



“JSW Steel Limited
Q2 FY27 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the JSW Steel Limited Q2 FY27 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 ‘*’ and then ‘0’ on your touchtone phone.

I now hand the conference over to Mr. Ashwin Bajaj. Thank you, and over to you.

Ashwin Bajaj: Yes, thank you, operator, and a very good evening, ladies and gentlemen. Welcome to JSW Steel's earnings call for Q2 FY27.

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. Arun Maheshwari, Director of Commercial and Marketing; and Mr. Swayam Saurabh, the CFO.

We will start with opening remarks by Mr. Acharya and then open the floor to Q&A. So, over to you, Mr. Acharya.

Jayant Acharya: So, thank you, Ashwin. Good evening, everyone. The global economy has remained resilient despite continued geopolitical and inflationary pressures, with IMF upgrading its global forecast for 2026 to 3.1% and maintaining its outlook for '27 at 3.4%. Growth is being supported by AI-led investments and improving manufacturing activity, although the Middle East conflict and its impact on energy prices and supply chains, and elevated bond yields remain key pressure points. The US economy has been supported by strong consumer spending despite inflationary pressures. In China, export strength has supported manufacturing, while domestic demand has been weak. Recent policy measures are expected to support investment and infrastructure demand.

India continues to stand out as the fastest-growing major economy, with structural growth drivers. The IMF and RBI have upgraded their FY27 GDP growth forecasts upward to 7% and 7.1%, respectively. Industrial activity, exports, and automotive demand have been strong despite global headwinds, indicating strong economic activity. Strong public and private investments across sectors continue to support the capex cycle. However, elevated energy prices and inflationary pressures arising from an uneven monsoon are key risks to monitor, and the RBI has adopted a more hawkish stance and hiked policy rates recently.

Coming to the steel industry, the Indian steel consumption has continued to grow, with Quarter 2 seeing a growth of 7% and H1 seeing a growth of 7.5%. India's total steel exports and imports for H1 are broadly balanced. However, on a finished steel basis, India was a net importer. Domestic steel demand is expected to grow between 7 to 8% in FY27.

In China, steel production and consumption both continued to decline. During January to September, production decreased by about 3%, while consumption contracted by about 4%. While finished steel exports are down by 2%, steel exports overall, including semis, from China are up by 3.3% during this period. This is due to elevated exports, primarily of the semis, which I mentioned.

On the Sustainability, we continue to make progress on our objective of becoming net carbon-neutral by 2050. To promote resource circularity and reduce dependence on imported scrap, we are setting up processing centers across India. The first 0.5 million tonnes center at Khopoli, where we have commissioned the baler during the Quarter 2, and the shredder will be commissioned during the Quarter 3, by end of the Quarter 3. During H1'27, the scrap utilisation increased by more than 10% year-on-year, reducing the carbon footprint in our operations.

We continue the transition to green mobility and have deployed 134 electric buses, 98 electric cars across Vijayanagar, Dolvi, and Salem till date. Our sustainability efforts have been recognised with the 2026 Worldsteel Steelie Award for Excellence in Clean Steel Production and the ICC Platinum Award for Occupational Health and Safety Excellence.

On the operating performance, despite a challenging geopolitical backdrop and the resulting pressures on supply chains and input costs, JSW Steel delivered a strong operational performance. Crude steel production and consolidated India operations were the highest ever at 7.27 million and 7.07 million tonnes, respectively, both growing by about 5% YoY.

The BF-3 at Vijayanagar has ramped up well following light-up in the end of June, reaching about 90% utilisation during the quarter. The JVML operations achieved record quarterly production. However, our India operations achieved a utilisation of about 88%.

Our consolidated sales were the highest at 7.46 million tonnes, growing at 13% YoY. Indian operations sales were also the highest at 7.27 million tonnes, which grew by 14%, driven by a demand recovery in the second half of Q2. We achieved our highest ever domestic sales at 6.29 million tonnes, up by 12%, outpacing the Indian market growth.

Our focus on value-added steels helped us to deliver record sales of value-added and special products of 4.11 million tonnes, up 11%. Our focus on strategic sectors continued. Institutional sales grew by 15% YoY. Auto sector sales were the highest ever, growing by 36% YoY. Sales to the appliance and renewable sectors also grew by a healthy 28% and 14%, respectively.

Coming to the financial results, in Quarter 2, JSW Steel reported consolidated revenue of Rs.54,486 crores and adjusted EBITDA of Rs.9,941 crores with an EBITDA margin of 18%. PAT stood at Rs.5,359 crores. The quarter was impacted by high cost and supply chain disruptions.

Overall input costs were higher, particularly coking coal, which increased by about \$10 a tonne, a bit lower than our earlier guidance of \$12 to \$15 for this quarter. Iron ore costs were also slightly higher, among other input costs as well. Realisations fell quarter-on-quarter, mainly on account of Long steel prices.

