TML: 4331: 2022

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The Secretary, Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Maharashtra, India.
**Scrip Code: 513434**

The Manager, Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.
Maharashtra, India
**Symbol: TATAMETALI**

Dear Madam, Sirs,

**Sub: Outcome of Analyst / Institutional Investor Meeting under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015**

This is further to our intimation dated April 22, 2022 regarding an investor con-call.

We are enclosing herewith the transcript of the same held on Monday, April 25, 2022. The same is also being made available on the website of the company www.tatametaliks.com.

This is for your information and records.

Yours faithfully,
**Tata Metaliks Limited**

**Avishek Ghosh**
Company Secretary and Compliance Officer

Encl.: as above

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# “Tata Metaliks Limited Q4 FY22 Earnings Conference Call hosted by Monarch Networth Capital Limited”

**April 25, 2022**


**MANAGEMENT: MR. SANDEEP KUMAR – MANAGING DIRECTOR, TATA METALIKS LIMITED.**
**MR. SUBHRA SENGUPTA – CHIEF FINANCIAL OFFICER, TATA METALIKS LIMITED.**

**MODERATORS: MR. SAHIL SANGHVI – MONARCH NETWORTH CAPITAL LIMITED**

**Sahil Sanghvi:** Good evening, everyone, and welcome to the Tata Metaliks Q4FY22 Earnings Conference Call hosted by Monarch Network Capitals.

Just a reminder that all participant lines are in listen-only mode right now and muted, and request you to keep it on mute for a proper conference call to happen. And after the initial remarks from MD Sir, we will open the floor for questions.

The manner that we will follow through is that you shall have to raise your hand, and I will unmute you, and you can go ahead with the question. I request to limit the questions to three, so that everyone gets a chance.

Over to you Sandeep Sir, for the introductory remarks. Thank you.

**Sandeep Kumar**: Welcome to all the investors, the analysts. Thank you very much for joining the call. I think the quarter 4 results of Tata Metaliks has been a bit of a mixed bag. While we have achieved, I would say a higher profitability compared to Quarter 3, but we could have done much better. And I will explain to you the reasons for that.

Essentially, I think, if we look at also the overall numbers for the year, we have reached a revenue of Rs.2,746 crores, and the profit before tax of Rs.339 crores, which is the highest level of profits for the company. The second highest or the previous best was last year at Rs. 307 crores. But this also includes sale of land from our Maharashtra asset which was lying with us for quite some time, and which we had discontinued, almost about 9 to 10 years back. So, there was a windfall gain of almost Rs.30 crores to Rs.31 crores coming in from there. So, overall if you look at the profit before tax is more or less similar to what we had last year, which is, it comes to about slightly better than last year by Rs1 or 1.5 crores.

If you look at the sectoral performance, and just the highlights, we have the highest ever operational performance, the Blast Furnaces have produced maximum hot metal at 565,000 tonnes which was the highest ever.

The DI Pipe production has also been the highest ever at 236,000 tonnes. Coke plant has also been the highest ever. Power plant is also the highest ever. And of course, the sales of both Pig Iron and DIP have also been the highest ever, with the lowest ever inventory of Pig Iron and DI Pipes. Our collections have been the best. Cash position is also very robust.

So, all in all, it's been a good performance, but it's been a mixed bag in some sense, and I will tell you why. So, our profitability got impacted in Quarter 4, due to let's say three or four reasons. I) There was a huge surge in the raw material prices, particularly coal. You must be aware that the prime hard coking coal reached a level of almost $670 in Quarter 4 before coming down. So, let me say if we were to convert that into rupees per tonne, today or rather in the month of March, the prices of coal, average prices were upwards of Rs. 50,000 per tonne, compared to let's say less than Rs40,000 in the previous quarter. Coke prices crossed Rs. 60,000 per tonne. So, both coal and coke had a huge impact.

Then, though the Pig Iron prices also moved up, and particularly in the month of March, and we were able to cover our costs in Pig Iron quite well. But it took a little bit of time, in January and February, before the prices of Pig Iron could move up. So, this was one reason, so the huge jump in raw material prices is one.

II) Second reason for the profit being impacted is that our Ductile Iron prices are still, I would say, not gone up to the same level as what we would have expected, primarily because we are carrying the old contracts of FY21. And even though we have executed a very large part of it, but, it came to haunt us in Quarter 4. So, the old prices, the drag of the old prices continues to haunt us in our profitability. So, that was the second reason.

III) Then of course, the third reason is that even though we had an all round operational performance, which was the best ever, the blast furnace in particular got impacted because of the time taken to, let's say stabilize one of the blast furnaces, the bigger one, after the shutdown. And we have been facing this problem with this blast furnace for some time.

And the second blast furnace is due for major overhauling and repair, so, we can't ramp it up. So, on the blast furnace front, we have had a problem. While coke oven, sinter plant, power, DIP all have been very, very good.

IV) And the final reason for the impact on profitability, the four key reasons as I was telling you, is the royalty that we have paid. The additional royalty which Tata Metaliks had to pay, because of the government regulation, which came in for increasing the royalty on iron ore from 15% to 37.5%, for fines and for lumps, it went up from 15% to 52.5%. So, if you buy from a captive mine owner like Tata Steel, you have to pay that much extra.

So, this also impacted our profitability. And the overall impact of this for the year has been huge, has been upwards to Rs. 150 crores. So, if you actually look at our profit before tax number, compared to the last year, we should have been higher by that number. But because of this impact, we have been lower. So, despite the brilliant operational performance all over, other than the blast furnace, we still got impacted.

