February 5, 2023

BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001 corp.relations@bseindia.com **Scrip Code: 532286**	**National Stock Exchange of India Limited** Exchange Plaza, 5th Floor, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai-400051 cmlist@nse.co.in **Symbol: JINDALSTEL**

Dear Sir / Madam,

SUBJECT: TRANSCRIPT OF EARNINGS CONFERENCE CALL HELD ON JANUARY 31, 2023, AT 05:30 P.M. (IST)

This is in furtherance to our letter dated January 27, 2023 w.r.t the Earnings Conference Call intimation for the financial results with the Institutional investors/ analysts.

In terms of Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the earning call is enclosed herewith and has also been uploaded on the website of the Company at www.jindalsteelpower.com.

You are requested to take the above information on record.

Thanking you.

Yours faithfully,
For **Jindal Steel & Power Limited**

ANOOP SINGH JUNEJA
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Anoop Singh Juneja
Company Secretary

Encl: as above

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"Jindal Steel & Power
3Q FY23 Earnings Conference Call"
January 31, 2023

MANAGEMENT: **MR. BIMLENDRA JHA – MANAGING DIRECTOR**
MR. RAMKUMAR RAMASWAMY – CHIEF FINANCIAL OFFICER
MR. VISHAL CHANDAK – HEAD INVESTOR RELATIONS

MODERATOR: **MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to the Jindal Steel and Power 3Q FY '23 Earnings Conference Call, hosted by Antique Stock Broking. 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 then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pallav Agarwal, from Antique Stock Broking. Thank you, and over to you.

Pallav Agarwal: Yes. Thank you, Yashasvi, and good evening, everyone. A warm welcome to the third quarter results call of Jindal Steel and Power. We are joined today by the senior management team from JSP. Mr. Bimlendra Jha, the MD, Mr. Ramkumar Ramaswamy, the CFO, and Mr. Vishal Chandak, the Head of Investor Relations.

So, I would like to now hand over the call to Vishal for his opening comments. Yes, Vishal, over to you.

Vishal Chandak: Thank you, Pallav. Ladies and gentlemen, good evening, and thank you very much for joining us for the Q3 briefing of the earnings highlights for JSP. So we will start with a quick overview on the financials, by our CFO sir, Mr. Ramaswamy, and then we'll jump into the Q&A.

So without much ado, sir, I'll hand over to you, sir.

R. Ramaswamy: Thank you. Good evening, and good day, everyone. Let me give a quick overview of the financial and operational performance for this quarter.

Let me start with the sales volume first. Our volumes for the quarter was 1.9 million tons. This is a 6% decline Q-o-Q, primarily driven by a 48% decline in exports. The domestic volume also marginally declined by 1%, primarily driven by issues around rake availability and dispatches. The share of exports in the total volumes declined to 5% as against 11% of the previous quarter. The production for the quarter was 2.06 million tons, which is a 13% increase quarter-on-quarter. As you would know in the last quarter we had some shutdown and this quarter all the plants produced at optimum capacity. The Angul plant created a world record in production during the quarter by producing 54 heats in a day during October.

Let me talk about realization. Our NSR declined by 1% quarter-on-quarter as the pricing remained soft during the quarter. And to give you a quick sense of where we are, Currently, we are seeing prices firming up and the current realizations are marginally inching up by 1% to 2%. Our SMS costs declined by 9% during the quarter. This was primarily driven by lower coking coal price of around 18%, lower thermal coal prices of around 17%, iron ore prices remain flat during the quarter. As per our practice, we do not provide any forward guidance on numbers for the subsequent quarters. So I'm not giving those guidances.

Let me move on to EBITDA. Our standalone adjusted EBITDA is INR 2,163 crores. This is 52% higher quarter-on-quarter, primarily driven by the factors that I detailed earlier, that is lower volumes, lower realization, offset by lower costs. The EBITDA per metric ton for the quarter improved and is INR 11,183 per metric ton. The consolidated EBITDA for the quarter is INR 2,296 crores, which is also 51% higher Q-o-Q. The main operating entities Mozambique, South Africa and Australia, they had an operating EBITDA of around $20 million and after adjusting for FX, this translates to a $4 million during the quarter. Profit after tax, On a consolidated basis, our profit after tax was INR 518 crores, which is 137% higher quarter-on-quarter. Before exceptional items, our profit after tax is INR 897 crores for the consolidated entity.

I would also like to give an update on the overseas subsidiaries, the investments that we had highlighted last quarter. As highlighted earlier, we have concluded an independent valuation exercise and based on that we have provided for INR 7,253 crores in the standalone entity against the overseas investments. At a consolidated level, this provision gets offset. We have, however, charged off goodwill and other assets appearing in the consolidated books to the tune of INR 378 crores, which you will see in the financials as one-off exceptional items. Based on the above provision, our net loss at a standalone entity level is INR 4,512 crores. Exceeding the one-offs, our profit after tax is INR 836 crores during the quarter for the standalone entity.

