% in 2QFY15.

Our product mix change is also very evident in the way we are doing our exports. Our export volume which is 790000-odd tonnes for 2Q, out of that about 48% is again in value added products sales. Steel exports out of India have dropped, however, JSW accounted for about 62% of the steel exports from India in 2QFY15.

Our sales to the auto sector have grown substantially. We have grown by ~52%YoY and 13%QoQ. Our cold rolled product sales across the segments have grown very rapidly and that is evident in our value added sales product mix. Our retail sales have grown by 14% sequentially, though it has marginally dropped on YoY basis primarily because of some logistical and other disturbances in the festive month of September.

The broader summary is: 3.3 million tonnes of crude steel production, 3.1 million tonnes of gross sales, domestic sales growth of 10% vis-à-vis the India Steel demand growth of 0.9%QoQ (so virtually flattish demand). These are the broad operating numbers. Rajeev, I would request you to take us through the financials.

Rajeev Pai:

Thanks Jayant. Considering the global economy and Indian Metal industry scenario you would see that JSW has shown a very strong quarter and the differentiator is the performance improvement on various accounts as Mr. Rao has explained. You can see the underlying EBITDA is Rs2,620 Crores for the quarter after the provision for two elements which you can see in the notes No.3 and 4: for diminution in the value of investment by around Rs168 Crores in case of the US plate and pipe mill for the losses it has suffered, and around Rs21 Crores for the possible losses which can arise out of the recent de-allocation of coal blocks.

Despite making these two provisions, the profit after tax for the quarter is Rs762 Crores as compared to the corresponding quarter profit after tax of Rs101 Crores. So, there is a complete turnaround, a robust performance in the quarter. Similar thing we can see in the results for the first half of the year. Underlying EBITDA is Rs5,081 Crores as against Rs3,983 Crores in the first half of last year and profit after tax is Rs1,563 Crores as against negative PAT of 120 Crores in the first half of last year.

Net debt to equity was 1.59x at the quarter end, and net debt-to-EBITDA was 3.62x. As you all know, the net debt-to-EBITDA was 3.71x as on 31st March 2014, but with the improvement in the overall operating margins and EBITDA, it has come down to 3.62x.

The improvement is basically from all the three levers which we are working upon. First lever is improvement in the value added product percentage; we have already reached 33% in the current quarter, which was the target for the year. We are on track in terms of our volume guidance in terms of production and very close in terms of sales. Our cost reduction initiatives are on track in terms of more pellets and coke at Dolvi through captive sources and overall cost reduction. We are using imported iron ore to improve the fuel efficiency and productivity. The usage of imported ore has ensured that the margins have been maintained.

JSW subsidiaries have also performed well. JSW Coated which is in galvanizing and colour coated division has provided a very steady performance earning about 108 Crores of EBITDA for the quarter and 11 Crores of net profit.

At US plate and pipe mill – the capacity utilization remains at 40% and the company has made an EBITDA of around \$2.5mn for the quarter. When we look at Chile, because of the prevailing iron ore prices, the company has a negative EBITDA of about \$1.76mn.

At consolidated level, you can see the underlying EBITDA of Rs2,812 Crores as against Rs2,348 Crores in the corresponding quarter. For first half of the year it is Rs5,424 Crores as against Rs4,227 Crores for the first half of last year. Profit after tax for the quarter is Rs749 Crores as against a loss of Rs116 Crores in the corresponding quarter of last year. For first half of the year the profit is Rs1,405 Crores as against loss of Rs497 Crores in the first half of last year.

The company is on track in terms of completing its growth projects.

The financial ratios, as you would have seen, are quite healthy. So net debt to EBITDA is less than 3.5x, it is 3.46x, and net debt to equity is at 1.56x. Consolidate net debt as on September 2014 end at Rs35,756 Crores is less than the debt of Rs35,870 Crores as on June 2014 end.

Going forward, we expect further upside coming from Dolvi where we will be able to substitute the entire pellet requirement and coke requirement from captive sources, and also we will be able to improve our value-added products proportion further (as guided in the beginning of the year) to 33% of our total sales volume. So these two upsides are still to come in, in the quarters to follow. Because of the scarcity of Iron Ore, we are now relying upon imports. We are importing high grade iron ore with very low alumina, which will give some benefit through higher productivity. Even though imported iron ore cost is higher, to a large extent it can get neutralized by way of fuel

efficiency and productivity benefits. We are working-on very seriously to improve our productivity. With these remarks, I open the forum for questions-and-answers.

