“JSW Steel Limited

Q2 FY '25 Results Conference Call”

October 25, 2024

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Moderator: Ladies and gentlemen, good day, and welcome to JSW Steel Q2 FY25 Results 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 conference call, please signal an operator by pressing star and 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, Rutuja. Good evening, ladies and gentlemen. This is Ashwin Bajaj, and it's a pleasure to welcome you to JSW Steel's Earnings Call for Q2 for the financial year 2025.

We have with us today the management team represented by Mr. Jayant Acharya, Joint MD and CEO, Mr. G. S. Rathore, Chief Operating Officer, and Mr. Swayam Saurabh, the Chief Financial Officer. We will start with opening remarks by Mr. Acharya, and then open the floor to questions. So, with that, over to you, Mr. Acharya.

Jayant Acharya: So good evening, everyone. Thank you for being here. The global economy continues to perform well. The IMF has maintained its forecast of a stable growth both in 2024 and 2025. Inflation is cooling off and IMF has also upgraded the US growth forecast. However, Europe, China and Japan continue to be a bit weaker. The interest rate cutting cycle has begun and that is likely to be a positive for the economy at large. China's announcement of stimulus has been a positive development and we see that reflecting in commodities and metals. Geopolitical risks, especially from the potential escalations which we have seen in the recent past, remain a key concern.

In India, a good monsoon is expected to benefit the rural economy. As we go into H2, we see the government capex, which was low in the first half due to the elections and weather disruptions, will improve. A healthy fiscal balance and stronger tax collection should be supportive of continued capex spending. The RBI has maintained its GDP growth projection of 7.2% and has shifted its stance to neutral, which opens up space for policy easing going forward once the inflation expectations are under control.

Global steel production declined by 1.9% YoY to 1,394 million tonnes during January to September. This includes about 3.6% drop in China, while the rest of the world saw a modest growth of 0.3%. In Q2 FY25, India's crude steel production grew by 2.7% YoY to 36.23 million tonnes with a consumption growth of 11.6% YoY to 37.09 million tonnes. We expect this strong demand momentum to persist with steel demand likely growing by around 10% to 11% in FY25.

India steel imports in Q2 jumped by about 43% YoY to 3.18 million tonnes, while exports fell by close to 30% to 1.27 million tonnes, making India a net importer of about 1.9 million tonnes for the quarter. Meanwhile, China's aggressive steel exports growth resulted into 84 million tonnes getting exported in January to September, which was a growth of 21%, pressuring the global steel prices at large.

In response, several countries have imposed restrictions on Chinese imports. The Indian Steel Association is actively engaging with the government to ensure a level playing field for the domestic industry. Notably, the DGTR has initiated anti-dumping investigations against Vietnam and China for certain products during the quarter.

At JSW Steel, mainstreaming sustainability across our business and generating sustainable value has been a priority. Energy transition is one of the focus areas for us to achieve carbon neutrality by 2050. So far, the Board had approved procurement of renewable power, totaling 1,637 megawatts across our locations. Of this, 375 megawatts has been commissioned and balance are in various stages of being commissioned. The Board has approved further renewable capacity of 870 megawatts taking our total renewable capacity under procurement to 2,507 megawatts. With this, we will be able to achieve close to 25% of our power requirement including JVML, through renewables.

JSW Steel has consistently delivered industry-leading value accretive growth over the past two decades. We have already outlined our road map to reach 50 million tonnes capacity in India through brownfield expansions by FY31. Expansions are underway to achieve 42 million tonnes capacity in India by September 2027. The 1 million tonne expansion in BPSL has been commissioned, taking the capacity to 4.5 million tonnes, incremental volumes are expected to flow in from Q3 FY25. At JVML-Vijayanagar, we have commissioned the HSM in March 2024 and followed it up with the blast furnace and some associated facilities in end September. The steel melting shop is under commissioning and ramp-up is expected by Q4 FY25.

Alongside expanding our steelmaking capacity, we are also strengthening our downstream capabilities with a strategic goal of driving over 50% of our sales from value-added and special products. As a part of this vision, we recently acquired 100% equity in thyssenkrupp Electrical Steel India Limited through a joint venture with our partner, JFE Steel. This acquisition grants the joint venture immediate access to the market as the production at our joint venture CRGO facility in Vijayanagar is expected to begin in 2027. Additionally, JSW Steel will also get access to technology for making electrical steel from thyssenkrupp Steel, further strengthening our technical edge and market position.

Coming to our strategy of enhancing our raw material security, in Karnataka we have increased our iron ore mining from 7 to 11 million tonnes capacity for our existing captive mines, and we expect to mine about 10 million tonnes from these in FY25. Of the three new mines in Karnataka, two are likely to be commissioned in Q4 of FY25. The third mine is expected to be commissioned latest by first quarter of FY26.