Performance at our overseas operations improved sequentially, mainly driven by better realisations. Last quarter, we commissioned a vacuum tank degasser at Ohio. This will enable us to produce higher grade steel, especially API grades. Quarter 2 EBITDA at Ohio increased quarter-on-quarter, although operations were impacted by a scheduled maintenance shutdown in September.

Operations at the Plate and Pipe mill in Texas were also impacted by a shutdown taken for the upgradation of the Plate mill in September. However, EBITDA was sequentially higher on higher prices. The US operations together generated EBITDA of about \$19 million. The Italian rail mill reported €7 million, flat versus Quarter 1.

Our net debt stands at Rs.44,482 crores, with the leverage and gearing improving further to 1.28x and 0.39x, respectively. Revenue acceptances stood at \$2 billion. Capex spends for the first half of this financial year was Rs.11,136 crores, and we expect to meet the guidance of Rs.22,000 crores to Rs.24,000 crores of capex during this financial year.

On our joint venture, we have provided the performance details of our JSW JFE Steel. JJSL had a sale of 0.92 million tonnes and a healthy EBITDA of Rs.1,136 crores. There was a PAT loss due to a stamp duty provision related to the BPSL transaction. Excluding this, the PAT was positive.

Let me update you on the growth projects so far. We are making steady progress towards our goal of reaching 78 million tonnes of capacity in India by '32, including our joint ventures. Steelmaking projects at Dolvi, Utkal, JVML, and Kadapa are progressing well. The slurry pipeline in Odisha remains on track to be commissioned by March '27. Our various downstream projects across locations are also progressing well. Today, the Board has approved additional projects. Let me briefly take you through them.

Approval for the Phase-2 of 5 million tonnes at JSW Utkal in Odisha. This will take the Odisha JSW Utkal capacity to 10 million tonnes. The 5 million tonnes is already under construction. The second phase, just announced, the construction will begin. The project Phase-1 is expected to be commissioned by Quarter 3 of FY30 and Phase-2 by Quarter 1 of FY31.

We have added an 8 million tonnes pellet plant at JVML Vijayanagar site. This will enable us to use locally sourced iron ore fines versus costlier lumps. We will also set up an additional converter and caster for the JVML Phase-2 expansion, which will create additional melting and casting capacity to take the overall crude steel at Vijayanagar location to 25 million tonnes.

At the ongoing Dolvi Phase-3 project, we are adding a caster and plate processing facility. This will upgrade the capacity of the CSP mill to 7 million tonnes and enable us to process additional slabs into hot rolled coil and plates. On the downstream side, we are expanding our Vasind operations with a CRM complex of 1.8 million tonnes per annum. Commissioning is expected by Quarter 2 of FY30.

On our strategy to enhance our raw material security, we continue to remain focused. As you know, we completed the acquisition of the MdR coking coal deposit in Mozambique in March '26 and are focused on rapidly bringing it into production. The Board has approved further capex for a mine capacity of approximately 9 million tonnes of cleaned prime hard coking coal. Production will commence in CY28 and ramp up gradually in subsequent years.

Further capex has been approved for developing our captive iron ore mines and coking coal mines and washeries in India. We currently have 25 iron ore mines, of which 13 are operational, with work underway to operationalise the remainder as well and expand some of the operating mines.

The three new mines in Karnataka are now expected to be commissioned in Quarter 4 of FY27. This will provide additional capacity of around 4 million tonnes, taking the overall capacity in Karnataka to about 15 million tonnes per annum of iron ore. Our four iron ore mines in Goa can provide approximately 6 million tonnes of iron ore.

We are working to get our coking coal washeries at Parbatpur and Dugda operational by next year. This will enable us to process domestic coking coal from our captive mines and linkages with BCCL and should provide us usable, clean coking coal of approximately 3.5 million tonnes per annum.

In our JJSL joint venture, we and our partner, JFE Steel, have approved expansion of steel facilities by 5 million tonnes per annum. This will take the total capacity of the plant to 9.5 million tonnes and is planned to be commissioned by FY31.

In the last quarter, we had reported our capex pipeline of Rs.1.3 lakh crores to be spent over the next 4 to 5 years. With these new announcements, our total capex plan now stands at Rs.1.48 lakh crores. This capex will be spent over the next 5 to 6 years. This capex will be funded from internal accruals for most of the part, and we have a strong balance sheet and headroom available to support our growth plans.

JSW One online platform in which we have a 66% equity stake, saw steel volumes grow by 53% YoY, and the GMV rose by 77% to Rs.6,989 crores in Quarter 2. Credit offerings contributed Rs.2,400 crores approximately of GMV, up 91%, and the platform continued to deliver positive EBITDA.

Looking ahead, we expect volumes to increase in Q3 with stronger production on the back of full production of Vijayanagar BF-3 and JVML operations. Coking coal costs are expected to rise by about \$25 in Quarter 3, in line with the sharp increase in prices in the latter half of Q2. Iron ore costs are expected to be marginally higher in Quarter 3.