Pritesh Vinay: Mohsin, this is it as far as opening remarks from management is concerned. We can now open it up for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Chirag Shah from Barclays Capital. Please go ahead.

Chirag Shah: Thank you very much for taking my question. Sir there has been a steady increase in sales to the auto space is what I can see it from the value added product mix chart. Can you please give us a sense of what kind of product segment are we servicing in the auto space and how different are the margins in this segment, I mean just a sense of the margins in the auto space?

Jayant Acharya: Chirag, we have been servicing the passenger vehicle, the two wheelers and the commercial vehicle segments. The commercial vehicle segments sales, in the long space especially from the special alloys, from Salem is quite high. As far as the passenger vehicle space is concerned we are servicing in both from Vijayanagar and Salem and some part of the dual phase steel from Dolvi. You can see in the presentation some of the parts which we have developed for the various customers. We have developed the steel for Daimler Benz, Toyota, Mahindra, Honda and all sorts of automakers, so we have penetrated in terms of the approval process into most of the auto companies and therefore we have been able to ramp up our volumes to the auto sector.

Chirag Shah: Sure and when you say the approvals for the auto sector also include the outer skin panel?

Jayant Acharya: It also includes the outer skin panel.

Chirag Shah: Understand Sir. Sir where do we see the product mix settling going down into FY16 obviously we had a target of 33% in FY15 but we have already hit that. Where do we see that going forward?

Seshagiri Rao: I would like to say that as far as this year is concerned we certainly hope to do better than 33% since we have done 33% by now. But I would not put a number on the table just now, as of now the way the volume is growing on the CAL line as well as on the coated line from Vijayanagar it is very likely that in the H2 this percentage will be going up further.

Chirag Shah: I have further questions but I will join the queue.

Moderator: Thank you. We have the next question from the line of Giriraj Daga from Nirmal Bang Equities. Please go ahead.

Giriraj Daga: Sir just wanted two clarifications like both the provisions have been included in the other expenses in standalone number?

Rajeev Pai: Yes both the things are considered as a part of other expenditure and you can see note nos.3 and 4 for explanation.

- Giriraj Daga: Okay and Sir what was the rupee realized like this quarter and versus Q1 realized rupee in terms of sales?
- Rajeev Pai: Sorry, Giriraj what do you mean by 'realized rupee' in terms of...
- Giriraj Daga: We do the hedging part right, so we must have hedged it at certain rate on the revenue side, so we must have booked revenue as per hedging rate were not at the prevailing currency rate?
- Rajeev Pai: No, the company has the policy of hedging both its exports and imports on fully hedged basis on profit and loss account but we do not give a specific realized rate.
- Giriraj Daga: Like on the iron ore side what are the, like you said somewhere that imports might be going to pick up in the Q3 and what is the thought process in the C category mines when they can come into the auction process?
- Seshagiri Rao: Right now, about 18 million tonne of Iron ore is getting produced in the state of Karnataka. Mysore Mineral Limited (MML) has received approval for additional 3 million tonnes but unfortunately another 3 million tonnes capacity, which was operating in the state, got closed. So overall 18 million tonne is immediately expected to continue to produce. However, we feel that 25 million tonnes production level can be reached before March 31, 2015. The existing category 'A' mines, which approached for additional mining approval, may get the clearances. Also the pending approvals of environmental and forest clearances for the existing 'A' and 'B' category mines should also come through. These put together will help to reach at 25 million tonnes capacities by end of March 2015. One more development is in category 'C' mines. The state government has appointed CRISIL to give a report after meeting all the stakeholders for Category 'C' mines auction scheme. We understand that the report is getting finalized. State government is also in touch with the Central Empowerment Committee (CEC). They have already submitted the report for Odisha and now they are working on Karnataka to finalize the scheme along with the state government, with the consent of the Supreme Court. So we expect that even before March 31, 2015 at least some of the mines may get auctioned in category 'C'.
- Giriraj Daga: But imports will pick up in the meanwhile, because the rates have also come down in the international market?
- Seshagiri Rao: Yes, we had already guided for 0.5 million tonnes of imports per month. In this quarter, we are increasing imports to 0.8-0.9 million tonnes per month.
- Giriraj Daga: Thanks a lot from my side.
- Moderator: Thank you. We have the next question from the line of Anuj Singla from Deutsche Bank. Please go ahead.
- Anuj Singla: Thank you very much for taking my question Sir. Sir couple of questions, one is which relates to the strategic vision with the Welspun acquisition that we recently announced so what is the kind of capacity we could look to establish there and whether is there a sense on what kind of capex, when it could start actually coming in the capex numbers?

