"JSW Steel Limited

Q3 FY'24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the JSW Steel Q3 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwin Bajaj, Group Head of Investor Relations. Thank you, and over to you, sir.

Ashwin Bajaj: Thank you, Rio. A very good evening. This is Ashwin Bajaj, and it's a pleasure to welcome you to JSW Steel's earnings call for Q3 FY24. We have with us today the management team represented by Mr. Jayant Acharya, Joint Managing Director and CEO; Mr. G. S. Rathore, Chief Operating Officer; Mr. Rajeev Pai, CFO; and Mr. Swayam Saurabh, CFO Designate.

We'll start off with opening remarks by Mr. Acharya, and then open the floor to questions. So with that, over to you.

Jayant Acharya: So good evening, everyone. The global economy has been resilient despite the headwinds in spite of elevated interest rates and adverse geopolitical events, which we have seen. Inflation has been steadily declining across all regions, and we see rate cuts as a definite possibility by major central banks around the mid of 2024.

In China, while the outlook for property sector remains subdued, consumption and manufacturing have seen steady growth, resulting in an overall 5.2% GDP growth in 2023. Retail sales, industrial production and infrastructure investments grew reasonably well in 2023. Auto production was very strong, following the reopening post COVID. China has undertaken some targeted stimulus measures in recent months, easing of norms for housing loans and issuance of sovereign bonds of CNY 1 trillion for reconstruction in flooded areas and rate cuts during the course of the last few months.

There are expectations of additional stimulus measures to support the economy in China, in general. In India, capex by the central government is up 31% Y-o-Y. During April to November, it was also supported by strong tax collections. Overall, economic activity in India is quite strong with healthy momentum in manufacturing, real estate, renewable energy, infrastructure and automotive.

Election-related spending is also likely to boost consumption in the coming months. If you look at the steel sector, the global crude steel production grew by 0.5% during 11 months of January to November CY'23 to 1,715 million tonnes as per the World Steel Association.

For the full year as a whole, we expect that the steel production would decline by about 1.4%, driven by production cuts and production shortfalls in the advanced economies majorly. The Chinese crude steel production during the full year of CY'23 was largely flat at 1,019 million tonnes. China had been producing at an elevated rate through the year, and this reduction was primarily driven by a reduction in the month of December to 67.4 million tonnes in one month alone.

Due to the subdued local demand in China, primarily driven by the property sector, Chinese exports rose by 32% to close to 90 million tonnes during the CY'23, which is an increase of 22 million tonnes. In India, crude steel production grew by 12.1% to 36 million tonnes as the consumption also grew by 12% to 35.15 million tonnes during the quarter.

We expect strong steel consumption to continue in the coming quarters, driven by public capex in infrastructure as well as a strong manufacturing, residential real estate, automotive and overall consumption, in general. India steel imports have increased by 16% in the quarter, and we have seen a drop of 16% in exports.

So, imports stood at 2.59 million tonnes and exports at 1.37 million tonnes creating a net import of 1.2 million tonnes. Following the recent rise in global steel prices, domestic prices are now close to parity, which will limit imports in quarter 4, '24. However, rising level of steel imports into India on the back of a weak global market is a concern.

At JSW Steel, mainstreaming sustainability across the business and generating sustainable value has been one of our strategic priorities. We are committed to reduce our carbon emissions by 42% to 1.95 tonnes per tonne of crude steel, and issued the global steel industry's first bond linked to sustainability targets.

We are now extending our responsibility to the environment and are happy to announce a commitment to become net zero by 2050. The short-term initiatives to achieve this target will be improving energy efficiency, transition towards renewable energy, improving material quality, increased circularity, improved process efficiencies as well as utilizing alternative fuel sources.

The medium and long-term initiatives to reach net zero by 2050, include commercial deployment of green hydrogen for steelmaking, use of syngas, reuse of top gases recycled back into the furnace, scrap-based electric arc furnace, carbon offset, sequestration as well as commercial implementation of carbon capture, use and store.

We are also pleased to share that JSW Steel has been included in the Dow Jones World and Emerging Market Sustainability Indices. JSW Steel is also top 2 in the S&P Corporate Sustainability Assessment for the global steel sector.

Our Project SEED for decarbonization has won the Global Energy Transition Changemaker award at COP 28 in Dubai. These recognitions are a testament to our continuous focus on sustainability. Coming to the quarter 3 operational performance, on JSW Steel's quarter 3 performance, we reported an all-time high consolidated quarterly crude steel production at 6.87 million tonnes, which was a growth of 12% Y-o-Y and 8% Q-o-Q.