These announcements will take our Karnataka captive mining capacity to 15.5 million tonnes. In Goa, the public hearing for one of our mines has been completed and we are working towards commencing mining operations in the next 3 to 6 months, which has a capacity of 0.5 million tonnes. Meanwhile, BPSL's Netrabandha mine in Odisha is also expected to begin production in the next 3 to 6 months with an estimated capacity of 2 million tonnes per annum.

On the coking coal front, we have completed the acquisition of 20% effective interest in Illawara coking coal mines in Australia with offtake to start early FY26. Additionally, we secured long-term coking coal linkages from Coal India during the recent auctions. These linkages, available for 15 years, will provide around 2 million tonnes of raw coking coal, further strengthening our overall raw material base on this critical resource.

During Q2 of FY25, we reported consolidated crude steel production of 6.77 million tonnes which was up by 7% YoY as well as QoQ. Steel sales at 6.13 million tonnes, were down 3% YoY and flat QoQ. Our capacity utilization was higher at 91% versus 87% in Q1 FY25, while a sharp decline in exports due to weak global markets impacted sales volume.

Crude steel production at our Indian operations for the quarter at 6.63 million tonnes was the highest ever growing by 7% YoY and 8% QoQ. Steel sales for the quarter at 5.96 million tonnes were lower by 4% YoY and higher 1% QoQ, while exports were significantly lower, and that was the main reason for a lower sales volume The domestic sales were the highest ever, growing 5% QoQ and 1% YoY on a good domestic steel growth in the first half of this year.

We had the highest ever quarterly sales to the institutional segment, up by 12% YoY. Our sales to the solar segment grew by 54% YoY. We reported highest ever sales in LRPC and Wire Rod. Our sales to the appliance segment grew 43% YoY, while our Tinplate sales to the packaging sectors were also up by 38% YoY. Our share of VASP sales was at 60% during the quarter which was primarily lower due to lower exports. On a half-yearly basis, while exports fell 35% YoY, our domestic sales grew 7% YoY to 10.88 million tonnes which was our highest ever half-yearly domestic sales.

Q2 FY25 financial performance has been in a challenging external environment. Our consolidated revenues from operations were at INR39,684 crores, down 8% QoQ, while EBITDA stood at INR5,437 crores lower marginally by 1% QoQ, with an EBITDA margin of 13.7% which is an improvement over the last quarter.

Our EBITDA on per tonne basis was at INR8,916 per tonne and the profit after tax was INR404 crores. At our India operations, EBITDA per ton at INR9,266 was marginally higher QoQ, and our investor presentation has a slide giving metrics on the India operations. During the quarter, we have seen strong price headwinds, especially in September, largely driven by elevated imports into India. Our export sales and realizations were also impacted due to weaker global sentiments and elevated steel exports from China. Our India NSR fell by a little over INR3,000 on a QoQ basis during Q2 FY25, while the international prices fell by about $50, if I were to take China reference prices. In spite of these headwinds, we were able to deliver a resilient performance during the quarter aided by a sharp reduction in costs.

Our coking coal costs, as we had guided were lower by $27 per tonne. We also benefited from lower iron ore costs and lower inventory losses versus last quarter. The US operations with Ohio and Texas combined had an EBITDA loss of about $11 million, primarily because of drop in prices, both in hot-rolled coils & plates and a maintenance shutdown at Ohio. The Italy operations generated an EBITDA of €6.2 million as volumes improved but the pricing environment remained weak.

As you are aware, we have applied for surrender of the Jajang mine in Odisha in August 2024. IBM has approved the mine closure plan, and we have then submitted a further application for surrender of the mine to the state government. Pursuant to the closure plan approval, we have recognized a provision of INR342 crores which is an exceptional item during the quarter. Our net debt increased by approximately INR4,900 crores to about INR85,000 crores, mainly due to capex, acquisition of our Illawara coking coal asset and some increase in working capital, including the recently commissioned capacities of JVML and BPSL.

We expect working capital release during H2, driven by inventory liquidation during peak consumption season. We spent about INR3,384 crores of capex during the quarter and INR7,850 during H1 FY25. We are revising our annual capex down from INR20,000 crores to INR16,000 crores to INR17,000 crores, primarily on account of transfer of slurry pipeline to JSW Infrastructure and the BF-3 shutdown at Vijayanagar being shifted to H1 FY26, post stabilization of the BF-5 at JVML. Our revenue acceptances as on 30th September were $1.81 billion, while capital acceptances were at $71 million.

JSW One platform, our one-stop digital marketplace for Indian MSMEs in the manufacturing and construction ecosystem continues to scale up and has more than 67,500 registered MSME customers. The GMV during Q2 scaled to almost 2.4x YoY to INR2,755 crores and continues to grow rapidly. JSW Steel holds 62% in JSW One platform on a fully diluted basis.