- Seshagiri Rao: Right now we are not looking for immediate expansion over there. We have a short-term and the medium-term turnaround plans for Welspun. Welspun, as on date, is not making money at the EBITDA level. They are producing 30,000 to 40,000 tonnes. So our first priority is how to use the pellets, being produced by ARCL, to replace the bought out pellets or lumps at Welspun and thereby bring down cost. Then the priority two is that we want to ramp up the production from 40,000 tonnes to 75,000 tonnes a month where their fixed cost will come down and lot of efficiencies would come in that process. We plan to use that 75,000 tonnes as a part of feed in the steel making in Dolvi unit, thereby utilizing all the DRI, produced at Welspun unit, within JSW Steel. Once we achieve that I think they will be able to service, with the expected EBITDA, their debt. This we would like to do in the next six months to 12 months time. After that we will see what could be done for further expansion or any Brownfield expansion at the Welspun site.
- Anuj Singla: Sir on the Amba River Coke side what is the utilization level, the pellet plant and coke oven batteries have operated during this quarter?
- Seshagiri Rao: We could use almost close to 90% of the pellet internally. That is within Dolvi. That is further ramping up that is why more benefits will come in the Q3.
- Anuj Singla: Sir, lastly you mentioned an interesting point that the use of imported iron ore will go up in the iron ore sourcing and that should lead to higher efficiencies and you also mentioned that this is not going to impact margins or should we be building some kind of moderation in margins because of the higher cost of imported iron ore?
- Seshagiri Rao: No. We have three locations as I was clarifying earlier also. As far as Salem and Dolvi are concerned, they are indifferent whether you import or you buy from Odisha or Chhattisgarh. In these two locations if we get iron ore either from Odisha or Chhattisgarh, we have to incur a very large amount of logistics cost. So when we compare the landed cost of domestic iron ore versus landed cost of imports, imports are attractive for these two locations and the quality is also better. That is why, at these two locations, we are focusing more on imports. This in a way is also forced because iron ore availability is very limited in Odisha in the current context, even Jharkhand it is very, very limited. So only place where iron ore is available to some extent is Chhattisgarh (from NMDC). Therefore the option of importing iron ore for Dolvi and Salem is making a huge sense for us.
- As far as Vijayanagar is concerned, there around 1.5 to 1.6 million tonnes of iron ore is getting auctioned every month and out of that we are able to secure about a million tonne. So balance we need to import and that is working at around 30%-35% of our total mix. So this is how we are planning as far as the overall imports are concerned. The entire iron ore that is required for Salem and Dolvi and similarly 30%-35% of our requirement at Vijayanagar we will continue to import until iron ore situation improves in the domestic market.
- Anuj Singla: That is very clear Sir. Thank you very much for taking my questions.
- Moderator: Thank you. We have the next question from the line of Saumil Mehta from IDFC Securities. Please go ahead.
- Saumil Mehta: Sir my first question is any update on Luchini probable acquisitions as in the thought

process behind it and given the fact that the macro slowdown in Europe is going to be very strong plus some of our competitors experience in Europe has not been very good so how are we looking at that transaction?

Seshagiri Rao: As far as Lucchini is concerned we have mentioned last time that we have submitted our binding bid. Majorly it is for rolling mills. It is not for entire operations. Amount involved is not very significant. We are yet to really receive a communication from them. There are some negotiations going on but nothing is finalized as on date. The only intention of JSW is we should have an outlet in Europe where we will be able to convert our intermediate products like billets, which will be supplied from India and we will be able to sell in the European market. This may not happen in the short term even in the medium term, it will be an outlet for us in long term. That is why we are looking at this particular facility. It is only for the rolling mills. Once again I clarify we do not have any interest on the full facility. Though nothing has been finalized as on date even if we make investment it will not be as significant a material impact on the overall profitability or the investments.

Saumil Mehta: Sir my second question if I do the consolidated EBITDA minus the standalone EBITDA for this particular quarter, I get a number of close to 360-odd Crores. Now this is substantially higher than what I see over the last four five quarters where the run-rate has been closer to 140-150 Crores so are we missing something in that so which are the subsidiaries have resulted in such an improvement in the EBITDA line and is that sustainable going forward?