Our capacity utilization improved to 94% in the quarter from 89% in quarter 2 this year. The sales volume for the quarter were down 5% Q-o-Q to 6 million tonnes on lower exports due to the softer global markets and lower domestic sales in retail due to higher imports coming into India, especially from China during October and November.

Retail sales also got impacted due to festivities and channel destocking due to market sentiment impacted by higher imports. However, if you look at the sales volume overall, while we saw a decline Q-o-Q, our institutional sales went up by 8% Q-o-Q. Our sales to the OEM and industrial sector was highest ever and saw a growth of 8% Q-o-Q.

Automotive sales were highest in the quarter. Our Tinplate sales for the packaging industry was the highest in the quarter, and our renewable sales also were the highest. I would like to highlight that the share of value-added and special products remained strong at 60% with 17% Y-o-Y growth in quarter 3, while it was down 8% on a Q-o-Q basis, primarily driven by drop in retail sales.

However, our OEM and industrial volumes, the value-added mix saw a strong 20% increase Y-o-Y. We reiterate our FY '24 volume guidance of 26.34 million tonnes of production and 25 million tonnes of sales at the consolidated level. I would like to remind that these numbers include Ohio operations and JISPL, which merged into JSW Steel effective 1st August'23.

We expect liquidation of part of the inventories, which we have built up in the last quarter during the quarter 4, based on a seasonally stronger January - March quarter. As you are aware, we have been focusing our financial disclosures on consolidated results, which is more representative of the company's performance. This quarter, we have added an Indian operations slide in the financial section of our results, which provides key metrics pertaining to the India business.

At the consolidated level, our revenues from operations were at INR41,940 crores, down 6% Q-o-Q and operating EBITDA at INR7,180 crores with an EBITDA margin of 17.1% during the last quarter. Our EBITDA per tonne on a consolidated basis stood at INR11,957 per tonne. The profit after tax for the quarter was INR2,450 crores after incorporating the financials of subsidiaries, joint ventures and associates.

India operations performance was impacted by lower volumes as well as higher costs on account of coking coal and iron ore. The overseas operations reported healthy improvement on Q-o-Q basis, with EBITDA increasing incrementally by INR192 crores during quarter 3 FY '24 compared to Q-o-Q.

The Ohio operations benefited from better volumes as well as job grant credit of USD 3.85 million in the quarter, which reduced the EBITDA losses on a Q-o-Q basis. Both the U.S. operations of Ohio and Texas combined had a negative EBITDA of 3 million in quarter 2, which improved to positive EBITDA of more than 12 million in quarter 3 FY '24.

Our Italian operations also reported robust performance, aided by improved realizations and rail orders from both the Italian government as well as exports. We expect our overseas operations to continue to do well in quarter 4 of this financial year. Our net debt stands at INR79,221 crores, up by around INR10,000 crores as compared to 30th September, largely driven by increase in working capital and higher capex.

Our working capital increased by INR8,000 crores Q-o-Q by higher inventories of both finished goods and raw materials as well as higher receivables and a reduction in acceptances. Our revenue acceptances as of 31st December '23 was $1.8 billion, and capital acceptances were at $0.2 billion.

Importantly, our balance sheet remains healthy and the debt ratios stay range bound. Net debt-to-EBITDA at 2.64x versus 2.52x on 30th September, and net debt to equity stood at 1.02x versus 0.92x at the end of September. We expect some deleveraging by the end of FY'24, driven by release of working capital based on the inventory liquidation and better working capital flow during the quarter on stronger volumes.

We had guided for coking coal cost increase of $25 to $30 per tonne for the quarter 3, and we managed to keep it at a level of USD21 per tonne by a better blend mix into our coke ovens. The landed cost on a CFR basis came to USD252 per tonne. Given the elevated coking coal prices today, we expect coking coal costs to increase in quarter 4 by about $20 to $25 per tonne.

This increase will be a little lower than the actual benchmark coking coal prices witnessed in the past few quarters as we keep focusing on improving our blending mix. In case of iron ore, India has seen higher exports out of the country over the past few months on elevated global pricing, which is driving up the domestic iron ore cost. That said, recently, we have seen some moderation in the global iron ore prices during the course of January.

As a part of our core strategy to improve raw material security, we are working towards enhancing our captive mining limits. In Karnataka, we have a mining capacity of 7 million tonnes currently from 9 mines, and we expect to increase that to 11 million tonnes, an incremental of 4 million tonnes by increase in the EC limit of the existing mines.

We are also working towards approvals for the 3 new mines, which we have won recently and expect to commence production and mining in the year FY'25, which will add about roughly 4.5 million tonnes to our iron ore capacity in Karnataka. With that, Karnataka will be able to produce close to 15.5 million tonnes of iron ore.