I'll give a quick overview on our debt, our journey of deleveraging continues. Our gross debt at the end of the quarter was INR 10,983 crores and net debt was INR 7,478 crores. At a consolidated level, our net debt was INR 7,090 crores, which is 0.66x our EBITDA. I'll also give a quick overview of our cash flow, and then we can open up for Q&A. We had an opening balance of INR 6,383 crores of cash. Our adjusted EBITDA was INR 2,163 crores. We had a net reduction in working capital of INR 713 crores. This was again, our focus on cash and inventory reduction. We had also taken short term loans of around INR 410 crores for the power assets that were acquired. These were the main inflows.

In terms of outflows, we concluded the refinancing of loan to the extent of INR 1,728 crores. We repaid short term buyer's credit and working capital loans of INR 968 crores. We invested in our subsidiary Jindal Steel, Odisha, INR 939 crores. Our advance tax payment was INR 710 crores. Our own capex, both sustaining and growth capex in JSP was INR 642 crores. Scheduled loan repayments was INR 448 crores. And the financing cost was INR 343 crores. With this, we ended with a net balance of INR 3,505 crores. Again to summarize, cash flow from operations was INR 2,164 crores. Cash flow from financing was negative INR 3,077 crores, because of the various repayments that we did. And cash flow from investing was INR 1,965 crores, resulting in a closing cash of INR 3,505 crores.

With this, I would like to conclude the overview and hand over for any Q&A.

Moderator: We have a first question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Congratulations for a good set of numbers. I have two questions. The first one is essentially on sales volume, which was a tad lower in this quarter due to rake unavailability and issues around dispatches. So my question is, is there some volume lying at the port or at the plant that we can expect will come in Q4? And if you can also guide for the sales volume for the full year or for Q4 at the deem set?

Bimlendra Jha: Yes. This is Bimlendra Jha. Thanks for your question. There was not much of FG inventory built up. It was only about 35,000 tons that was built up. So as you know, one of the reasons why we had much higher sales number at the end of quarter 2 was because there was lot of inventory lying with us and we wiped this almost clean at the end of September. So, thereafter it has mostly been whatever we have been able to produce, is what has been sold, except for some break and availability issues due to focus on coal movement in India. So that focus from the government has not changed.

And therefore, we continue to face some difficulties on the movement of our raw materials as well as finished goods. So barring that, we don't see any issues, and whatever we produce, we should be able to sell. On that rake movement also, we have tried to compensate it as much as pass it through the road, and we are also buying our own wagons. So, but that is also, as you may be aware, is taking time in India to get your wagons very quickly, because there is shortage of wheels in India. So, these are some of the challenges that the Indian industry is facing. And other than that, whatever we produce, we will sell. So that is the only guidance we can give you.

Amit Dixit: Sir, coming to overseas mining subsidiaries, I mean, we have seen that so far in terms of volumes, they have been pretty state. So going ahead, what kind of volume growth we can see over there, particularly from your Australian mining subsidiary?

Bimlendra Jha: So, in Australian mining subsidiary, we have been trying to debottleneck that and make some solid adjustments to the way they mine and process the coal. And that should be still after June, we are expecting that they will be in a position to have a proper mining and coal beneficiation and also get better gains from that. Because, at the end of the day, it is all coking coal and because of the high ash content, it gets sold as a thermal coal. So all that will change after they have invested in that washery, etc., that they're doing.

Amit Dixit: And what would be the quantum of that investment that washery investment?

Bimlendra Jha: It's minor, I think. How much…

R. Ramaswamy: I think we are evaluating the capex investments in Australia, and maybe by next quarter we will be able to provide a clearer view. At this time, it is a bit early. But it is not substantial. It's not substantial. It's small amount.

Moderator: We have our next question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: My first question is, if you could just share the updates on all the growth and cost saving projects which are lined up, as far as their commissioning timelines, specifically for coal blocks, the slurry pipeline, the pellet plant and the hot strip mill?

Bimlendra Jha: Okay. So our some of the clearances, etc, are still in the process and therefore some of these will be only done as those clearances keep coming. But the pellet plant is very close to commissioning, based on earlier clearances that we have had. It is under trial testing phases. So we will soon get the consent to operate and we will be able to start operating that plant.

Coal mine will be the next big one and there are, again, clearances in the process, we have kept everything ready in terms of the equipment, contractors, etc. So the moment we get all the clearances, we will start moving into the land. And so, that's just a matter of time. It can happen in weeks, in months, whatever, whenever it happens, it is all part of the government process. We start moving in and within four weeks, we start taking it out from the date of clearance. So, that's the next one.

As far as our slurry pipeline is concerned, that's a slightly longer project. We have completed nearly half of it. And half of it is the more tougher areas where things are moving a bit slower compared to our expectation. But that is where all the conversations are happening to facilitate that. As far as hot strip mill and the rest of the investment around that is concerned, there is proceeding on a sound basis and quarter 2 of next year, we should be able to see these investments coming up.