Seshagiri Rao: No. One point which Rajeev was trying to explain if you look at operating EBITDA of Rs2,430 Crores in the standalone company that is after taking the provision of Rs189 Crores which consists of two items: one is Rs168 Crores towards investment in the US diminution and another is Rs21 Crores towards the coal assets cancellation likely losses. These are the two items we have provided for. So then it becomes 2619.

Saumil Mehta: Sir my last question is you know obviously there have been a lot of news flow around you know we submitting a bid to acquire a Bhushan Steel assets so at this point in time should we assume that Bhushan Steel assets are a priority over your Greenfield plant in West Bengal any color would be very helpful Sir?

Seshagiri Rao: No, I do not think so we are really looking at Bhushan Steel. There may be lot of news items coming about JSW. Whether we are involved or not involved in any of these acquisitions our name gets flagged into that but at this point I would like to highlight that our strategy remains focused on both forward integration and backward integration and increasing capacities in India. If at all we look at any opportunity in India it should fit within our strategy and it should be attractive which will make money to all the investors and stakeholders then only we will look it otherwise we would not even venture into any other acquisitions.

Saumil Mehta: Thank you so much Sir.

Moderator: Thank you. We have the next question from the line of Ritesh Shah from Espirito Santo. Please go ahead.

Ritesh Shah: Thanks for taking my question. I had two questions, sir if you could quantify what is the absolute utilization level for the coke oven batteries and pellet plant. I understand

you have said 90% has been used captively?

- Seshagiri Rao: Whatever coke that is produced we have used for our captive requirement. So around 70% of coke used was captive in 2QFY15 and only around 90% of pellet used was captive.
- Ritesh Shah: Sir on the rated capacity what will be the utilization level. Basically I am trying to understand from the cost savings angle how much we have achieved and what is the future potential?
- Seshagiri Rao: As far as the coke is concerned today we are at 73%-74% capacity utilization and the pellet plant we are at 65%.
- Ritesh Shah: Sir, will it be possible to quantify the average coking coal cost for the quarter and iron ore cost for the quarter?
- Jayant Acharya: Yes, so we had indicated last time that we would expect a \$15/t drop and we had guided a range of \$150-155/t for Q1 FY 2015 CFR India. We have been able to achieve the \$15/t mark correction and in 2QFY15 it is in the range of \$135-140/t.
- Ritesh Shah: Any update on 3.3 to 5 million tonne Brownfield expansion?
- Seshagiri Rao: We are happy to tell that while it is supposed to be commissioned by September 30, 2015, based on the actual progress so far we are a little ahead of the schedule. I think we will be able to do it around two months prior to the schedule date.
- Ritesh Shah: So we will beat our guidance. We will be ahead of the production target?
- Seshagiri Rao: For next year, yes.
- Ritesh Shah: That answers my questions. Thank you.
- Moderator: We have the next question from the line of Ritesh Rangwala from Morgan Stanley. Please go ahead.
- Ritesh Rangwala: Thanks my questions have been answered. Thank you.
- Moderator: Thank you. We have the next question from the line of Dinesh Harchandani from JP Morgan. Please go ahead.
- Pinakin Parekh: Thank you. This is Pinakin Parekh from JPMorgan. Two questions, first just to clarify the consolidated minus standalone differential spike up is because the provisions for losses and investments was written of the standalone entity and not at the consol entity?
- Seshagiri Rao: At consolidated level, it is already provided for; therefore when you look at the Rs168 Crore provisions is not required to be provided again at the consolidation. Only Rs21 Crore impact will be there at both levels.
- Pinakin Parekh: Second question relates to the balance sheet so the net debt currently is Rs36,000 Crores, does this include the debt related to Welspun and how should we see this

number over the next end of the year in FY'16 in terms of what is the latest capex guidance and how will that be funded?

Seshagiri Rao: Welspun is not included in this because we just received the approval from the Competition Commission of India and we expect the conditions precedent to drawdown will get completed probably in this month so by end of this month we will close the transaction thereafter Welspun will get consolidated as a part of JSW Steel. Then on the second point, the capex guidance which we have given is Rs7,500 Crores for this year. We have spent approximately Rs3,100 Crores up to first half of this year, so we may be slightly lower than Rs7,500 Crores mark. As we have been guiding that we would like to bring down our net debt to EBITDA below 3.5x with the guidance of Rs7,500 Crores of capex for FY15, we will stick to that guidance. Similarly net debt to equity which is currently at 1.56x — lower than what it was as on June 30, 2014, we would like to bring it down below 1.5x by end of this financial year including Welspun.