We will continue to participate and bid for iron ore mines closer to our locations with a focus to improve our raw material security. Our Odisha mines continue to do well. We have received some enhanced approvals for environmental clearances for our mines. And that would stand us in good stead for our supplies to Jharsuguda, Raigarh and Dolvi.

On pricing environment in India, we have seen increase in global prices with prices going up in most regions of the world. Europe has seen an increase of more than $100 per tonne, while China has seen an increase, which is more modest, roughly at about $40 a tonne. In U.S., the prices have gone up much higher primarily because it continues to be a protected market.

Following the recent rise in global steel prices, domestic prices are now close to parity, which will limit the imports into India during quarter 4. Global prices have improved and a seasonally strong quarter will support the price recovery in India as well, which will also be aided by higher exports and a better mix during the quarter.

In summary, we would like to say that higher costs during the quarter 4, both coking coal and iron ore will impact our margins to some extent, while higher volumes, a better mix due to additional export volumes at higher NSRs and partly improved prices during the remaining months of quarter 4 in the domestic market would partly offset the cost.

We expect the coking coal as I said, to go up maybe between $20 to $25 per tonne during quarter 4 compared to quarter 3. On JSW One, we would just like to update you that JSW One platform was launched as a trusted one-step digital marketplace for manufacturing and construction ecosystem. The platform has scaled up significantly since the beginning and has more than 43,000 registered customers pan India. The annualized gross GMV is INR6,800 crores on the December exit run rate and continues to grow rapidly.

JSW Steel holds 69% in JSW One platform and JSW One had raised $25 million from Mitsui of Japan in March '23. Our capex and expansion programs remain on track, both in Vijayanagar and BPSL, Jharsuguda. We have spent about INR5,253 crores of capex during the December quarter and a consolidated INR13,249 crores during the 9 months of this financial year.

As we are nearing completion of the projects, we had a higher spend in quarter 3. We expect to spend capex close to INR18,000 crores on a consolidated level in FY '24, primarily because of the timing. We are also planning to set up a green steelmaking facility of 4 million tonnes, as we had indicated earlier in 2 phases on the Western Coast of India.

To conclude, we remain positive on the overall India growth story and expect a strong steel consumption growth to continue in the medium term in India. While India remains a bright spot among global economies in the world, any adverse external shocks or geopolitical events causing major supply chain disruption or spike in oil prices are key risks to growth in the near term. We continue to see strong interest by global investors to participate in the long-term India growth story. With that, we will invite questions from you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Congratulations for a good set of numbers. I have a couple of questions. The first one is on the capex. You indicated that it is a timing issue. So, I mean is it that we are pushing certain projects? Or is it that the payment timeline has fallen in next year? And therefore, this INR2,000 crores additional could be added to FY '25?

Jayant Acharya: We continue to focus, Amit, on completing our expansion projects at Vijayanagar, in Jharsuguda and our key projects, which are part of this capex. There are some postponements of projects, which is spilling into quarter 1, which is basically a timing issue. That is the reason why you see drop to INR18,000 crores from our earlier estimate of INR20,000 crores.

Amit Dixit: Sir, would you like to just mention what projects are we pushing to Q1 FY '25?

Jayant Acharya: No. Amit, it's basically some of the retention and payments, which are spilling over into the next quarter. And there are some normal and special projects which we had undertaken, which is now going into quarter 4 from final payment point of view, which is going into April, June quarter from a payment perspective.

Amit Dixit: Okay. Got it. The second question is, since we are going to commission both Vijayanagar and BPSL capacity enhancements at end of March, so is it possible to highlight what could be the incremental production from both these expansions in FY '25?

Jayant Acharya: In BPSL, we are commissioning the facilities progressively during the quarter. Most of the facilities are getting ready between February and March. So, the incremental volumes during this quarter will be just ramping up and going into the quarter 1 of next year.

So you will see the full play out in the FY '25 after having commissioned the facilities during the quarter in February and March.

Amit Dixit: And this applies for both Vijayanagar and BPSL?

Jayant Acharya: Vijayanagar will anyway be reflected majorly in FY '25 because that's a major project. So therefore, that play out will be happening in FY '25.

Amit Dixit: What is the incremental production that we can expect from, I mean, these expansion projects? In FY '25, not FY '24?

Jayant Acharya: Could you just repeat that question?

Amit Dixit: No, I was saying that this 5 million tonne expansion at Vijayanagar and 1.5 million tonne expansions in BPSL, what kind of production from these expansions specifically we can expect in FY '25?