Sumangal Nevatia: Since, with respect to the coal mines, all the four coal blocks, I mean, they are seeing delays because of regulatory issues or we are seeing some progress in one or two of them? Any details mine wise, if you could share.

Bimlendra Jha: No, we are seeing progress. It is just that the progress is not to our taste. But we would want things to happen in a week, which meant we were taking four weeks. So, that's the difference of expectation.

Sumangal Nevatia: And sir, with respect to the blast furnace and the hot strip mill, that is expected to, I mean, commission in the second half of next year and start contributing volumes?

Bimlendra Jha: Not blast furnace. We need clearances, etc. It is the hot strip mill, which has got off everything. So, that will definitely be commissioned in the second quarter of next financial year. And apart from that, we have got our -- just one second, I'll give you the timelines from -- so second quarter of FY '24, hot strip mill, pellet plant, of course, the first one, I have already told you, in the current quarter it should happen. Then slurry pipeline will be definitely by the second to third quarter of next financial year. And then blast furnace should also come up by the end of the third quarter, BOF around the similar time. So this is the kind of timeline that we are working there.

Sumangal Nevatia: Sir, my second question is with respect to the coal cost. I mean, domestic coal availability appears to have improved and even thermal coal international prices are down. So I mean, what is the sense on coal cost reduction going forward, both on thermal coal and coking coal versus the 3Q level?

Bimlendra Jha: Coking coal, the international prices are not down, they are up compared to last quarter. Although, they are down compared to last year. So if you're making a comparison with respect to last year, of course, they're down. But then those were exceptional numbers. If you compare it to the previous quarter, then they are up, and that kind of a movement in coking coal prices is anybody's guess and it is dependent a lot on what happens in China. And China, when it returns after the Chinese New Year break, that is when we will know in which direction the coking coal prices are moving. So that's very clearly also an indicator of demand. But the world level and the expectation is that the next -- the current calendar year is likely to be stable in China.

Overall, the world is expected to increase it by about 17 million tons, out of which 7 million tons growth is coming from India alone, is what is the expectation for the current calendar year, so that means the current quarter and the three quarters of next financial year. So in this one, India, we see walking toward different drumbeat compared to rest of the world, which might open up a similar kind of a possibility that happened in the past where the raw material prices, if they don't pickup as much as what happens on the steel demand side, then you can look at robust performance by steel players in India.

Sumangal Nevatia: And any outlook on the thermal coal?

Bimlendra Jha: On thermal coal, see, we will be -- the moment our mines open up, we are completely independent of what happens in the market. And that is why we are very keen that all our clearances happen quickly and we start mining.

Moderator: We have our next question from the line of Siddharth Gadekar from Equirus.

Siddharth Gadekar: So first question is on the pellet plant. So given that our one pellet plant is coming online by this year end. So next year, what kind of pellet volumes can we expect from that plant?

Bimlendra Jha: So this is a 6 million ton per annum pellet plant. And therefore, and it's not a very steep learning curve or anything for us. It is just a question of commissioning and thereafter quick ramp-up. So that's the kind of a capacity it has. The only trials and testing that we will have to do is that, whether the quality of DRI pellets we are able to produce, whether we are able to use flux pellets and all, so to that extent, we will be moderating the volumes, but otherwise, its capacity is 6 million ton per annum.

Siddharth Gadekar: So, sir we can expect 4 million ton on that plant in FY '24 and that will be entirely external sales, right?

Bimlendra Jha: FY '24. Yes. No, it will not be external sales. because it is coming up at our Angul, it will be entirely consumed in-house.

Siddharth Gadekar: So, given we already have 9 million ton of pellet capacity, so from there, we will be doing some external sales next year?

Bimlendra Jha: So net-net, you will see a sales from Barbil where we are getting our current pellets from. So, whatever is the quantity of pellets that we produce and consume in Angul, will be the quantity of pellets that will be released from Barbil for sales.

Siddharth Gadekar: Sir, and secondly, in terms of volume outlook, how should we look at it in from fourth quarter and FY '24 perspective?

Bimlendra Jha: See, volume is stable, and it is something that we are expecting that the demand in this quarter should be good. Export inquiries have also increased. So, as long as we can manage the logistics, I said earlier, we will be able to sell everything that we can produce.

Siddharth Gadekar: And sir, for FY '24, any volume guidance?

Bimlendra Jha: We don't give forward-looking statements, as you are aware. So the guidance is what you can see.

Siddharth Gadekar: So is it fair to assume that if the industry is growing at 6%, 7%, we will be growing at 7%, 8%?

Bimlendra Jha: As soon as I say, yes or no to that question, then I'm giving you a forward-looking guidance.