Pinakin Parekh: Next year's capex guidance remains on track?

Seshagiri Rao: That we will be able to fine tune when we will give 4Q results in the month of May but as on date we are sticking to the Rs4,500 Crores of Capex guidance for the next year.

Pinakin Parekh: Thank you very much Sir.

Moderator: Thank you. We have the next question from the line of Dhaval Doshi from Philip Capital. Please go ahead.

Dhaval Doshi: Sir just wanted to ask there has been a very sharp increase in the inventory changes. The inventory has gone up quite significantly this quarter so is it more to do with the iron ore imports that we doing and the accounting with regards to the same or something else?

Jayant Acharya: See on the finished good side there has been some inventory accretion in the last quarter primarily due to disruptions in movement from Dolvi in the month of September due to festivities and there was some challenge in the last week of September in Tamil Nadu due to some movement restriction because of political turmoil. So I think that added up some inventory which is to the extent of about 170,000 tonnes, we would be liquidating this inventory in the H2.

Dhaval Doshi: So this 170,000 tonnes has moved up from what level sir, what was it at the end of the first quarter?

Seshagiri Rao: At the end of June 30, if I look at the numbers it was 730,000 tonnes, which has now moved to 904,000 tonnes.

Dhaval Doshi: Sir what has been the quantum of imported iron ore in the overall mix for this quarter and how would it move going ahead?

Seshagiri Rao: In this quarter we have used around 1.5 million tonne out of the total.

Dhaval Doshi: So that entire whatever we have purchasing of 0.5 million ton per month is being utilized?

- Seshagiri Rao: Yes.
- Dhaval Doshi: So that would be the trend going ahead as well right, what the monthly purchases would see?
- Seshagiri Rao: No, it was half a million tonne average in this quarter; it will increase further in 3Q.
- Dhaval Doshi: Sir secondly with regards to the various news articles that we are reading with regards to Ilva or London Mining, any comments that you would want to offer as in there was some news which said that we are withdrawing from the Ilva steel plant acquisition?
- Seshagiri Rao: No. Our strategy is to go for forward and backward integration but not to go for manufacturing of basic steel overseas. We will stick to that, if we evaluate our strategy with any position relating to Ilva it does not fit within our strategy.
- Dhaval Doshi: Okay so we are clearly not looking out for that?
- Seshagiri Rao: And as far as any assets concerned with the backward integration side if it fits within our strategy, I do not want to comment about any specific asset, and if it is attractive and if it is making long term sense to us we will continue to scan and look forward for those opportunities.
- Dhaval Doshi: Thank you very much Sir.
- Moderator: Thank you. We have the next question from the line of Ashish Kejriwal from Elara Capital. Please go ahead.
- Ashish Kejriwal: Sir is it possible to give what kind of EBITDA Amba River has made during the quarter, I think last quarter it has made just 12 Crores and capacity utilization has improved now so at the current capacity of 65% of pellet and 73% for coke what was the EBITDA which we made in the last quarter?
- Seshagiri Rao: Rs41 Crores.
- Ashish Kejriwal: Sir secondly because in case of US plate and pipe mill for the last so many years we have been making losses and at the time of acquisition also we thought that we will export slab from India and then convert it into plate and pipe over there and similar strategy we are trying to look at for all European thing so I was just trying to understand whether again if this acquisition occurs whether this will be more fit from exporting raw material from India and converting into Europe or buying locally from there?
- Seshagiri Rao: It will be a combination. The way we are looking it as far as the specific target is concerned whatever high value billets are concerned, we would like to send it from India and commodity grade we would like to buy from there. That is the strategy we would like to follow. You are correct, as far as US is concerned it has not worked out so far but still it has a long term potential. Even in 2Q, the actual EBITDA was close to \$4 million but as they sold some NCO pipes, the EBITDA reported is coming at \$2.54 million. So they are at a level of around \$4 million EBITDA per quarter. This is a level right now but we expect things to improve.