On the outlook side as we highlighted earlier, we will get enhanced production from the new capacities at BPSL and Vijayanagar from H2 onwards. We are retaining our volume guidance of 28.4 million tonnes for production and 27 million tonnes of sales for FY25. We will take the 5-month shutdown of BF-3 at Vijayanagar for capacity enhancement post the stabilization of the new blast furnace at JVML. We expect the shutdown of BF-3 to happen in H1 FY26.

For Q3 FY25, we are seeing improved sentiments in domestic and global markets following the China stimulus announcement, leading to an uptick in global steel prices. Similarly, the domestic steel prices, after bottoming out in September have increased in October, both in longs and flats. We expect costs to go down driven primarily by coking coal in the range of $20 to $25 for Q3 as we go ahead. We expect a healthy domestic demand in H2. And this, along with the positive pricing momentum should actually help our margin expansion in the second half.

To conclude, India has become a major contributor of growth in the global economy, offering a multi-decadal opportunity. This is true of the Indian steel industry as well. Out of the total demand of 29 million tonnes for CY24 from rest of the world, as given by World Steel Association, 40% plus is coming from India.

We expect strong domestic steel demand in H2, driven by the pickup in capex by the government and private capex as well. It will be aided by a better monsoon and rural recovery. Change of RBI stance to neutral, should be positive and should stimulate interest rate cuts in the coming months, and that would be stimulating investment and consumption in the country at large.

China stimulus remains a positive development. We have to monitor their exports, which remain a key concern for the global steel industry. Looking ahead, JSW Steel's performance should be better in H2 with new volumes coming in from our new capacities. The price momentum looks better, lower coking coal costs and higher volumes should aid overall EBITDA for the second half.

Thank you and we look forward to your questions.

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

Amit Dixit: Good evening everyone, and thanks for the opportunity. Congratulations for a good set of numbers in a very challenging quarter. I have two questions. The first one is essentially on H2 outlook. While you have outlined that things look better, but off late, we have seen NMDC taking iron ore price hikes, which is not fully reflected in the steel price hike, at least in flat. So just wanted to understand how the spreads could improve in H2, regardless of coking coal advantage that you mentioned. And similarly, we have retained our volume guidance, but for achieving that, the rate has to be very steep. So just wanted to understand the overall confidence on that? That is the first question I have.

Jayant Acharya: So, a question on basically the H2 outlook and margin improvement. So, from the NMDC iron ore price side, you're right, the prices have been increased twice very quickly, which we feel was not warranted in this pricing scenario, typically now since NMDC is a steel producer as well. However, internationally, the way we look at it is that the prices inched up after the China stimulus on the iron ore side, but has now again moderated a bit. We feel the domestic iron ore prices will also moderate from the increase announced by NMDC in this month. Having said that, we have certain inventories with us. Certain one-offs of the last quarter which impacted costs will not be there which would be positive.

Coking coal cost reduction of $20 to $25 will be a positive. So, these will reduce our costs going into Q3. On the price side, yes, I think we have taken a price increase, both in flat and long. We feel that the pricing in September had gone down steeply on the back of international drops. This has improved in terms of sentiments. I think the channel stocks had reduced, so restocking demand and demand from the institutional customers have improved. And if you see our commentary, I think while retail was impacted by import sentiment, exports were lower, but our institutional sales even for the quarter as well as for the first half were actually very strong. Our institutional sales numbers for first half were the highest ever and grew by 15% YoY. So, our focus on this remains extremely strong. We now expect retail restocking to start. Pricing we feel will remain positive because of a seasonally stronger Q3 and Q4. So that will aid margin expansion as we go into H2.

Amit Dixit: And volumes, sir?

Jayant Acharya: From a volume perspective, we are retaining our guidance for the overall volume, 27 million tonnes of sales and 28.4 million tonnes of production. I think we will be by and large now on-track to achieve that with the new capacities coming on-stream.

Amit Dixit: The second one is on the recent acquisition that we announced of thyssenkrupp steel in India and that CRGO capacity. So, is it possible to share some more contours around that? What is the current capacity there? How much capacity, whether there is a scope to increase the capacity in the future, what is the current EBITDA margin? And what is the likely margins you can look at in the future? If you can just give some broad contours, that would be great.

Jayant Acharya: I'll be able to give you broad because there are still certain subject to approvals in the process. But a CRGO facility as an asset is a very critical asset for the country at large because CRGO is a very critical material for transformers and generators. We already are facing a shortage and the government of India is also very keen that this product is made in India because it is primarily reliant on imports.

I think out of a demand of about 300,000 tonnes plus, about 100,000 - 120,000 tonnes is supplied from India while the balance is imported. This demand is growing quite fast overall globally and in India as well. This CRGO facility has a technology which JSW Steel has acquired and that will be housed in JSW Steel, while the joint venture has acquired the facility at Nashik. So, this gives us a technical edge from a technology point of view as this technology is available with few in the world. From a margin perspective, I would just say that this particular product is an advanced technology product, so the prices are naturally higher since the investment is much higher, and the margins, therefore, will be better. The capacity currently is at about 50,000 tonnes.