Jayant Acharya: Yes. So, we will give the guidance of that during the course of our next meeting when we give the annual guidance for the upcoming year. What we can say now is that the project expansions are more or less on track. BPSL gets completed during the quarter.

Progressive commissioning in JVML also will start during this quarter, and we would be ramping up both the facilities during FY '25. We will be able to come to you with clearer numbers as to the production once we do our business plan and then come back to you with the guidance for the next year.

Moderator: The next question is from Abhiram Iyer from Deutsche Bank.

Abhiram Iyer: So I had a couple of questions. The first question was on the net debt movement. Basically, we've seen those new loans taken are about INR13,000 crores, and we spent about like INR5,200 crores on capex. Is the remaining increase in debt primarily down to working capital increase? And can you please quantify that how much it would be?

Rajeev Pai: Yes, the incremental debt is for a combination of both capex and increase in working capital. And as the increase in working capital is financed by working capital lines and also certain medium-term working capital debt. I think there's a mix of debt, and that's why you are seeing a combination of both these things.

Abhiram Iyer: Yes. Can you please give a breakup on how much would be the working capital increase?

Jayant Acharya: Our IR team will come back to you with the details on this.

Abhiram Iyer: Sure. And the second question is more on your fund-raising. You have a USD bond, which comes due this year and another one shortly, which comes due next year. So, given where the yields are, are you looking to tap the market? Or your cost of funding is easier for you to access onshore at the moment?

Rajeev Pai: Yes. Currently, we are planning to pay it from our cash balance and internal accruals. Also, the onshore funding opportunities are more cost competitive. So we will continue to tap that.

Abhiram Iyer: Got it. So, you would look at both offshore and onshore for the upcoming loan, upcoming bond rather?

Rajeev Pai: No. The bond, we will look for cash balances and the money which will be raised in India. So but as the yields, like further improve, that time, we will look for any bond issuances for future.

Moderator: The next question is from Vikash Singh from Phillip Capital.

Vikash Singh: I want to understand what percentage of the iron ore requirement we are meeting captively right now? And since we have an incremental plan, including the Odisha increase in EC limit, what it could be once all these mines are ramped up to your desired level?

Jayant Acharya: Our captive in the last quarter, our iron ore from our captive sources was almost 1/3rd of our total iron ore requirement. The balance was met from a combination of other mines close from the market.

Vikash Singh: So, it has declined on the Y-o-Y basis?

Jayant Acharya: Yes, it has declined Y-o-Y. There was some quantity, which were on the lower grades, particularly in one of our mines in Odisha, which we were waiting for our facilities in Jharsuguda to get commissioned with respect to beneficiation. And that has got commissioned now recently. With that, we will be picking up supplies of those grades also to the eastern sector.

Vikash Singh: Sure, sir. And the other part of the question, at 37 million tonnes of capacity, what percentage is desired from your side?

Jayant Acharya: Our efforts are to improve our raw material security as much as we can. In iron ore we had indicated that we would like to have security over a period of time to go up to 50% and then beyond as we increase our capacities in the country.

Our target remains similar. We will be focusing on new enhancements of our ECs, both in Orissa, Karnataka, as I mentioned, sourcing additional mining through auctions and add capacities in iron ore as we ramp up our steel capacity.

At the 37 million tonne level, as I said, 15 million to 16 million, roughly you are seeing, will come from Karnataka from our own mines. As far as Orissa is concerned, we would be looking at 20 million to 25 million tonnes from our Odisha mining. So roughly about, let's say, 40 million tonne of iron ore we would have from our own mining operations into the next year.

Vikash Singh: Understand sir. My second question pertains to our future potential capacity increment, which we have given beyond FY'25 at 13 million tonnes. So, if you could give us some more details on which facility, what kind of addition can happen? Or if this includes our grand plans for Odisha, the larger mill and 4 million tonnes of new greenfield steel plant which you are talking about?

Jayant Acharya: So your question is from 37 million to 50 million?

Vikash Singh: Yes. from 37 million to 50 million, which plants has the potential to add what basically?

Jayant Acharya: Yes. So from 37 to 50, we are looking at 3 brownfield locations for enhancing the capacity. One will be at Vijayanagar where we will be able to add another 5 million tonnes potentially. The second one will be Dolvi, and the third one will be Jharsuguda. Each of these units have a potential to add between 4.5 million to 5 million tonnes.

In addition to this, we are looking at this green facility, which we discussed, which we are looking at the West of India 4 million tonnes in 2 phases. So 2 million tonnes out of this is expected to be looked at before the end of this decade, we should be able to put that on ground. So with that, we have a window of about 17 million tonnes approximately, which we can add to take us beyond 50 million tonnes.