R. Ramaswamy: My request is, as we mentioned, we do not give forward-looking guidance either in terms of cost or volumes. So, please, if you could take note of that.

Moderator: We have our next question from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: My first question is on the INR 7,000 crores write-off that we have taken in the standalone. So we understand, it's to JSPML, but which are the end use entities, where we have actually lent these monies and do we plan to invest further in the subsidiaries?

R. Ramaswamy: So, the end use subsidiaries are quite, quite many. I mean the main ones are of course here, Australia and Mozambique, South Africa. But then, we also had -- Mauritius had also invested in various other subsidiaries like Bolivia and Botswana and others. So we considered all of these investments when we did evaluation of how much we have invested. And the outcome of that is the impairment provision that we have made. I think you also asked a question on investments. So, there is no current plan to invest anything further in any of the subsidiaries. Yes. As and when there are any plans that are made, we will definitely disclose that to all of you. At this point, there is no further investment in any of these subsidiaries.

Indrajit Agarwal: My second question is on the captive coal blocks. So once these blocks are commissioned, as you mentioned, you will be fully independent on thermal coal. And how does the cost look versus your current landed cost? Is the mining cost and the landed cost of those, materially lower or largely in line, including the royalty?

Bimlendra Jha: No, it will be materially lower. Our own coal will be materially lower.

Moderator: We have our next question from the line of Ritesh Shah from Investec.

Ritesh Shah: Sir, couple of questions. First is, sir, how should one read into the tax implication of the write-off INR 7,700 crores. If my memory serves me right, we had some prior gain corresponding to JPL. How should we connect both the dots, sir? That's the first question.

R. Ramaswamy: So, we have created deferred tax assets to the extent of INR 1,900 crores in this quarter. As and when we decide to write off, the appropriate tax adjustments would be made. So I think that is how you would like -- you should be viewing the tax benefits because of this.

Ritesh Shah: If I could just stretch it, should we assume that whatever gain we had, we have a complete offset in place, so there won't be any tax incidents?

R. Ramaswamy: No, I wouldn't suggest you should make that assumption for two reasons. The gain that was there, I'm assuming you're referring to the JPL divestment. Those are capital gain, and the tax impact on account of this write-off, would be a revenue related item. And there is also a question of when we will actually do the write-off. This is currently only a provision that we have made. We will have maybe one or two more quarters where we will again evaluate and firm up our position. And then, we will keep you suitably advised.

Ritesh Shah: My second question is more on capital allocation. So one is, just wanted some color on Monnet Power status, financial impact and timelines. The second is basically, are we looking at any inorganic moves? What we understand is, NMDC's steel plant is also that it could be of interest, that's the second bucket over there.

And the third bucket, there was news flow pertaining to JPL or I think promoter entity setting up a power plant in Mozambique. The third point, is it any which was related to the company? So I asked basically three buckets on capital allocation. One is Monnet, second is NMDC steel plant, and third is [inaudible] Yes, sir, all related to capital allocation.

Bimlendra Jha: So I lose track of all the three questions. But nevertheless, it is, the first one is easy, because it is in our interest to quickly decarbonize. So, our investment in Monnet is about reducing the carbon footprint and getting a lower cost of power. In fact, it will be the lowest cost of power probably, that we will get, being a pit head plant. So this is something where we want to expedite it and we are giving ourselves a couple of years for the entire investment to be made around INR 1,500 crores or so, is our current estimate of making it good. And it will be done in phases. So this is what is on your first question.

The second question, and third question, if you want to — the second one was -- inorganic mode, yes. So we have already been very clear that these are good assets NMDC or RNL, etc. But there are -- all the time, anyway, our company is on the lookout for such good assets and we will continue to explore this and we'll continue to remain interested in these. And the third one was around Botswana and JPL, etcetera. So yes, JPL is doing something over there where we do not have much to say.

Moderator: We have our next question from the line of Amit Murarka from Axis Capital.

Amit Murarka: So, my first question was around thermal coal cost. So like, would you shed some light on how has the DRI cost change in the quarter and are you seeing some benefit of the thermal cost reduction?

Bimlendra Jha: It has not changed yet, because these coal mines have not opened yet. So thermal coal, whatever has been the market prices, etc, that is -- everything has been sort of in-line. But if you see, overall our cost has reduced by about 9% in steel production. And that was, thanks to the variety of raw material mix, which included, of course, thermal coal and coking coal and iron ore. So, given that trend, we were able to almost keep our NSR, the prices stable, whereas the costs give us good advantage and that is where you are seeing the result of quarter-on-quarter more than 50%, I think, 51% on consolidated basis, 52% on standalone basis, EBITDA improvement. So that is a direct result of cost reduction, primarily on account of raw materials.

Amit Murarka: Also given that the regional demand outlook is now better, like, could you kind of help understand how has the exports outlook for you changing in this situation?