We have enough land and there is possibility to expand. Our aim is that we would take this capacity up in the next one or two phases and increase this capacity. We will be able to give you some more color once we go in fully and the full approvals are in place.

Moderator: The next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Just a couple of questions. So first is that the debt has increased in this quarter. So just wanted to understand how do we see the debt moving ahead by the end of this year and next year?

Swayam Saurabh: So, debt has gone up by almost INR5,000 crores to INR85,000 crores odd. That is primarily because of some cash, which is locked in working capital, which Jayant explained initially. There are also 2 one-off cash outflows. We paid dividend and we did an acquisition. So, these are basically the main reasons why debt has gone up.

Going into Q3 and Q4 with additional volumes coming in, the debt in absolute terms should start to taper down. We are committed to the Net Debt-to-EBITDA ratio, which we have been communicating for last few quarters. Goal in mid-term will be to bring it down to below 3.0x, ideally between 2.5x-3.0x. But debt in absolute terms should start to taper down.

Alok Deora: Sure. And just on the NSR. So, what we understand is that the prices have firmed up in October and even next month, some companies are looking to increase prices but imports continue to remain elevated, which would kind of continue till November. So how do we see the NSR moving? Could it be more like just a INR500-1,000 kind of increase? Or could we see a sustained increase ahead in NSR as the demand picks up? Just some color on that.

Jayant Acharya: So, I think Alok the point to understand is that the prices from the beginning of April to September closing have fallen quite sharply. So today, the price levels at which most of the steel companies have been operating is not really sustainable. Therefore, we feel the prices have bottomed out and are now going for an increase, which is mostly natural, that was due.

The demand in the second half because of a strong second half, as I explained, will be a tailwind, naturally. And that, I think, usually in December-January-March, we do see price pickups normally happening. We have taken an increase in October for flat steel and long steel both. It varies in the range of INR1,000 to 2,000 per tonne depending on product-to-product. We are quite confident that this price increase will be sustainable. Costs will go down so therefore, to that extent, in Q3, we will see some better spreads.

Iron ore price increase which has happened recently, is one area which we need to watch. We will see a coking coal decrease which will help us in the cost. Other drivers of efficiencies will also help us. So, we'll keep an eye on the iron ore side as we go along into H2.

Alok Deora: That's it from my side.

Jayant Acharya: One thing I would just like to add is that our mining operations in Karnataka where two mines & one mine in Goa and the BPSL mine at Netrabandha, which will start, will automatically be much closer geographically and will give us a better product at a lower price. That automatically will aid our overall iron ore average price.

Alok Deora: Sure. So that will come by from Q4 onwards, is it?

Jayant Acharya: Yes. As we said, the BPSL Netrabandha mine, the Goa mine and two mines in Karnataka. These mines we are expecting in Q4.

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

Sumangal Nevatia: My first question is on 2Q earnings. I just wanted to understand the movement QoQ on realization and cost a little bit better because both realization and cost reduction is much sharper than what we were anticipating. So just if you could explain the movement?

Jayant Acharya: So basically, it was a mix of iron ore and coking coal. As we said, coking coal costs have gone down by about $27 per tonne. We have been able to lower the iron ore cost as well through a better mix of captive and reducing the logistics movement cost in our overall ecosystem for iron ore. Our overall cost of power and stores & spares, both have come down, and our inventory impact has also been lowered. So therefore, I think all this combined has resulted into this number, which has offset the overall drop in NSR.

Sumangal Nevatia: Okay. Understood. With respect to iron ore, is it possible to share what is our this year's mix of captive versus outside purchase, maybe for the first half? And over the next 1 or 2 years, how are we seeing this change? And is it possible to quantify versus market purchase, how is it impacting our financials? Is it at the margin slightly negative and eventually with slurry pipeline, etc. turned positive or today itself, it is positive?

Jayant Acharya: Our captive use in this quarter has gone up slightly even on an increased volume of production. Our captive use was 41% versus 38% last quarter. So, as we scale up our own mining assets, as we explained various assets, we will increase our captive use. But also keep in mind that our expansion plan. So, our absolute number of iron ore from our captive will increase, but as a percentage it may vary as JVML and BPSL capacities fully ramp up. The percentage may differ a little bit from QoQ. But on an absolute number basis, yes our captive will keep increasing. Karnataka, as we said, we are hopeful to do 15.5 million tonnes from our own mining operations. Odisha, even after surrendering Jajang, we have enough in the remaining 3 mines to be able to service our Eastern assets as well as move something to our Dolvi asset.

This slurry pipeline, which is already doing good progress, out of 300 kilometers, I think we have laid almost close to 170 kilometres and have welded closer to 190 kilometres already. So that's a positive. This slurry pipeline would reduce our cost by about INR900-1,000 a tonne, as we had guided last time.