Vikash Singh: Understood, sir. Just a follow-up. Out of Vijayanagar, Dolvi and Jharsuguda, which one you would be more comfortable in terms of the readiness, which facility is more ready?

Jayant Acharya: So we are still evaluating. We have different facilities which have certain benefits. Like in Dolvi, we have certain facilities already built in into the current phase of 10 million tonnes, which can be used, especially from SMS point of view. Similarly, we have some advantages in Vijayanagar. So, we are looking between these 2 locations, which one we should do first.

We are still evaluating and we will come back once we are directionally clear.

Vikash Singh: But at least land is available with us.

Jayant Acharya: Yes, yes. That is why these are brownfield. That is why they are low specific investment cost. And therefore, we are focusing on these to come up with the capacity quickly.

Moderator: The next question is from Ritesh Shah from Investec.

Ritesh Shah: A few quick questions. One is the extent of working capital release into Q4. I think there was a prior question, which asked about the working capital bump in this quarter. Just trying to get some sense from cash flow standpoint. That was the first one.

Rajeev Pai: Yes. So, I think as a part of our Q4 strategy, what we have mentioned that we will be liquidating a large part of the inventory accretion, which has happened during the first 9 months and that's about 600,000 tonnes. So, by liquidating this, we will be having some release in working capital. So that is something which we are expecting. Also looking at the better price realization, which we are looking at. We also expect some internal accruals to get generated during this quarter. So, a combination of both these things will result into some reduction in our existing debt level.

Ritesh Shah: Sir, second question, we were looking at overseas coking coal assets. Is there any specific update over there? And the government has remodified certain atomic minerals. Is that a space where the company would be interested to something like lithium or something else? Is it something of interest that the company would look at?

Jayant Acharya: Your first question, we understood is for coking coal assets, which we are looking at. Second was atomic minerals you said or rare minerals, I couldn't.

Ritesh Shah: Yes. critical minerals, basically, atomic minerals, 6 of them have got de-notified which includes Lithium. So, given our expertise on the mining side, is that a segment which will be of interest to the company?

Jayant Acharya: So, on your first question, we continue to scout for coking coal assets, which make strategic sense for us, both in the international arena as well as in the domestic space. We would like to ramp up our capacities and start production of the 2 mines which we have got through auctions in coking coal and also start using some of the coking coals through better washing facilities in our blends on the domestic side.

Internationally, we are looking at assets in various parts of the world. And then once we have some better clarity, we'll certainly come back to you. On critical minerals, yes, government has notified certain items, which can be looked at. We haven't from JSW Steel's point of view, looked at any of them. Our group companies, which may be doing the business on the battery side, the automotive space may like to look at those on their own.

Ritesh Shah: Sure. And just last question. Sir, how should we look at the Red Sea disruption, so coking coal imports, I'm not sure whether it will impact the pricing, but when it comes to exports, if you are catering to U.S. or Europe, I think working capital as well as freight will possibly move up. If you could give a broad colour over here would be quite useful? Thank you.

Jayant Acharya: On the Red Sea side, we are not seeing much impact on the break bulk as yet. There is an impact on the container shipment, which basically is for exports from our operations, especially the downstream coated products. We are re-orienting that to break bulk and reducing our containers in the interim to be able to navigate that challenge today.

Ritesh Shah: This is very helpful. Thank you so much and all the very best.

Moderator: Next question is from Alok Deora from Motilal Oswal.

Alok Deora: Congratulations on good numbers. Just a couple of questions. First on the NSR for fourth quarter, how much change we are looking at in the fourth quarter? You mentioned about some improvement coming in?

Jayant Acharya: So first, let's just understand quarter 3. In quarter 3, we had some improvement in prices in the month of October coming out from a slightly better September. We were expecting that we will be able to have improved numbers probably during the end of the quarter as well, which did not play out as we thought. There was some price correction in the month of December.

Going into quarter 4, the positives we expect is that we came out from a weak global pricing scenario of quarter 3, which has improved from December onwards to our export bookings and our realizations, we see an improvement for the export volumes, which we are doing, both from a volume perspective as well as from a realization perspective.

So that is point one. Second is that the global prices after they have improved and some correction in the domestic price in December, we see our prices in India close to parity. So therefore, it will limit the import coming into India. So what you will see during quarter 4 will be a higher export and you will see a likely limit of imports or maybe lower imports vis-a-vis the last quarter. Seasonally, we expect quarter 4 to be stronger. So therefore, we will see better volumes. We expect our volumes to be stronger based on export volumes increasing vis-a-vis quarter 3. Also, inventory liquidation, which we would like to do at least part of the inventories, which we have added in this quarter.