Domestic steel demand will remain strong and is expected to grow by 7% to 8% in FY27, driven by public and private capex, manufacturing, and automotive demand. We are on track to meet our production and sale guidance given for the year.

On concluding side, I would like to say that the government's recent draft National Steel Policy 2047 envisions India's steel consumption to reach 505 million tonnes by 2047, and a steelmaking capacity of 600 million tonnes with a production of 530 million tonnes.

While India's current per capita steel consumption stands at 116 kg, well below the global average of about 210 kg, it is projected to reach about 300 kg by 2047. This underscores the significant headroom for a long-term demand growth. Against this backdrop, JSW Steel is

ideally positioned to accelerate growth and play a defining role in India's growth story while remaining focused and disciplined on capital allocation and value creation.

We are happy to take questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Amit Dixit: Yes. Hi, good evening, everyone, and thanks for the opportunity. Congratulations for a good set of numbers. Two questions from my side, sir. While we are announcing steel capacity expansion, just wanted to understand the thoughts on the equivalent iron ore integration.

Understand that we have mines but wanted your thoughts on beneficiating the locally available iron ore, because some of the iron ore we have is of relatively lower quality. Also, wanted to understand if the option of importing iron ore is open, and how much iron ore we imported in H1 FY27? That is the first question.

Jayant Acharya: I will request my colleague Arun to answer this.

Arun Maheshwari: Hi. Regarding iron ore, definitely the way India is growing, our steel iron ore requirement is growing up. And for JSW, we are all set. As of now, our EC capacities for all operational mines is about 42 million tonnes. So that is one part of it.

The other operational mines which are likely to come up, which are under different stages of exploration, I think will be, more or less, will be able to captively cover up to 50% of the requirement as of today. As we develop processing of low-grade iron ore in Karnataka and Andhra Pradesh, the self-reliance on the iron ore sourcing will further increase from here on.

So far as India's overall demand is concerned, imports remains an option. The way iron ore prices are likely to correct in the years to come, probably this will be one area which can be closely monitored as an option to it. But the development of iron ore mines in Odisha, in Gadchiroli area, in Andhra Pradesh, and other parts of India, it is okay. It won't be a major challenge as we look forward.

Jayant Acharya: We will continue to develop our assets. Just to add to this, continue to develop our assets which we have, as we mentioned, 25 iron ore mines, 13 are operational, the balance will be operationalised. We will continue to bid strategically for new assets which come up. Our idea is to take our raw material security on iron ore also to the next level, and we'll remain focused on that.

Amit Dixit: That's helpful, sir. The second question is essentially on realisation. As you alluded to the cost guidance for maybe Q3, is it possible to give us an indication of, going by the spot prices and the negotiations you might be having with automotive players, what kind of realisation increase we can expect? And particularly if you can highlight the feelers that you're getting from auto guys?

- Jayant Acharya:** Let me put it this way, that the price is basically following the demand. In the last quarter, if you recall, in June and July, we had seen a price dip, specially starting with long products, given the Middle East war environment and a weaker quarter because of monsoon. However, as the monsoon eased in second half of the quarter, the demand picked up.
- That enabled us to increase the prices, recover the prices to some extent which we lost. So that and a price increase in the month of October as well will fully get reflected in October-December quarter.
- Having said that, we also are mindful that the costs are going up, as we guided that coking coal will go up by \$25. Iron ore will go up also to some extent. And other costs like zinc, tin, ferroalloys, all input costs have seen an increase.
- However, our expectation is that we will be able to offset the cost and add incrementally to the margin over Q2. The auto sector negotiations are ongoing, and we'll not be able to give you any indicator as of now for the next quarter. The previous quarter auto sector negotiations are closed.
- Amit Dixit:** Okay. And what was the price differential that we got?
- Jayant Acharya:** Maybe we will request our team to give it to you offline.
- Amit Dixit:** Okay, sir. That's okay. Thank you so much, and all the best.
- Moderator:** Thank you. We have the next question from the line of Amit Lahoti from Aditya Birla Capital. Please go ahead.
- Amit Lahoti:** Yes, thanks for the opportunity, and congratulations on a good set of numbers. My question is on the capital structure of this Sambalpur JV. So basically, when looking at the current debt profile and plus the incremental debt with this capex announcement of 5 million tonnes, it appears that net debt to EBITDA could go as high as 10x at the peak capex. So, my question is whether the balance sheet risk is fully run by the JV or is there any ring-fencing that is done to the level of JSW Steel from these liabilities?
- Jayant Acharya:** I'll request Swayam to answer your question.
- Swayam Saurabh:** Yes. Thanks, Jayant. We don't believe net debt to EBITDA will go to 10x. We do recognise that during project phase, net debt to EBITDA could go slightly higher. But we believe that with the kind of cash this business has generated, also this year, we will be able to comfortably get through it. We have, by design, ring-fenced JSW Steel, and we believe that will remain intact.
- Jayant Acharya:** Just to add to this, there is no concern on the growth plan and our ability to manage that. The site is ready for expansion, and it therefore makes sense for us to take up that expansion now. The market is providing us the platform to do it. We are quite confident that we will be able to carry out the expansion in a financially prudent manner.
- Amit Lahoti:** Okay, noted. Thank you.