Bimlendra Jha: So, see, market outlook, we are seeing a good robust improvement in the order book, which as you know, that this export duty was withdrawn only in the month of November 2022 and that quarter was already booked out. So inquiries started coming in after that. But that is mostly for the current quarter. And therefore, from a miniscule level to decent order book and that is always a question of where we get better realization. So, we keep evaluating that and we keep taking the orders or not taking orders on that basis. But we are seeing a very healthy pipeline of order book.

Amit Murarka: I mean basically last two quarters exports have been weak. So like, can we expect it to go back towards like usual 20% of your total volumes that we have seen in the past?

Bimlendra Jha: See, as I said, that the decision on every order is based on the alternatives. And we are not fixated on any export as a percentage. What we are fixated on, is highest value for the products that we make. And that is a decision which is based on every inquiry, and in the same timeframe, the alternatives that we have domestically. So, we would not want to hazard any forward-looking statement on how much would be the percentage of export.

Moderator: We have our next question from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: One question on the coal mining project. You mentioned that some of the clearances are coming in but late. Could you explain us what are the clearances involved and what are the steps involved in achieving these clearances?

Bimlendra Jha: I'll have to write a book and give it to you on the number of steps involved unfortunately. It's just too many. It's just too many, but every step has to be patiently answered, replied for and we keep going on and-on-with every step. And then I can't give you the whole list of, at least 20 or 30 steps, which we are monitoring on a daily basis.

Kirtan Mehta: So broadly, if we have to revise our plan, accounting for the actual system that is involved into it, how do you see the ramp-up sequence changing and the timing changing from your earlier guidances?

Bimlendra Jha: See, we have only given the guidance. I was there on the call last quarter, and I said that we would like it to happen as soon as possible, but it is not in our hands. So, technically speaking, everything can finish in four weeks timeframe. But it doesn't. So what guidance do I give you on something that I don't control.

Kirtan Mehta: So outer limit, can we assume that all this mine would be fully ramped-up over the next two years or so, or could it take even longer than that in terms of achieving the peak potential?

Bimlendra Jha: Two years is a good guidance for full ramp-up. That much I should be confident.

Kirtan Mehta: And in terms of the second question was about sort of 9.6 million ton capacity that we have. Last time I think when we discussed, there were some gaps. So are we planning to close any gap during FY '24 to improve the production level?

Bimlendra Jha: Surely. When we say 9.6 million ton, it starts with the metallics. So it is not all finished goods or semis or anything. It is all metallics, including sponge iron, pig iron, etc. Many of them get consumed within the system. Some of them, when we have surplus, then we are able to sell outside. Our guidance is that our company is focused on value creation and therefore, the more we are able to value-add, the better our investments pay off. So this is something that you can constantly see that when we are saying that we will make 54 heats out of a single BOF and created a world record, that is only shifting it from intermediate product to semis level. But I don't have the finishing capacity for that semi.

So today I may be selling that semi. Tomorrow when I have hot strip mill, then it immediately starts coming into production over there. And I may not have enough of semis. So this is where the sequence of investments counts a lot. And the guidance I gave last time as well was, that we start from where the highest value gets created and I did give that guidance that pellet plant is our first priority. Coal mines is our second priority. And then, actually the end of the chain becomes the next highest priority, which happens to be hot strip mill. Because you don't create that much of value at the semis stage. So these are the kinds of ways in which we are making sure that our investments are paying for themselves. I hope that I the enough guidance for you?

Moderator: We have our next question from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda Overall good set of numbers, Sir. Couple of questions. One on the Australian coal subsidiary, despite over 100% growth in dispatches, we have reported an operational EBITDA loss of $6 million. So were there any exceptional or -- because I believe, in the past we have said that we -- overall cost is roughly around $80 to $100 to produce coking coal there, the prices are much higher. So why are we not able to report profitability at the Australian mine?

R. Ramaswamy: There are couple of reasons. One is of course the productions, the production itself, the volume was still much below the capacity that it is intended to for. But more importantly, specifically for this quarter, one is, there is a realization, which has come down significantly. The NSR for the coal produced from Australia was $197 last quarter. And in this current quarter, it is only $69. Yes. That is number one.

Number two, there were quality issues because of high ash content, which again resulted in the lower NSR. And that is the reason why you see a lower EBITDA as far as the Australian subsidiary is concerned. This is what the team over there is focusing on in terms of improving both the production, the quality and therefore, realizing higher value.

Bimlendra Jha: Essentially this coal got sold as thermal coal rather than coking coal. That's the crux of it.

Bhavin Chheda: And any plans to ramp-up volume and cost reduction efforts here because it's quite long when we are yet to see any cash flows or EBITDA at the Australian mine.

Bimlendra Jha: So, if you see the quarter-on-quarter, there is a reduction in losses that has happened. And that is because, if we were mining three phases, we started mining two phases more efficiently and got a bit of improvement as a result of that, both in terms of cost, by reducing the manpower, but more importantly also focusing on the right quality, so, with lower etc. So that is the kind of an effort which is an ongoing effort right now. But yes, Australia, there have been challenges and we are overcoming those challenges as we speak.