Global prices having gone up in Europe by $100-120, in China by about $40 or in U.S. is much higher. We expect that some of this will reflect in the coming months of this quarter in the domestic as well. And that should give some offset to the cost increase, which we see during quarter 4.

Alok Deora: Sure. Thanks for that. So, I believe we had taken some price increase also in the start of this quarter. So, has that gone through or we have taken some discounts on that? Any color on that? And how much price increase we can take further in the next 2 months?

Jayant Acharya: So, it's difficult to put a number right now. Yes, we have done some small price increase in the month of January, selectively for some of the products. However, our attempts will be to look since the international prices are up. I think you need to look at it as both a supply demand and a price issue. The supply side into the country will be better balanced because volumes will be exported, additional volumes will get exported and imports will reduce. So therefore, the supply-demand balance will be better.

The demand is likely to be a better one because of the seasonal quarter. That will help improve the pricing sentiment in the market. Internationally, prices have gone up, and therefore, we see a potential to look at some increases during February and March. It's difficult to put a number to it. As we go into the month of February, we will take a closer look.

Alok Deora: Sure, sir. That's all from my side.

Moderator: The next question is from Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: Just one question on the global market outlook. Initially you summarized your view on the China outlook, just wanted to understand the range of scenarios that you expect to play out over the 2024 considering if the stimulus does not materialize in China as expected or the Western world probably sort of does not recover through the second half. So, what are the scenarios on the upside or the downside that you are considering for your business?

Jayant Acharya: So just to start with the global economy. I think we all appreciate that the global economy has been more resilient than what we earlier expected. If you remember, early '23, there was an expectation of 2.7% growth, which finally has come in at 3%, which is a positive. We see that a hard landing has been averted. The inflation in most of the developed world, the inflation overall, we see has started dropping across regions.

And therefore, the chances of interest rate corrections are becoming a reality in 2024, probably from mid-2024 onwards. That would stimulate consumption across construction, infrastructure, manufacturing and the general consumer consumption as such. So that's one positive which we see. Second is, if you come to the China economy, China economy has been weak. They have had a difficult year with property sector dragging their growth.

However, they have done well, I would say, with respect to balancing the other sectors, the infrastructure, the manufacturing, the renewable energy, their automotive production at about 30 million odd numbers are very positive from that perspective. Also, the targeted stimulus, which has been released by China, the $1 trillion yuan in October, indications of additional stimulus in the near-term coming in. Also, they have given a view that they would like to stabilize certain areas of the economy in a better way, focusing more on the non-property sector.

So, we feel the stimulus during H1 of the current calendar year should be positive from China. And it's likely to come given the current economic canvas, which we see. If that stimulus materializes, you will see a better demand in China and the exports out of China will moderate. That should be good for the world steel at large. India continues to be in a good space. And I think our growth trajectory is quite strong.

We see incremental demand of maybe 14 million to 15 million tonnes in this year over the last year, close to around 134 -135 million tonnes as we exit this year. We see a possible growth between 8% to 10%, as we have stated in the medium-term. The focus of the government on infra, manufacturing, the energy transition, we feel strongly will continue. And therefore, the steel consumption across all these sectors will remain robust.

Moderator: The next question is from Indrajit from CLSA.

Indrajit Agarwal: Most of my questions are answered. I have just one question. What is the kind of differential we have in realizations today between domestic and export?

Jayant Acharya: So, let me put it this way that the international prices, last quarter, our exports as a part of our overall sales mix was only 9%. However, from October to November to December, we have seen improved bookings of exports and also a higher price. As I said, Europe has gone up by $100 to $120. China has also gone up.

And parts of the other regions have also gone up in terms of pricing. So, there is an additional price realization we are getting in the exports depending on product, depending on the mix, it will differ. But it is giving us a positive traction today. And in some of the regions, some part of the NSR is either equal to or better than the domestic prices.

So therefore, from that perspective, we are very positively placed to take advantage of the international numbers. And that is why I feel that the price sentiment in India as well on the back of a strong raw material increase, which has happened over the last month or 2. I think Indian steel prices also will reflect an improved sentiment and price during the next 2 months of this quarter.

Moderator: The next question is from Amit Murarka from Axis Capital.

Amit Murarka: So, we are seeing a spate of flat steel capacity additions in the country about 15 million tonnes plus in the next 6 months alone. My understanding is about 25% of the consumption market in India at this point in time. So, do we see more exports now out of these new capacities? Or could there be like a increased competition, which could probably get the pricing into a discount situation as well? Just some thoughts on that...

Jayant Acharya: Yes. Amit, could you please repeat your question?