Our mines in Goa, as we said, the first one will start-off soon. That will again go to Dolvi. That would again help the Dolvi cost. And the new mines in Karnataka, those 2 mines, which will at least start in Q4 will again be positive for our own captive in Karnataka. So, it will reduce logistics costs for us in Vijayanagar. It will reduce logistics cost in Dolvi because of the slurry pipeline. And please take into account that this cost of slurry pipeline reduction of INR900 to INR1,000 is on iron ore. So, you have to put a multiplier impact for steel. And similarly, because the new mines which are coming are of slightly better qualities, the quality of iron ore input will be better, that should be a positive for fuel efficiencies.

Sumangal Nevatia: Okay. So I mean in FY26 and FY27, what is the quantum of captive volumes we are looking at? Is it north of 30 million tonnes or something?

Jayant Acharya: It should be more. We will give you that color a little bit separately through Investor Relations, but it will be more than 30 million tonnes for sure.

Sumangal Nevatia: Understood. My next question is on coking coal.

Moderator: Mr. Nevatia, request you to please rejoin the queue. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: A couple of quick questions. The first is, you indicated on the working capital release in the second half, would it be possible for you to quantify the number, please?

Swayam Saurabh: Yes, we'll not be able to do exact quantification, but it could be in the range of INR1,500 crores to INR2,000 crores.

Ritesh Shah: Okay. So, if we assume it to be even on the higher side, we are indicating that we will go ahead with the residual capex after taking it down to INR16,000 crores, and our net debt will reduce into the second half. Is the reading correct?

Swayam Saurabh: Correct. Because in the second half, the volumes will go up. We have just guided that we'll hold full year guidance that automatically means H2 volume will be higher, and that would mean incremental absolute EBITDA, which is going to be higher.

Ritesh Shah: Sure. My second question has two parts. One on iron ore and second is on coking coal. Iron ore, Jajang, sir, can you please take us through the underlying reason why we are surrendering? I understand we have indicated non-viability. Was it just because of the sizing or was it the distance of the mine from the plant because the premium what we have paid over here, I think it's lower than few, a lot of other mines that we have paid for?

So that was one. And secondly, on coal, possible to quantify some numbers on Illawarra tonnage, and the total investment that we have made right now, and incrementally, what is expected. And you indicated on sales around 2 million tonnes. What is the sort of pricing and by when do we see the benefits of this?

Jayant Acharya: Yes. Okay. On the first one on Jajang iron ore mines. Jajang iron ore mine, I think we bid at a slightly higher premium. I think it was 110% odd plus the royalty, bid premium, etc. So total 127%. And there was also a rail siding in that asset, and that was one of the reasons also it was helpful to move material. But over a period of time, what happened is that this particular asset was already used by the earlier lessee for the higher grades and what gradually got left behind were the lower grades. So, as we started mining in the first 1-2 years, the rates of the higher level got finished and the lower grades came into surface. They have both high alumina and high silica.

So, from a usability perspective, it was more difficult. So, it was becoming uneconomical to really run it. We had to export a quantity from here as well to be able to make up our MDPA. So, we did not see economic sense in continuing it, and that is why we decided to surrender. We have enough assets in Odisha right now to be able to meet our requirement there. Also, the life of this mine, only 2 years were left. So therefore, from a life perspective also we did not have a long time.

Ritesh Shah: Sure, sir. And then on coal?

Moderator: Sorry to interrupt, Mr. Shah, may we request you to please rejoin the queue.

Jayant Acharya: I will just answer the question on coal, which he had already asked. On the coking coal side, in Illawarra, we have taken a 20% look through interest with an investment of $120 million. The offtake arrangement of about 1.2 million tonnes plus will start in FY26. This is a prime low-volatile coal which will come to us, which has been one of the volatile product from a price perspective.

So better control of this asset will provide better stability to us. The coking coal auctions in which we have recently acquired 2 million tonnes is the other question, I think, which you asked, is basically through an auction process, which is for 15 years, and this is on raw coking coal. This net of yield will give us clean coking coal of approximately $1.1 million tonnes.

Our current assets in the 3 mines, which we have should give us about 1.6 million tonnes. So, both put together, we should be getting from domestic coking coal assets about 2.7 million tonnes and 1.2 to 1.3 million tonnes from Illawarra. So typically, about 4 million tonnes of coking coal we have, by and large, been able to secure. That is the overall scenario for you.

Moderator: The next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities. Please go ahead.

Ashish Kejriwal: My question is on iron ore. Is it possible to share how much iron ore we produced this quarter and last quarter? Because I understand that mining royalties paid on the iron ore, what we produce and maybe because of this fact, if you look at on a per tonne basis, our EBITDA per tonne seems to be much higher than what it was expected. So, is it possible to share that number, sir? That's my first question.