Bhavin Chheda: The second one on the capital expenditure spent in the quarter and first nine months?

Bimlendra Jha: So, first nine months, the total capital expenditure…

R. Ramaswamy: I will take. For the quarter, we just shared the numbers during my overview. During the quarter, the investments that we've made into our wholly-owned subsidiary, Jindal Steel, Odisha, was INR 939 crores and the capex that we had in Jindal Steel and Power itself for growth and sustenance projects was INR 642 crores. Totally, INR 1,500 crores.

Bhavin Chheda: This is nine months.

Bimlendra Jha: The INR 410 crores in Monnet.

R. Ramaswamy: Yes. And INR 410 crores in Monnet. Therefore total of INR 1,965 crores during the quarter.

Bhavin Chheda: This is during the quarter?

R. Ramaswamy: Yes. This is during the quarter. Yes.

Bhavin Chheda: And nine months figure, if you have?

Bimlendra Jha: I'll give you the broad picture that whatever was the cash flow from operations, nearly all of it was spent on these three major buckets, which is, for the power, that INR 410 crores capex in JSP, investment in JSO.

R. Ramaswamy: On the nine months, maybe I can share. The total investments into Jindal Steel, Odisha was INR 2,708 crores. In Jindal Steel and Power, JSP, it is INR 1,566 crores, plus INR 410 crores for Monnet.

Moderator: We have our next question from the line of Prashant Kumar Kota from Emkay Global.

Prashant Kota: Sir. I have only one question. This is regarding our debt. Sir, now we have a gross debt of INR 10,000 crores and net debt of about, I think, INR 6,000 crores, INR 7,000 crores something. Our EBITDA stream is now even at this current level of, not so great, EBITDA per ton. We are probably going to clock INR 10,000 crores per year rate, nearly to INR 10,000 crores and the new capacities coming up, coal mines coming up on stream over the next one, 1.5, to 2.5 years. You are sitting on substantially cash generating asset base and asset figure. We are worried that you know, sir, our debt is too low compared to what our balance sheet can support. The context is that, at one point, we had INR 40,000 crores, INR 50,000 crores of debt, that is one we created these assets. Now those fruits are coming. So now, if we are under leveraged. maybe two, three years we have pushed, there is an opportunity to use our balance sheet further. I'm just thinking out loud of it. Your thoughts would be helpful over there.

Bimlendra Jha: First of all, you are a very good analyst. You have made our task easy. You are absolutely right. And why do we generate money in business, if not for capital asset creation? So obviously, a capital assets have to be created. But as you know that we have been now changing the structure of the company in such a manner that we said that our existing investments, we will try to make sure that we move towards the zero net debt and convert this company into like HoldCo and have all these entities such as JSO, do the borrowing and investment on a 100% owned subsidiary model.

So you are seeing that our investments are coming up. And we have also stated our position very clearly that the maximum amount of debt that we would take is 1.5x our EBITDA. So as our EBITDA grows, our capacity to take debt will grow. But that doesn't mean that, just because you have the capacity, you use it. But you have then headroom to make ambitious plans. And those ambitious plans are always being drawn and you keep your powder dry for any acquisition opportunity, et cetera. So it is important to keep the powder dry. Having an ability to invest is more important thing than actually investing all the time. I hope that answers your question.

Prashant Kota: Sure, sir. That answers. would have been more happier if that 1.5 you said, three, but sure, sir, it answers the question. And thanks for the kind words.

Moderator: We have a next question from the line of Satyadeep Jain from Ambit.

Satyadeep Jain: Just a couple of clarification questions. On the Monnet Power deal, if I understood correctly, the 800 megawatt of captive power plant at the site was already sufficient for the expansion plan also. So is the power plant that is coming up Monnet Power for Angul 3, and that's given in light of the MOU you've already signed with Greenko, how does this Monnet Power plant fit into the entire picture? Is it basically replacing the existing captive power plant you have on-site? That's the first question.

Bimlendra Jha: First of all, we don't have 800 megawatt of power generation capacity. It is 135 x 6, how much is that? Okay, around 800 megawatt. Sorry Yes. So, but these are much less efficient compared to Monnet Power. And our stated ambition is to decarbonize, eventually becoming a net zero emission company. But Rome was not built in a day, and you can't just jump into that future state and it is better to have a journey where this opportunity is utilized in a very intelligent manner. And I'll give you some color to this statement, so that you realize what is being done here. So first of all, 25% reduction on our power-related carbon footprint immediately comes from where these assets are operated compared to the other assets. But that is not the only thing that it does.

Now couple of other changes that have happened as a result of this is that, we need process steam and we would have spent money on investing in new boilers. Instead, we will decommission or just isolate the turbine part of it and use the boiler part of those 135 x 2, and use it for process steam. That means our capital investment will reduce significantly from there.