- Moderator:** Thank you. We have the next question from the line of Akhilesh Kumar from Emkay Global. Please go ahead.
- Akhilesh Kumar:** Yes, hi. Thank you for the opportunity. So, my first question is on the coking coal, with coking coal already being at near \$270 per tonne because of Chinese mining issues, and we have further Australian cyclones coming up in the coming quarters, which will eventually impact the coke prices. So, how do we see coking coal market panning out, and the impact of that on our margins, if at all, for the second half of FY27? That's my first question.
- Arun Maheshwari:** The coking coal market is elevated from the lows what we had seen in the last couple of quarters. But then that's largely because of there were a couple of accidents in China, and Mongolia is not able to ship out some of the cargoes to China. So these are the reasons why China has been buying into the market, which we have seen in the last couple of weeks again, the Chinese buying has gone down.
- Having said that, these elevated prices are not applicable only to one particular country or a company, it is applicable to the entire world and the entire steel industry. So, if the cost goes up, it will be applicable to almost every company across. So, it will not have a specific negative impact on any particular company.
- Having said that, the cost will go up, for sure, if the prices remain this elevated, but then this quarter, we have given a guidance that coming quarter would be around \$25, more or less, coking coal cost going up, which is factored in our estimates.
- Jayant Acharya:** Just to add to this, our focus, as we said, to use more domestic coking coal, and that's why in the opening commentary we did highlight that we are adding washeries, focusing on blending domestic coking coal. So that would give us a cost advantage and be able to some extent offset the higher imported cost.
- Akhilesh Kumar:** Got it. My second question is on the current net debt at the BPSL level. How should we look at it going forward as well, because in our valuations, we do value JSW and BPSL separately. So, how should we look at it?
- Swayam Saurabh:** So, the current debt at JV level will progressively go down, and we have done next phase of expansion, which would mean some debt will come up. And we have done a calibrated simulation on what could be peak net debt.
- As I answered earlier, we remain confident that while the net debt to EBITDA will remain elevated for some time, but the JV will be able to complete the project without any unexpected stress.
- Akhilesh Kumar:** What is the current net debt level at the JV as of September 2026, if you can guide on that?
- Swayam Saurabh:** I will ask our Investor Relations team to provide this information one-to-one.
- Akhilesh Kumar:** Sure. Thank you.

- Moderator:** Thank you. We have the next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.
- Sumangal Nevatia:** Yes, good evening. Thanks for the chance. First question is on the capex. So JVML Phase-2 and Utkal Phase-2, similar 5 million tonnes capacity, but almost Rs.10,000 crores higher for JVML. Just want to understand, is there any difference in the configuration or some backward integration capex also included?
- Jayant Acharya:** We had guided, if you remember, when we started our Phase-1, the Phase-1 cost of Odisha plus the Phase-2 cost, if you add both these together, our total cost for 10 million tonnes is about Rs.48,000 crores. Look at it from that perspective and then compare. Secondly, the Phase-2 does not have a hot strip mill, which JVML has.
- Sumangal Nevatia:** Understood. That helps. All right. Sir, second, on the prices, if we can get what are the NSR or maybe Long, Flat prices in October versus 2Q, what we've seen? And, if you could explain what's happening in the Long prices?
- Last quarter, in the call, you shared that Long price correction is overdone, and it's gone through the roof after that. So, just want your sense on the volatility in the Long steel prices in India.
- Jayant Acharya:** So, the Long steel prices have historically been volatile during the monsoon period. This time, it was more impacted by the Middle East crisis as well, the availability of labor that impacted the construction overall. So that resulted in a sharp fall in Long steel prices. Post-moderation of the monsoon and some confidence returning back to the market, the construction activity has picked up.
- The capex in June and July, the public capex by the Government of India in June and July was quite strong, and that has also resulted in August, September uptick in the overall economic activity of construction. So that's why you see a better pricing environment.
- I would say that from a demand perspective, in the second half of this year, we will see continued growth of Long steel, especially after the festivities, on the back of the public capex, as well as now improving private capex.
- On the hot rolled side, the Flat steel in particular, the price, while it corrected to some extent, was not as sharp. And the prices have now recovered from the drop which we had seen in the interim in the Quarter 2. We feel that the prices now reflect a reasonable number, gives the steel industry the ability to be able to maintain margins to invest back in the capex which we have.
- Sumangal Nevatia:** Understood. If I may just squeeze in one more question on iron ore. The prices in India is fairly flattish and not correcting in line with what is happening in the seaborne market. So just want to understand, is there any supply issue in the country, or we should expect prices in India to catch up with the weakness in global market?