Jayant Acharya: Yes, just give us a second. So, from a production perspective, last quarter, our production was about 6.7 million tonnes which was higher because we had to complete the MDPA especially for Odisha. In this quarter, our numbers are lower at about 5.2 million tonnes because our MDPA requirements have been completed especially for the Odisha mines and therefore, the volume is slightly low.

Ashish Kejriwal: So, sir, if you look at your mining royalty this quarter, is it just because of this lower volume or our royalty rates have also reduced and which will increase going forward. So, what essentially I mean to ask is that the EBITDA per tonne outlook which we are giving, have we factored in the cost increase according to the captive iron ore or mining royalty included in that?

Jayant Acharya: So basically, lower volumes for sure is what I just mentioned. And IBM prices had dropped, so that resulted into lesser outflow on the royalty side. These were the 2 factors.

Swayam Saurabh: And just to add, lower volume on Odisha side reduces this cost.

Jayant Acharya: We have not really reduced our Karnataka volume. That's what he means.

Ashish Kejriwal: Sir, because when I'm looking at from first quarter to second quarter, even if I include your total raw material costs and mining royalty, on a per tonne basis and compare it with the first quarter, it seems to be lower by around INR5,000. Whereas you mentioned about coking coal, which is around $27 and a bit of lower iron ore price. So, I'm unable to get the delta which I think someone else also asked for this quarter?

Jayant Acharya: I think maybe our investor relation team can separately understand and explain to you, but lower exports of iron ore is something also which you have to take into your calculation. Because last time to complete the MDPA by June, in Odisha mines, there were some exports, which were at a lower number, and that again had an impact.

So last quarter, if you remember, we said that the mining impact was more, which this quarter has gone down. So, factors are basically lower volume, IBM prices which had rolled down, so therefore, the royalty premium in value terms was lower and lower exports of iron ore, which was actually sharply down. So, 2.3-2.4 million tonnes, if I recall, which has come down in Q2 to hardly 0.2 million tonnes. That was the main reason.

Ashish Kejriwal: My second question is on account of prices, you highlighted that in October, we have taken a price increase. And as well as you have mentioned that in second half, we can increase our volumes and if I'm looking at a run rate should be more than 15%. So here, my question is, one, the blended steel price in October in flat products, is it higher or lower than our Q2 average? That's one. And secondly, when we are talking about India apparent steel consumption, we have seen that it has increased by around 11% YoY, whereas even our domestic steel has increased just by 1%. So, in second half, how we are going to have 15% or 17% increase in volume growth? That's my question.

Jayant Acharya: Let me answer your second part first. I think when you are looking at YoY, we had a liquidation of inventory on a lower production in the Q2 FY24 due to which the base was higher and that's why you saw a 1% increase. Whereas on a QoQ basis, our sales basically were up in the domestic by close to 5% as against the India domestic growth of about 4.2%.

So, we are still doing well on that front. On the first half of this year also, our domestic sales, as I mentioned, were quite strong and the growth was quite strong. Going forward into the NSR, it's difficult to give the full details. But let me put it this way that we have taken a price increase, as I said, for flat and longs both. We expect that the prices, which were very low in the month of September will not be sustainable, and therefore the increase is something which is real and should be sustainable. This is one positive. The cost on coking coal will go down, and that would help.

On an average, the NSR by and large, for Q2 and Q3, we would expect that we will be close in terms of stability on an average for Q2. Although we exited at a lower September rate, but on an average basis, we'll be better both because of the product mix and the price increase which we have taken.

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

Kirtan Mehta: We have indicated growth rate for several category of sales like institutional segments, Solar, LRPC and Wire Rod which are quite strong. Would we be able to indicate some quantum about these segments as well, how much volumes they contribute?

Jayant Acharya: So, it would be difficult to give you product-wise and segment-wise. But from overall, as I said, the institutional was very strong for the first half in which we said our auto sales were positive. It grew by 6% YoY in the first half. Our solar sales were positive they grew by 90% YoY. Our overall renewable energy grew by 32% YoY, if you were to look at solar and wind. Appliances grew by 65% YoY. Our branded sales have been stable in spite of the overall retail being impacted. Our branded sales grew modestly in good branded products. So by and large, I think we'll be able to give you this flavor.

Our exports have been down. That has been the major challenge, but I think we should look at it this way that we have aligned our production and sales to the domestic market because the growth in the domestic market was very good, 13.5% growth in the first half of this year, which enabled us to reduce our export which also was affected by a low demand and a low pricing environment. So that has again been a positive.

Kirtan Mehta: Sure, sir. And second question is about basically in the Q2, while domestic sales growth was around 12% YoY at the country level, our growth was around 4-5%. Which are the segments where we would have lost the market share?

Jayant Acharya: Domestic growth, 12%, you're talking about the YoY again, right?

Kirtan Mehta: Yes.