Amit Murarka: Yes. So, my question was like we are seeing multiple players adding flat steel capacities, which total up to almost 15 million tonnes plus in the next 6 months alone. So how do we scale up these volumes? Will there be more exports? Or there could be a competition coming into the local market itself, which probably could keep local prices at a discount in import parity?

Jayant Acharya: So if you're looking at the capacities which are coming up in the near term, I would say that most of the capacities will be ramping up during the course of the next financial year. If you were to look at the 15 million, which you're saying, I'm assuming you're mostly focusing on the flat space, Currently, if you look at the overall India number this year, the hot rolled coil based demand will be almost close to 55 million plus. The balance is between stainless and plate, taking it over 60 million tonnes for flats.

A growth of not 12% or 14%, which we have seen in this year, but even a growth of 10% means incrementally, every year, you will be needing 5 to 6 million tonnes of flat capacity in the country. So therefore, if you were to look at capacity and you look at the ramp-up, then you look at the capacity utilization and look at it over these 2 years, I don't think there is any problem in absorbing this quantity in India. And maybe some part of it in this year will get exported. And as the demand ramps up in the next year, we'll be absolutely in line with the demand.

Amit Murarka: But like given that there's still too much of bunching happening, like just wondering if there could be a phase of, let's say, a couple of quarters wherein local pricing actually comes under pressure and maybe goes into a discount to import parity.

Jayant Acharya: Actually, bunching to our understanding is not happening in that manner because some of the capacities are ramping up at different stages progressively. So, in some places, the steelmaking is coming earlier in some places, the finishing is coming earlier. So, a consolidated integrated ramp-up of the capacities will start, I think, playing out from H2 of FY'25. So therefore, you will see part of the year, the capacity coming up.

We don't see that as a challenge. We have examined that from a calculation perspective, balance the supply and demand. 15 million tonnes means roughly, even if you've taken a 90% capacity utilization, about 13 million tonnes of production, which would come over 2 years, which is about 6 - 6.5 million tonnes per year, which I mentioned about 5.5 million will go into the domestic. Incrementally, over 1 million tonnes extra will have to be exported. We don't see that as a challenge.

Amit Murarka: Got it. Got it. And just a question on the CO2 reduction pathway. So currently, I believe we are at 2.4-2.45 tonnes per tcs and the interim target is 1.95 tonnes per tcs, so does the interim target include anything on CCUS and the green hydrogen plans or anything or how will this reduction of 25% and 20% happen?

Jayant Acharya: Our near-term reduction plan does not include the CCUS or the hydrogen. On the near term, our plans are to increase our renewables. So we switch fuel from fossil to renewables by the end of this decade, which is our commitment of 1.95 or better. Solid fuel charge into the blast furnaces will get reduced. The gas injections will improve. The pellet burden into the blast furnaces will improve. Scrap addition into the SMS, there will be an addition.

And the waste heat recovery across the plants will improve. So basically, the levers are primarily four, one is transition to renewables, second is energy efficiency and energy recovery, process efficiencies across various which includes using better quality of raw materials, so therefore, your solid fuel goes down. And then circularity by using scrap in the system which you have and sourcing scrap if it makes sense from the market.

Moderator: The next question is from Shweta Dixit from Systematix Group.

Shweta Dixit: Could you repeat the number that you had cited early in terms of inventory liquidation that could flow into fourth quarter in volume terms? I missed the number.

Jayant Acharya: So, we did not give an inventory liquidation number. There is an inventory build-up in the last quarter. So what Mr. Rajeev Pai was explaining that part of that inventory, we will be able to liquidate during this quarter, which would release some working capital. And also, quarter 4 will be stronger on absolute volume terms, aided by a seasonally strong quarter, a better international market and lower imports likely to come because domestic prices are at parity.

Therefore, a stronger volume will give more working capital to us. Both these combined we'll be able to reduce our debt level by the end of this year. So, some working capital relief will come during this quarter. That is what he was trying to explain. We didn't give any specific number, no.

Shweta Dixit: Okay. And with the commissioning of the beneficiation plant in Jharsuguda, what could be the captive iron ore consumption in Q4? Like it was 1/3 this quarter, so where could it move in the next quarter?

Jayant Acharya: I think we can come back to you on that, but it doesn't improve exactly in 1 or 2 months. It takes a ramp-up schedule. And so you will see the full impact of that play out actually in the next year.

But as I said, our focus is to improve our raw material security in iron ore to 50% or better. We are focusing on that. Specifically, in Karnataka, I would first like to point that out because Vijayanagar is our largest facility. 7 million current operations is going up by 4 million tonnes through enhanced EC.