- Arun Maheshwari:** Well, in dollar terms, if you look at it, yes, definitely there is a bit of weakness in the international market, but then, in rupee terms, if you have to convert that on the basis the current dollar parity, more or less the international prices is also flattish, if I have to look at that way.
- The other thing is that in domestic market, the iron ore supply has not increased as much as what the demand has been growing in the last one quarter or two quarters. So that's where it is playing out a bit.
- On top of it, there has been a big derailment in NMDC Chhattisgarh mines, wherein the supply has been disrupted for almost now 20-25 days, which has impacted a large chunk of iron ore availability. And on top of it, monsoon has been very erratic in few parts of the mines, especially in Central India and parts of Odisha, wherein the movement has impacted.
- So, given all this stuff, there has been a slight disruption of iron ore supplies, which is a normal phenomenon in this time of the year because of the monsoons. Going forward, I think generally it looks to be more flattish at this level because it was elevated much earlier than what it was expected. So, we feel it would be more or less flattish going forward.
- Jayant Acharya:** But given the international prices which have corrected directionally, usually the domestic industry will also catch up, after the supply bottlenecks which are there post-monsoons improves. So, we do expect a softer iron ore environment as we go into the next few quarters.
- Sumangal Nevatia:** Got it. That's very helpful. Thanks, and all the best.
- Moderator:** Thank you. We have the next question from the line of Pinakin from HSBC. Please go ahead.
- Pinakin Parekh:** Thank you very much, sir. I have three questions, and all of them are related to the capex programme. So, my first question is on capex. When these projections on costs were given or these projects were built out, I assume it would have been early this year or last year, the currency was at a certain level and the currency has seen a meaningful depreciation. Is there a risk to this capex numbers being increased as we built in the higher currency over the next few years?
- Swayam Saurabh:** So, Pinakin, we do factor in a normative depreciation of rupee equivalent or forward cost coverage equivalent cost over the period of capex in the cost which we announce in INR terms. So, I don't see that as a new risk.
- Pinakin Parekh:** Got it. My second question, Mr. Acharya, is that JSW would start working, or effectively is working, on four simultaneous sites for blast furnace steel, and five including Kadapa. And I don't think in history in India, we have had four or five steel plants being built simultaneously. What are the constraints you see in terms of your supply chain or your EPC contractors being able to execute these projects? I mean, the companies can provide land and capital, but what are the potential issues you see at the supply chain execution level?
- Jayant Acharya:** So, the question is valid, because there are multiple sites, contractors, labor, manpower have to be enabled. The positive which we are seeing in the east is that most of the labor and the

workers earlier used to come from the east to our projects in south and west. And post the COVID, there is a tendency to be more towards home.

The availability of labor therefore in the east of the country is better. So, we see that JSW Utkal expansions are not really seeing much of a labor shortfall. From a contractor standpoint, if I have to look at it, I think we are trying to enable various contract ecosystem to be able to come up and work alongside our existing contractors, which is working well. We expect that to be able to add to the overall contract manpower which they would bring in.

The blast furnace also, we have a system that, like our blast furnace 5 ended in Vijayanagar, the entire team was shifted to, and the contractor was shifted to blast furnace number 6. Similarly, when we are doing the Utkal Phase-1 and Phase-2, we are doing that in a seamless manner, so that the deployment and redeployment is reduced, and it goes on seamlessly.

That also, to some extent, enables us to keep the labor, keep the contractors in place as we expand our capacities. So, while your question is valid, I think the company has taken various steps to improve the availability of contractors and labors, and we are quite confident that we'll be able to carry out the work across all these sites. Mr. Rathore will add one more point. Just one second.

G. S. Rathore:

Yes, see, over the year, we have been able to develop the expertise to do in-house projects, and Dolvi and Vijayanagar being more parental plant will give this trained manpower to all these new locations. So, Kadapa being closer to Vijayanagar will be taken care, and by the time we finish Dolvi next year, the people will get transferred there.

So we have already mobilised key people from these two locations to these to take care of as far as supervision from JSW side is concerned. So that kind of expertise is developed. As far as contractor is concerned, we are trying to identify two or three large contracts which will take care of blast furnace and steel melt shop, which are the larger one.

And the smaller projects like hot strip mill and rest of the thing will be able to do by tier 2, tier 3. And we have worked very hard on trying to solve the softer issues, which will help us to retain the manpower for these executions.

Pinakin Parekh:

Got it. My last question, sir, is that with the board announcements today, the crude steel addition is roughly around 26 million tonnes including Dolvi that the company is starting work on. But we have not yet seen a commensurate announcement or increase in the value-added steel, so HSMs and cold rolling mills and so on and so forth. When should we have visibility on capex on the downstream facilities in respect to the upstream that is being put at this point of time?

Jayant Acharya:

So, if you recall in the Vijayanagar complex, we have already announced our electrical steel expansion projects. We had announced the joint venture through CRGO both for Nashik and Vijayanagar, and now we have announced the downstream project in Vasind. In the earlier quarters, we have announced expansion in Khopoli downstream facility and also in Rajpura.