Jayant Acharya: So here, basically the way I think you have to also look at it is between also flat and long separately. In the flats, our market shares are more or less stable. In longs, we are doing quite well, but our volume is 25% in our overall mix, 75% is flat. The main reason where we lost a little bit of market share is in the flat, which was primarily because of import.

Import moved, as we said in this particular quarter to 3.2 million odd tonnes, and that was an increase over the last quarter. And our exports also reduced marginally. So, these two combined had an impact of almost 1.2 million tonnes as a country. So reduced exports by about 200,000 tonnes and import going up by 1 million tonnes. So, 1.2 million tonnes incremental availability. So, imports basically replaced some part of the domestic demand. That impacted the share of flats overall. Other than that, I think we are, by and large, good.

Swayam Saurabh: If I can just add. Last year, Q2, as Jayant mentioned, we did almost 2.5 lakh tonnes of inventory liquidation. So, if you look at last year Q2, both production and sales were at 6.34 million tonnes at consolidated level. If you exclude the base dilution impact, the growth in domestic will be actually 7.5%.

Jayant Acharya: And also, I think if you look at it from overall QoQ perspective, the domestic India grew by 4.2%, where we grew by 4.8%. So, apart from this one-off which Swayam explained, which is a variation in YoY, if you see QoQ, whatever India has grown, I think, we have done better.

Kirtan Mehta: Understood, sir. Just one question on the CRGO steel. Some of the Chinese companies have been indicating margin in the range of $1,000 per tonne. So, would we be able to capture the margins in that range for our facility as well?

Jayant Acharya: So, I would not like to comment at this stage on exactly giving you the margin, but directionally, I think this is a very high-margin product and absolutely right. So, give us a little bit more time to complete all the processes which are in the system, then we'll be able to give you some more color.

Moderator: The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Yes. So, my question is around the overseas businesses. So, like I think second half of last year and earlier this year also, we are seeing better profitability coming in from Aferpi as well as

Plate & Pipe Mill. So, could you just help us understand as to why things have deteriorated so much and is this a new normal situation?

Jayant Acharya: As far as our subsidiaries in US is concerned, I think Ohio impact, I mentioned there was a maintenance shutdown which was not planned, which we had to take that resulted in lower volumes. The lower pricing environment overall internationally also affected the prices.

Baytown, while it posted a positive EBITDA, was lower than the previous quarter. But overall, because Ohio impact was more, there was a loss. In Italy, EUR6.2 million of EBITDA, slightly lower than the previous quarter, but the volumes were better. The prices were lower because of the international price scenario in general. Italy will continue to remain, I think, in terms of volume, it will remain good. I don't see a problem because it's a rail asset, which is primarily driving the volumes, and that has a strategic content and therefore, will continue to remain in good demand.

And I think the pricing will be better than other products per se. As far as US is concerned, I think we have seen a price improvement in Ohio, primarily because of the international market post the China stimulus and US has also improved. Post the shutdown, the facilities have started again. So, the volume part in Ohio in this half will be back to normal.

Baytown, the plates prices haven't improved as much yet, but we are expecting some improvement as we go into Q4. I would say it will be better than what we have performed in Q2, for sure, but I would not be able to hazard a guess right now and give you a number on what kind of numbers could come.

Amit Murarka: No, I'm not looking for a number. I'm just trying to understand like you did about $100 million EBITDA in the Plate & Pipe Mill in 2023 and about $110 million in 2024 and versus that offlate...

Jayant Acharya: Basically, the pricing. So, the prices, if you really look at, if the prices of the coils went down from $900 plus to $600-plus per net tonne, which happened in US and then it has climbed now to again over $700 per tonne. So, pricing really destroyed your margins, even plates if we were to look, I think, on a YoY basis, the pricing for plates have also come down.

So, Ohio, if I see on a QoQ basis itself, price have come down by 15%, in Baytown it had come down by about 10%, close to that. These are CRU numbers. So that was a basic impact. I think the pricing scenario now is improving. That will aid the margins to improve.

Amit Murarka: Sure. And just lastly, on the guidance, I think coking coal, you said $20-$25 for Q3, right?

Jayant Acharya: $20 to $25 for Q3, yes.

Moderator: The next question is from the line of Raashi Chopra from Citigroup. Please go ahead.

Raashi Chopra: Just following up on a question asked earlier that there's big delta on the realization per tonne differential between the first quarter and the second quarter as well as the expenses in the sense that the realization declined by about INR3,000, but if you actually divide the revenues by the volumes that number comes closer to INR6,000. So, is this whole thing explained both on the revenue and the cost side by lower iron ore exports?

Swayam Saurabh: Yes. Lower iron ore export is one big reason. But broadly, the INR3,000 delta we negated that Jayant explained, almost INR950-1,000, which is a combination of lower iron ore cost as well as lower Odisha losses. Then we got about $27/t gain on coking coal. And we also saw other type for example, steam coal prices coming down. A number of other efficiencies and lower inventory losses, which actually helped us cover the last INR1,000. That's broadly what the split is.