And what also happens is that, because this is a huge land in a contiguous territory, we can shorten the distance of travel for the non-coking coal, the thermal coal that comes from our coal mines, which are next door. In fact, the length will be two-thirds to half of its current plant, because we will also relocate our washery over there. And they already have another washery.

Now all this makes it tremendous sense from a capital allocation perspective, from carbon footprint perspective, and efficiency perspective, and we will be producing cheapest thermal power. Now that is not contradictory to a future state where we are constantly wanting to invest in renewables and tie up renewable power capacity. We have a stated ambition to have 1 gigawatt of renewable power tied up completely. We, JSP, for example, is already trying to make investments into hydropower and all that, so that we are able to get green power. Our CGP-based DRI is already using hydrogen as a reductant in its process because of syngas and we are already capable of making a hydrogen-based DRI as and when green hydrogen is available. Now all these dots have to be connected together to be able to see the relevance of Monnet Power into our larger scheme of things. I hope that satisfies you.

Satyadeep Jain: Just a follow-up on that. When you say efficient, is the Monnet Power plant has — does it have much better station heat rate compared to the existing power plant?

Bimlendra Jha: Yes, 2,400 as against 3,000.

Satyadeep Jain: Just another question on the Australian coal mine. You said it is being sold and the NSR is very low. I was able to -- if I'm understanding it correctly, historically, the idea was that the coking coal from that mine will be exported and used in the JSP steel plant. Is that coking — is that mine sending coal somewhere else as thermal coal?

Bimlendra Jha: See, first of all, I think, you are on third question rather than second. But it's okay. Australia, I think we have to get our act better and we are working in that direction. Currently, this coal has so much of ash content without having a washery that we are having to sell it more like a thermal coal. We are not getting the coking coal prices for this. Of course, we are in negotiation and discussions with parties that have got washing capacity and are hungry for coal of this nature, so that they can get the right coking coal. And we would like to sell coking coal from a coking coal asset rather than thermal coal. So all this is an improvement on which we are working. But obviously, we are not where we should have been.

R. Ramaswamy: And maybe if I can add.I think the choice of whether it is going to be consumed captively or sold externally, I think that will be made on a dynamic basis. So for example, in the second quarter, 100% of it was consumed captively, whereas in the third quarter, because of the quality-related issues, we have to make those choices. So I think that's how it will be on a dynamic basis.

Moderator: We have our next question from the line of Ritesh Shah from Investec.

Ritesh Shah: Can you just update us on the capex plans? You have indicated around INR 18,000 crores, I assume that it does not take into account the mining capex. So if you can just help us with some numbers, what we should bake in portfolio for FY' 23, '24 and '25, one quarter for this year and '24, '25, please?

Bimlendra Jha: So first of all, that number was not INR 18,000 crores. I think it is INR 22,000 crores, including Monnet, it is INR 24,000 crores. So if that is the number that you would like to keep in mind, it is that number and I think you might have numbers without GST or something like that. So just kindly make that correction with yourself.

Ritesh Shah: Sure sir.

Bimlendra Jha: And as far as mining assets are concerned, obviously, we will have to get back to you with a full assessment of our mining plans.

R. Ramaswamy: We are finalizing the entire slate of capex over the next few years. And then, maybe over the next quarter or so, we would be in a position to share more clearer numbers, Ritesh.

Ritesh Shah: And, sir, I just have a follow-up on the prior question which I asked. The one more specifically on Botswana, you indicated JPL is doing something, we don't have much to say. I just wanted to check, we have a coal mine, I think under JSP which is in Botswana, will it have anything to do with, if at all, a power plant comes under JPL over there? I'm just trying to just have some sense from a related party transactions going forward.

Bimlendra Jha: Yes, we will be the beneficiary. They don't have any other source of coal.

Ritesh Shah: But, sir, then the current write-off that we took, I think you indicated that it also included the regions of Bolivia and Botswana. So I'm just trying to connect the dots again over here, just trying to understand the rationale, if the impairment had to be done, then why are we doing it now, if there is some hope at JPL to put up a power plant and do something with a coal mine over there?

R. Ramaswamy: So maybe, you will have to look at it in two ways. First is, this JPL, when the power plants will come, etc, is a bit unknown to us. Yes. I don't think it is an immediate short-term to medium term, it is going to be operational. I mean we don't have all the details, but that is number one. Number two, in terms of the provision that we have taken, that is an assessment, best case assessment based on what we see now.

Yes. Now, if conditions change, if things improve, if we see better value available at a later point of time, then we'll have to relook at it at that point in time. Again in this provisions, we have considered two things. One is the net present value of the inflows and also we would have considered a terminal value of the reserves that are there. So, I think that is how the value of the assets would be made. So the terminal value of some of these assets have been considered appropriately.