So we are continuing to expand our downstream operations. You will also see more downstream capacity build-up as we go into the subsequent quarters. Also keep in mind that the value-added and specialty products which we are looking at also includes products from the hot rolled sections.

So Kadapa hot rolled section, which is one of the widest in India, will also give us the kind of special products which we need. The Raigarh expansion which we are doing right now will have a configuration of rail and sections, again on the value-added side. Our 2,600 mm wide CSP in Dolvi also gives us the necessary width to be able to actually meet the plate requirement and at a much lower cost point. So, the special product category is getting slowly, you know, increased, and we will continue to add more value-added downstream facilities as well.

Pinakin Parekh:

Got it. Thank you very much, sir.

Moderator:

Thank you. We have the next question from the line of Parthiv Jhonsa from Anand Rathi. Please go ahead.

Parthiv Jhonsa:

Hi, thank you for the opportunity. Just continuing on the capex. Initially, I believe you had a capex plan of about 1.26 trillion, and now it's been to about 1.48. Just wanted to understand, how confident are you, considering that the current steel cycle is still quite robust, very supportive, but we have seen in the past by a couple of other peers that if the steel cycle goes against you, the entire stress comes on your balance sheet at the end of the day. So how confident are you, because the time frame is like just 5 years to 6 years at the end of the day? Just want to get your understanding on that.

Jayant Acharya:

Your question is the confidence on being able to manage the capex cycle?

Parthiv Jhonsa:

Manage the balance sheet risk.

Jayant Acharya:

If the markets are there. Yes, I think I'll request Swayam to add.

Swayam Saurabh:

So, this capex build do not, you know, rely on a very significantly positive, let's say, steel prices. If you look at our current scale and add Dolvi, which will be available next year, and take a normal pricing or even a stress pricing environment for 1 or 2 years, you'll realise that we are still generating enough cash, which is what we would need on an average Rs.25,000 crores to Rs.30,000 crores a year, and that could largely be self-funded.

Any temporary cash gap, given we right now stand at 1.28x net debt to EBITDA, gives us enough room to temporarily increase debt if needed. But overall, at this stage, we remain very confident, and this capex plan do not rely on very positive, let's say, steel prices cycle for a long period.

Jayant Acharya:

Also, keep in mind that the opportunity which India is offering today in terms of the demand and in terms of the growth potential, it would make sense for us to be able to take up the projects and execute in time so that we are able to meet the demand which the country's forecasting.

The draft National Steel Policy 2047 is also forecasting a demand of 500 million tonnes and a capacity of 600 million tonnes. So, directionally what you see in India from that standpoint requires capacities to be set up. We are quite confident. Our balance sheet is very strong. We do not see any concern from liquidity. We have enough headroom available to be able to complete the projects.

Swayam Saurabh: And if I can just add one more thing, if you look at our current quarter results, despite the quarter being almost Rs.6,500 crores of capex, we have actually generated free cash to bring our debt down. And this ability to generate free cash only will sustain. Prices could come down. EBITDA margin could come down a bit. But we're going to add volumes. Next year, Dolvi Phase-3 will come, and absolute cash generation ability we are fairly confident about.

Parthiv Jhonsa: Right. That's actually quite helpful, sir. Sir, my second question is pertaining to one of your remark, in the opening remarks, where you said that water can be a bit challenge. Because if I read a couple of annual reports from your one of the group companies, they have clearly mentioned that the water charges as a raw material basically, so water as a raw material, the charges are expected to go over 2.5x in next decade. Now, you having the widest or, you know, extensive manufacturing facilities across India, can this be a challenge or it's adequately covered?

Jayant Acharya: I don't think we mentioned water in our current opening remarks, water requirement in the steel plant is a key requirement. We are taking all steps to see that the water linkages are established in each of the location to meet our requirement. Rathore, you would like to add any other?

G. S. Rathore: Yes.

Jayant Acharya: And the cost is not so material which will impact our steel overall cost in a big way.

G. S. Rathore: As far as our specific water consumption per ton of steel produced is lowest probably, you know, for the best of the company. And there are a lot of initiatives are being taken at each location to recycle the water, I mean, RO plants and recycling, reuses. And we are tying up with each location the nearest water resource and reservoir to take care of the future requirement.

Jayant Acharya: Like, in our Vijayanagar facility, we have created a reservoir, just to give you an example, which has storage capability for 300 days of operation now. So, we are taking steps and measures, having pipeline linkages to our plants to ensure that water is available.

Parthiv Jhonsa: But excluding Vijayanagar, do you have an ample sanction from the state government? Because water is practically not a fungible between the two facilities at the end of the day.

Jayant Acharya: Yes, we have.

Parthiv Jhonsa: Okay.

Jayant Acharya: Projects are set up with those permissions from the state, yes.