Raashi Chopra: And then on the volume targets that you maintained, are they maintained individually as well like the Indian operation targets are still like 26 million tonnes for the year?

Jayant Acharya: The overall guidance, which we had given for 27 million tonnes was including consolidated basically for both and 28.4 million tonnes was also consolidated including US operations. So, the overall targets will maintain and individually, I'm not getting into detail right now, but I think overall, we are maintaining for sure. Because of the ramp-up of JVML, I'll not be able to give you exact details as to how, but 26 million tonnes, as you asked for Indian operations, we'll certainly be there.

Raashi Chopra: Okay. And just one last question. Any guidance on the capex for next year since you reduced for this year?

Jayant Acharya: No, actually capex what we have reduced is basically for two reasons. As I explained, one was the slurry pipeline transfer and the BF-3 postponement of the capex which both these put together have resulted primarily in this number. No critical projects have been cut as yet. We have not done anything like that. So therefore, this INR20,000 crores to INR16,000-INR17,000 crores is only that number. So next year, going forward, our expenditure on Dolvi Phase III, which is a critical asset which is going on, our Coke Oven, our slurry pipeline, our pellet plants in Odisha are all on-track. The mining side, beneficiation, mining asset operationalization, capex are all on-track. There is no change in that.

Raashi Chopra: So, the shortfall, this year will just get added on to what you were targeting for next year? Is that a fair assumption?

Swayam Saurabh: Not necessarily. I think what Jayant is saying is anything which is critical or would add capacity, we will not slow it down. Exact cash, we'll be able to guide perhaps in a subsequent quarter.

Jayant Acharya: Yes. But the slurry pipeline transfer will be permanent because that is something which we are transferring out. So that will not come back. But BF-3, which we have postponed from now to next year, is something which will come as a capex next year. So, when we take capex for next year into account, we will calibrate our capex accordingly, keeping that in mind.

Moderator: Next question we will take is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir, first just a clarification on this the thyssenkrupp deal, the technology has come to JSW Steel and the asset has gone to the joint venture, is that understanding right?

Jayant Acharya: Yes. The understanding is right.

Ashish Jain: So, what is the like reason behind such structure? And what is the outlay for us for acquiring the technology out of that INR4,000 crores?

Jayant Acharya: So, without getting into details of the breakup at this stage, we basically wanted to acquire the technology and have it in JSW Steel because CRGO, as we said, is a technology which is available with a few. It's an advanced technology. We wanted to house it in JSW Steel. JFE already has a CRGO technology in Japan. So therefore for them, it was not required to house it in the joint venture.

Ashish Jain: Okay. Okay. Got it. Sir, secondly, in terms of the price outlook, just to clarify, you did say like we know September exit prices were pretty weak. And while we have taken as an industry, some price hike in October, do you expect Q3 realizations would be better sequentially? Is that what you referred to earlier in your comment?

Jayant Acharya: No, I'm not saying that. I think that's a point which is good to clarify. Basically, what I'm saying is that the September exit was weaker. The Q2 average was a little higher because the September fall was steeper. The increase which we are taking or which we have taken in October and a change in the product mix, which we expect should enable us to get to a similar average as Q2. So therefore the fall which has happened in September, to that extent we are trying to see how to make up through a mix of price and product mix.

Ashish Jain: Got it. Got it. And sir, lastly, can you just quantify your EBITDA per tonne for Q2, given all this confusion on price decline and cost decline, which has happened this quarter. Can you just quantify the EBITDA per tonne for Q2 standalone?

Jayant Acharya: EBITDA per tonne for Q2 for standalone was INR8,765 crores.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Jayant Acharya: So, thank you very much for being here today. As we said here that India continues to be a strong growth area globally. It's a bright spot. We have seen the steel demand growing very well. First half, 13.5%. Keep in mind that the elections and the weather disruptions disrupted. In spite of that, we ended the first half with a 73 million tonnes odd demand. The second half is usually better. Last year, we ended the second half at 73 million tonnes, which we have done in the first half itself. So, we are expecting that this year, the demand will finish at a range of 150 million tonnes or so.

Our total volumes from our new capacities will go up in H2 that will help us to play into this demand and that will give us an improvement in our absolute EBITDA numbers. On a product mix point of view, we have some downstream capacities which will be utilized now with the HSM-3 coming in. So, the product mix also will go into some bit of value-added.

Our iron ore mining operations will start in our Goa mines, our Netrabandha mines in BPSL and Karnataka, which should further aid our cost side. Capex, we are by and large on track to complete all our projects. We expect that this year we will be able to meet all the guidance which we have given, 27 million tonnes of sales and 28.4 million tonnes of production. The full production ramp-up for the new capacities will play out in FY26. So outlook, India positive, steel positive, JSW Steel also positive. Thank you.

Ashwin Bajaj: Thank you. Please contact us at Investor Relations if you have any further questions.

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