Ritesh Shah: Sir, can I squeeze in one question, I think it's important for investors as well. Like, looking at the history of the company we have seen, first, it was Oman then it was JPL. We divested it for the right reasons. It ended up in the polls of the promoters at the right costing, right valuation, that's perfectly fine. Sir, would you be able to give some assurance that something of that sort, probably, see, if I look at the Botswana coal mine, if I look at the Australian assets, we have taken a write-back, and if I go back in history, I think, same things actually played out for the other assets in past as well. So, will we look at a hive of over there divested? It's a hypothetical question, but I think if you can give some color over here, some assurance, I think that would be good.

Bimlendra Jha: First of all, you have yourselves said that at the right value, something has been done. And if today JSP is having a strong balance sheet, it is, thanks to some of these divestments, otherwise, from a INR 46,800 crores, the level of gross debt, we wouldn't have been at INR 10,000 odd crores of gross debt if some of these divestments won't have been made. So, why would somebody be looking for assurances, etc, if there is such a positive story to talk about. And in any case the second point is forward-looking statements, we refrain from. And you are asking for an assurance on something that we don't even know that it is an assurance or what is your fear, because as far as the history is concerned, the company has done well by making divestments.

Ritesh Shah: Sir, the fear is basically, JPL was divested, citing ESG an example. And we are looking at Monnet as such right now, citing the rationale of, say, station heat rate and logistics. So I'm just trying to, again, just connect the dots, that's why I use the word assurance. So, at the right price, it's fine, but then the rationale that we had cited earlier and what we are citing right now, I think, if you look at in the history of the company, I'm just not able to connect the dots.

Bimlendra Jha: No, but we have given very-very clear rationale and logic for Monnet acquisition. I don't know if I can say something today, why will I not do it, and should I allow somebody else to take a large piece of land right next door, which is actually literally going for a song. You know, how much is the money, time, energy, that is to be spent in acquiring additional land. Even if, there was no power plant over there, that land could have been acquired at that price and it would have been still worth it. That is the kind of valuation that we did.

It is a completely different matter that it has got a half-finished power plant, which happens to be extremely efficient and therefore, that asset -- acquiring that asset made so much of a no-brainer since that the first time I visited it, after I became the MD of this Company, it was not even on the horizon, but I started saying that this asset must be acquired without any consideration to what we have done to JPL, etc or what the market would think, because, this is the most logical thing to do with such a huge area under clear title ownership, with the boundary wall contiguous to our own plant. It made so much sense that even if we had any history of power plant or not, we could have acquired it, even if we had to dismantle that power plant.

Moderator: We have our next question from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: Thanks for giving me one more opportunity. Just in terms of the asset write-off for the JSPML, we have done at INR 7,000 crores. Could you give us the asset value, as well as the capital structure under that subsidiary? And how much loans are existing and whether they are -- the capital structure is sufficient to take care of it?

R. Ramaswamy: Some of this is already externally available information. You can access it in our previous annual reports. Or if you have further questions, our IR team can share you the details. This is all publicly available information.

Vishal Chandak: In the interest of time, this was the last question. So, would you like to conclude?

Moderator: Yes, sir. I would now like to hand the call over to Mr. Pallav Agarwal.

Pallav Agarwal: Yes. Thank you. Yes, I would like to thank the management of JSP for giving us the opportunity to host the call and also Mr. Jha, any closing remarks from your end?

Bimlendra Jha: Yes. I think, it'll be helpful probably to look at the results from a discretionary perspective. Some of the analysts have already taken the right view on these results. I have always maintained that profit is an opinion and cash is the reality. And if you look at cash position, the company has done well.

If you look at the investments, it has made the right kind of investments. It has made the right calls. I think, much has been unnecessarily been and — some of the investors about this acquisition of Monnet Power. Particularly, thanks to the JPL divestment, it didn't make sense. But I guess, we have been able to give cogent consistent reply around the subject, both from a decarbonization perspective as well as from the strategic perspective of this land, which lies right next to us.

What we realized in the course of due diligence was, that there was so many more pluses that it was completely a no-brainer to make this acquisition for many, many other reasons, leave alone the power plant. So I think everybody would be hopefully convinced. If anybody wants to come and pay a visit to that area, we would welcome you very much, because then, what I see, you will be able to see. And I would only say that keep trusting your company for the kind of decisions that we're making. At the moment, we are the strongest balance sheet company in India compared to any other steel company. We are also completely focused on infrastructure and construction, which is the thrust area for the government.

So even at 6.6% GDP growth rate, normally you would expect the steel intensity of that growth rate to take you to 8.5% increase in steel demand, but we have seen the first nine months of the year, had 12% increase in steel demand and most of it is from infrastructure and construction. The fact that JSP portfolio is completely focused on infrastructure and construction, you should feel more-and-more confident about the company and its policies.

Thank you very much. Hope to see you next quarter with similar kind of results. Thank you.

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