- Ashish Kejriwal: Sir having said that we are increasing our exposure in terms of loans, investment or guarantees quarter-on-quarter so is there any possibility that we are looking or we may look for selling of this asset?
- Seshagiri Rao: Not in the immediate future, as far as the US plate and pipes are concerned because US economy particularly oil and gas sector is expected to do well and for the last five six years we have taken lot of pain as far as this asset is concerned. It is a right time where there is turnaround, which is visible we would like to hold on this asset right now.
- Ashish Kejriwal: Thank you.
- Moderator: Thank you. We have the next question from the line of Indrajeet Agarwal from Goldman Sachs. Please go ahead.
- Indrajeet Agarwal: Thank you all my questions have been answered.
- Moderator: Thank you. We have the next question from the line of Pinakin Parekh from JP Morgan. Please go ahead.
- Pinakin Parekh: Just a follow up question on the domestic steel pricing environment over the next few months. I mean you have obviously highlighted the increased pressure on imports and weak domestic demand there was a round of price cuts in the domestic flat product market. So how should we see pricing over the next couple of months? Do we need more price cuts from the domestic steel manufacturers or are the current prices strong enough to stay off imports even in a weak domestic demand market?
- Jayant Acharya: Pinakin, in the month of October we corrected our prices of flat steel and long steel. We corrected between Rs500-750 for flats and approximately Rs.1000 for longs. We see currently a little bit more pressure on the long side, primarily because of very cheap imports coming from China and the demand being sluggish as well but I would say that since the Chinese prices have also more or less bottomed out, I do not expect much of a drop in the imported prices coming up into India. At the most there could be a gap of about \$10 which we may have to look at as we go into 3Q. However there could be an upside in January – March which usually happens due to seasonality and we may be able to make up some part of this loss there.
- Pinakin Parekh: Just a follow up question on the long pressure that we are seeing now there was an unfortunate cyclone in Andhra and there are various reports that RINL's production facilities have been hit so does that create a supply overhang given there is a substantial part of long product supply in terms of the overall market particularly in Southern India?
- Jayant Acharya: Yes if it plays out the way media reports are coming in, it would impact the overall supply demand balance. As of now what we hear RINL is saying that they would be back in a few weeks but if it gets delayed due to any reason it would have supply demand balance and therefore on the pricing.
- Pinakin Parekh: Thank you very much Sir.

- Moderator: We have the next question from the line of Swagato Ghosh from Jefferies. Please go ahead.
- Swagato Ghosh: I had a couple of question. If I look at your power and fuel cost per tonne of production it has gone up sequentially. Any specific reason for that and with the imported iron ore proportion increasing in future should we see a steady decline in the power and fuel cost per tonne?
- Seshagiri Rao: No. The increase has happened in this quarter mainly due to two reasons: one reason is at Vijayanagar we have taken the shutdown of one of our CPP units for 65 days and had to buy power from JSW Energy at a higher price, and the second is the natural gas availability at Dolvi. We had to buy more natural gas in the spot market which also increased the costs. These are two items due to which power and fuel cost was higher in 2Q.
- Swagato Ghosh: Okay and going forward this should ideally decline right?
- Seshagiri Rao: Not significantly in the power and fuel, but it will reduce in the form of coke consumption. That is the fuel efficiency I am talking about.
- Swagato Ghosh: Sir could you please also give me the export quantity for the coated products division?
- Jayant Acharya: It is 235,000 tonnes.
- Swagato Ghosh: Thank you.
- Moderator: Thank you. We have the last question from the line of Vinay Shah from Reliance Mutual Fund. Please go ahead.
- Vinay Shah: Sir this is book keeping question - the level of acceptances as on September 30, and break up between the revenue and capex acceptances?
- Seshagiri Rao: Acceptances are of \$1,208 million on revenue account and of \$315 million on capex side.
- Vinay Shah: Thank you very much.
- Moderator: Thank you. Ladies and gentlemen that was the last question, I now hand the floor back to Mr. Prasad Baji.
- Prasad Baji: Thanks everybody for participating in the call, I would hand over to Pritesh and JSW management for closing remarks.
- Pritesh Vinay: Thank you very much for dialing in to the call. In case there are any follow ups, please feel free to get in touch with Sandep Agrawal or myself and we will be happy to deal with that and wish of you a very, very Happy and Prosperous Diwali. Thank you very much.
- Moderator: On behalf of Edelweiss Securities that concludes this conference thank you for joining us. You may now disconnect your lines.