- Parthiv Jhonsa:** Okay. Perfect. Thank you so much, sir.
- Moderator:** Thank you. We have the next question from the line of Ritesh Shah from Investec India. Please go ahead.
- Ritesh Shah:** Yes. Hi, sir. Thanks for the opportunity. Sir, my first question is on incremental cost levers. Probably, there might be several variables. Would you like to flash out top 3 variables that one should watch out for, specifically my interest would be on the coking coal mine, if you could highlight what would be the cash cost, delivered cost, equivalent grade premium pricing and hence the cost differential on back of that?
- That's one. I think besides that, the sizing of the furnaces, I think it's quite larger as compared to historically what we have. Third is basically probably on the logistic side and fourth on the RE side. If you could put some numbers over here, it would be great, sir. That's the first question.
- Jayant Acharya:** We'll not be able to give you coking coal cost and details right now. The coking coal, as what we have already forecast, in Mozambique, we are taking up the capacity to 9 million tonnes of hard coking coal capability. Illawarra has 2 million tonnes of hard coking coal capability, so that takes care most of our requirement for PLV coal for up to the end of this decade. Domestic coking coal, we continue to develop.
- We'll be able to generate about 3.5 million, as we indicated. So, these put together, we would be roughly having a captive linkage of about 15 million tonnes of coking coal, which will provide us adequate security. Also, the cost structure, both for the domestic coal and for Mozambique, is expected to be lower than the international prices.
- On the other cost lever, which is the larger blast furnaces, they are all of larger volumes, and therefore have inherently better benefit, better productivity, lower fuel rate, less manpower. So, those are more cost-effective compared to the smaller ones which may have been there in the older operations. The third one you had asked was with respect to one was largest coking coal, larger furnaces...
- Ritesh Shah:** Logistics and RE.
- Jayant Acharya:** And RE.
- Ritesh Shah:** Logistics and RE.
- Jayant Acharya:** Yes. So, RE, we have already commissioned about more than 1,000 megawatts. We are in process of commissioning the balance 1.5 gigawatts, which has already been approved. So, we will be 2.5 gigawatts plus on RE. Our aim is to convert as much of the thermal coal which we are using today to non-fossil, and we would continue to add more renewable capacity either through offtake in the market or by setting up through a joint captive system.
- On the logistics side, the slurry pipeline, we've already given you details earlier in Odisha. That project is likely to get completed by March '27, and that would give us benefit. Our pipe

conveyor at Vijayanagar also, with some more clearances, is able to operate at higher capacity than earlier. That also would improve our logistics.

We have built in, through our own and through our other companies railway wagons through your own schemes which the railways have been announcing, which gives us better control over the railway wagon movement across the country. We continue to take steps to further improve logistics, like electric vehicles for, you know, closed-circuit supplies from the plant to nearby destinations. Those will also be added on as we as we go.

Ritesh Shah: Sir, I'll just try it the other way around. Sir, hypothetically, if safeguard duties are taken out, it's not renewed, do all these measures more than adequately cover up for the loss of safeguard impact?

Jayant Acharya: This and some others as well, because we continue to take, you know, we just discussed the value-added downstream. So, your larger furnaces, your raw material security, your value-added and special products, our logistics savings which we will do, all these put together are structurally improving our cost profile, and that should be able to shield us from any kind of challenges which we may face from the threat of imports.

Ritesh Shah: Sure. That's helpful. Sir, my second question is, would you be more constructive on Flats or Long pricing incrementally, say, 3 months out? I think specifically, I'm asking this question because Longs, to what we understand, there is an element of higher electricity tariffs in certain pockets in the country and it is impacting the economics of induction furnaces and electric arc furnaces and hence potentially some supply curve disruption, which could be pumping up Long product prices. So, if we had to take this particular variable into account, how are we looking at Flats versus Long prices?

Jayant Acharya: So, you know, primarily, Long products, the primary industry, this integrated steel producers are probably in the range of 30%-35%, the balance 65%-70% is with the secondary sector. So, therefore, there are many small producers across the country. Therefore, we have seen more volatility, let us say, in the Long product prices.

Going forward, our aim is to be able to add value in Long products where we see that they will be, you know, more value-adding in nature. Like, the beam plants which we are setting up, or the rail mill which we are setting up, we see value. Steel construction is shifting a lot to beam-based construction or plate-based construction. We are trying to be in those products in addition to the normal Long products which we have. We're also adding capacities in Alloy steel where we see value and where we see demand. So, on the Long space, these are the areas we will focus on.

Flat steel continues to be our mainstay, and the growth in Flat steel, based on the automotive, based on institutional sales, appliances, renewable, you see a lot of Flat steel demand. So, Flat steel remains area of focus. On the price side, it'll be very difficult to give you a forecast as to which one will be better as we go along. But this is the focus which JSW Steel has between Flat and Longs.