Additional 3 new mines are going to generate 4.5 million tonnes. So this 8 million plus volumes will be operationalized during this FY '25. And that would give you specific advantage to the Vijayanagar location. On the Eastern side, which we mentioned that we have got some environmental clearances for enhanced capacity in Nuagaon and Narayanposhi. And we will be able to give additional volumes from there to our own operations as we get some more clearances which are expected.

That also will improve the supplies to those facilities there. The lower-grade iron ore mines, which we have, which is likely to now improve supplies to Jharsuguda because of their commissioning of the beneficiation facilities. That will pick up in the next year as we stabilize these facilities and ramp up our supplies to them. We won't be able to give you an exact number today, but we will be able to give you some more colour maybe during the next meeting.

Shweta Dixit: Okay. So once all these projects are implemented, especially on the captive iron ore side, enhancing the EC limit and bidding for new mine is done, so all the capacity of 40 million tonnes comes in, where would we be in terms of captive iron ore consumption then?

Jayant Acharya: Yes. So it would increase certainly. If you look at 37 million tonnes, then you will take a capacity utilization and do the math, basically, the iron ore requirement, depending on the grade will come out. Out of that, if we are able to do 40 million tonnes of production between all our mines put together, that would be meeting more than 50% or thereabouts of our demand. This will take a year or two to fully materialize and go into stream. So this is a broad explanation, which is the 37 million tonnes of capacity, we'll call for, let's say, 70 million plus of iron ore. And therefore, if we are able to reach 40 million of production, which we are indicating, we should be in the direction of our target.

Moderator: We take the next question from the line of Ritwik Shah from One Up Financial.

Ritwik Sheth: I have 2 questions. Firstly, sir, what is the update on slurry pipeline? And when do we expect to commission the same.

Jayant Acharya: So, the slurry pipeline work is progressing. We have laid about how much quantity just one second, give me a second. I'm just taking the number we have done about 90 kilometres plus of laying already that is a lowering 90 kilometres out of the 300 kilometres odd. We have completed welding of close to 125 kilometres. So we are progressing well. Now we have got the clearances of the land in Odisha, Jagatsinghpur to do some work on that side of the slurry pipeline as well. So we will be taking that up. And we expect to commission this in 2026.

Ritwik Sheth: Okay, okay. And what can be the payback period for this project?

Jayant Acharya: We will come back, but it's usually it will be in the range of 4 to 5 years.

Ritwik Sheth: Okay, sure. And my second question is, what is the CWIP at the end of December 2023.

Jayant Acharya: Our Investor Relations group will be able to give you those numbers.

Ritwik Sheth: Thank you very much.

Moderator: Thank you very much. Due to time constraints, we'll have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Jayant Acharya: Yes. So, thank you very much for the questions. I would just like to sum up the quarter for everyone. We had a very strong performance on the operations. Our production numbers were the highest at 6.87 million tonnes with a capacity utilization at 94%.

During the 9 months, we have done a capacity utilization of 91%, which is quite encouraging. Our sales have been 6 million tonnes. And while they were lower Q-o-Q by 5%, it was primarily driven by volatility in the global markets, which were weak. So due to which the exports went down and the retail sentiment got impacted because of imports coming into India.

However, our institutional sales, our OEM, our industrial sales, automotive sales, renewable, etc, have done very well and were the highest during this quarter. So, we continue to focus on these core sales to the institutional customers, which will hold us in good stead. Our value-added sales remained over 60%, even though we lost some value-added products in the retail side, but we grew very strongly on the industrial, OEMs and institutional side. The global steel prices have improved, and the domestic steel prices now are at near parity.

This will result in better exports from India and will limit the imports coming into India. We expect, therefore, highest sales volume in the quarter, driven by export volumes, a better seasonal quarter in January - March and liquidation of our part of our inventories, which we increased during this quarter.

During quarter 4, the cost of the raw materials is still elevated, they are going up. Coking coal, we expect will go up by $20 to $25. Iron ore also has gone up. This will reflect and put pressure on the margins. However, we are expecting that improvement in the mix and improvement in price realization of exports and some improvement in the domestic price in February and March would help partly offset the cost.

The debt has peaked in terms of working capital and higher capex spend, which we have seen during the quarter 3, which was done to basically fast track our expansion projects. We would see some release of working capital with inventory liquidation and overall better working capital from stronger volumes.

Our ratios, our debt ratios remain quite healthy, both for net debt to EBITDA and net debt to equity. We continue to have strong liquidity with cash balances of more than INR12,000 crores. Thank you very much, and all the best.

Ashwin Bajaj: Thank you, ladies and gentlemen, for joining us. Feel free to reach out if you have further questions.

Moderator: Thank you very much. On behalf of JSW Steel Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.