- Ritesh Shah:** Right. And sir, just last quick one. Is evacuation a problem either at Dolvi or at Vijayanagar on finished steel products?
- Jayant Acharya:** As of now, no. In the eastern side, we had some challenges with respect to the raw material rake availability because of some rakes being diverted for power sector. Other than that, we have not faced any challenges.
- Ritesh Shah:** Yes. This is helpful. Thank you so much. All the very best.
- Moderator:** Thank you. We have the next question from the line of Darshan Mehta from Dolat Capital. Please go ahead.
- Darshan Mehta:** Yes, sir. Thanks for giving me the opportunity. Just some bookkeeping questions. Sir, can you tell us what would be the stamp duty amount that you had paid in Q2 for JJSL?
- Swayam Saurabh:** The stamp duty impact to JJSL has taken is Rs.276 crores.
- Darshan Mehta:** Okay.
- Swayam Saurabh:** And this is on best estimate basis.
- Darshan Mehta:** And sir, one more question was on the debt side. Can you tell us how much of our debt would be dollar-denominated? And how much of it is basically hedged?
- Swayam Saurabh:** So, we historically followed a policy of covering 12 months forward. But of late, we have increased our total hedged position. In gross terms, our dollar exposure, which was over \$6 billion beginning of the year last year, has actually come down dramatically to actually closer to \$3.5 - \$3.6 billion.
- Darshan Mehta:** From \$6 billion, you're saying we are now at \$3 billion, \$3.5 billion? Okay.
- Swayam Saurabh:** Over \$3.5 billion.
- Darshan Mehta:** Okay.
- Jayant Acharya:** We have repaid a lot of our expensive debt. During the first half of this year, if you would have noticed, our gross debt has gone down by more than Rs.29,000 crores. So expensive debt has been paid out in dollar terms.
- Swayam Saurabh:** Also, \$500 million...
- Jayant Acharya:** And another \$500 million bond we have repaid in this month, in the month of October, which was due in April. We have preponed that as per the contract option available to us.
- Darshan Mehta:** Okay. Thank you.
- Jayant Acharya:** We are reducing our exposure and balancing our exposure on the forex side.
- Darshan Mehta:** Understood. Thank you.

- Moderator:** Thank you. We have our next question from the line of Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** Yes. Hi. Thanks for the opportunity. So, while you aim to kind of expand capacities to 50 and 78 eventually, I just wanted to check, how will your product mix change? Will it remain what it is now, or do you expect it to change more towards some other products?
- Jayant Acharya:** Between Flat and Longs, is that your question, or downstream and...
- Amit Murarka:** Yes. Not just Flats and Longs, but also between HR, CR, and all, if you could just share your thoughts over there.
- Jayant Acharya:** Yes. So, from a product availability perspective, we are trying to basically map out the products which India would require and thereby put capacities which would be able to meet that demand.
- So, on the downstream space, I think, as Pinakin had also asked, on the downstream space, we see growth in the value-added segment being quite strong. I think the growth is in double digits. So, capacity additions, we are trying to see that we are able to add capacities to be able to meet those demands.
- Specialty steel, we've already told you, CRNO electrical steel, transformer steel, and CRGO. Because of the electrification and because of the shift towards more electricity, these will be in strong demand, so we are putting up capacities to be able to meet those demands.
- Tinplate, we are adding capacity because we are seeing packaging also moving to sustainable packaging, and we are adding capacity on those as well. On bearing steel, we see demand in India as well as international. So, we have added some capacities in Salem, debottlenecked some of our lines to be able to produce more bearing steel.
- The BMM asset, which we had announced recently, that asset also we would be adding more alloy steel focused Long steel. The rail mill in Raigarh will be, again, another value-added offering to the market. So, we continue to look at opportunities and add product lines which would be able to meet the demand of the market.
- Amit Murarka:** Sure. Now, while that is helpful, I understand these are all quite detailed downstream-oriented plans. But I was looking more at, as I said, the headline steel production in terms of CR, HR, those brackets. Will that also undergo a change, or would you continue to broadly maintain the mix between Rebars, HR, CR?
- Jayant Acharya:** From Flat steel point of view, I think our basic aim is to see that our value-added and special steel component percentage remains, by and large, as to what we are, and if not improve. That will be our focus. Our Flat steel component is higher and will remain higher as we grow our capacities.
- Amit Murarka:** Okay. Got it. Sure. That's it all. Thank you.

Moderator: Thank you. As there are no further questions, I would now hand the conference over to the management for closing comments.

Jayant Acharya: Thank you very much. We continue to remain very confident about the outlook for the growth in India. The demand continues to be very strong. The H2 looks very strong. Our balance sheet has the strength and the profile today to be able to fast-track our capex, in line with what we have guided for FY32. We have added capex according to that, and we will continue to focus on our raw material security as we build our volumes in terms of steelmaking.

Our value-added and special products, we have already outlined. We are continuing to invest in those as well. We remain very optimistic on the growth going forward for this decade in India. Thank you.

Ashwin Bajaj: Thank you. Thanks for joining us and have a good weekend.

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