On the positive side, the profitability has been helped, by as I said surge in Pig Iron prices, excellent operational performance, and of the plants.

So, this is the summary. And I will close at this. And I look forward to the questions and any queries that you might have. I will close, and I will just ask Subhra, if you want to add anything. Subhra Sengupta is our CFO.

**Subhra Sengupta**: You have covered everything, but the price of other commodities like zinc, magnesium that has also got like haywire in last six months, and that DIP conversion cost, all raw material cost has got a huge push. And the coal maybe the highest impact, but the other also got a substantial impact of another say Rs. 10 crore to Rs.15 crore kind of. Other things you have covered.

**Sahil Sanghvi:** Thank you. So, now investors, whoever want to ask a question, they can just press the Raise Hand button, and I will unmute them and they can go ahead one after the other. Yes, Dhaval Joshi, you may go ahead and please ask your question.

**Dhaval Joshi**: There is a couple of questions from my side, first, can you give us the trajectory of how the DI Pipes sales would be for FY23? And from when or which quarter, we could see better realizations in terms of the higher price contract to flow in, to impact the profitability.

**Sandeep Kumar**: I missed, one important point, is that the expansion project, the first phase which we were supposed to commission by March, April, is actually under commissioning. And we should start commercial production by next month. Despite the fact that the overseas engineers are not able to come in to India, because of the COVID related visa restrictions, and these are primarily from China. So, they face the maximum problem, currently they are undergoing, they are also facing this wave of COVID.

We are actually using augmented reality, a digital technology to commission the plant. And different equipments have already been commissioned, the rest are under process. So, let's say sometime next month, if we start production, then if we did, let's say about 230,000 to 240,000 tonnes of DI Pipes, this year, then in FY23, we should be able to do, let's say anywhere between 280,000 to 300,000 tonnes or even more, depending on how fast we commission and stabilize the plant.

And the second phase would then get commissioned by let's say, early next year. That's the plan. So, that's on the quantity. As far as the prices are concerned, just to give you a sense, the prices of DI Pipes, let's say in last year, if let's assume the numbers would vary, but let's say if they were Rs.50,000 per tonne, then today, those prices have moved up by at least 50% to 60%. And we have been booking orders, I would say, right throughout the year. But more, let's say more of these orders we have booked in the last three to four months.

And let's say almost 60% to 70% of our total order book in FY23 would be of these new orders. So, the old orders which come in at older prices, would still comprise let's say at least a third, if not more.

**Dhaval Joshi**: So, can we fairly assume roughly around 20% kind of increase in DI Pipes sales from FY22, with a new commissioning of the plant?

**Sandeep Kumar**: I think that's a fair guess, it could be even more. See because what's happened is that since the commissioning is not being done physically by the technicians. So, there are some doubts as to how effective they have been. So, we may take a little bit more time to stabilize, that's the only concern. Otherwise your guess is actually conservative, we should actually, we would like to do much more than that. But I would like to keep that a little bit open and see how things go.

**Dhaval Joshi**: And full ramp up and full benefit as of now, our WHR capacities and coke oven has been already built-in, already came in the numbers, in Q4. Is that assumption is right?

**Sandeep Kumar**: Yes. So, both power as well as coke plant, we had expansion of coke plant, we had put up a new power plant. I would not say the power plant has given us full benefits. But whatever was a plan, it has given us more than that. Even in the coke plant, whatever was our plant capacity, we have actually produced more than that. So, we are right now at you can say close to 100% of the capacity, theoretical capacity. Practically in the power plant we can even go higher, but that's dependent to a lot of things. So, to answer your question in a nutshell, yes, Quarter 4 has given us the full benefits.

**Subhra Sengupta**: So, coke plant and power plant running in full swing. So, that is already coming. But in subsequent years, we have also got other cost related projects, which will come up mainly on the sinter, for the agglomerates, and also further oxygen management. So, that may come in FY23 or in FY24.

**Dhaval Joshi**: Last question from my side, I mean, what is the status of Tata Long and Metaliks merger, I mean can you make us clear on that?

**Sandeep Kumar**: So, I would like to say that I am sure you will get to hear from Tata Steel, sooner than later about their exact status, because of various things that have happened. We have been telling you that the procedural delays are happening. And in between there have been lots of challenges which have come up. So, I would not like to attempt to answer this question to get you confused. But I am sure you will get an answer soon from Tata Steel on this, to give you the current status, what's happening and where do we go from here.

**Sahil Sanghvi:** Vikas Singh, you can go ahead and ask your question.

**Vikas Singh**: I want to understand our strategy with respect to our iron ore procurement, since we are giving almost 150% higher royalty than what we were previously. So, why we have kept purchasing from Tata Steel, is it a logistical problem or the pricing is still lower even after giving the premiums to Tata Steel?

**Sandeep Kumar**: i) So, we don't buy only from Tata Steel. ii) The Tata Steel iron ore has certain advantages, which from a value and use, gives us that benefit. iii) The logistics, it has its own siding, so it's easier to get it. And iv) which is the most important is that on a like-to-like basis on the market, if it is not making sense for us, then we will not buy, because we also buy from the marketplace. So, it does make sense and therefore, we continue to buy, we get long term discounts. So, keeping that into account, it still makes sense, but the percentage of buy from the market has increased.

**Subhra Sengupta**: Vikas, there are two parts, one is the fines, the market royalty is also 150%, be it OMC, be it NMDC. So, Tata Steel is very much competitive. On lumps the royalty is higher compared to the market, as in the OMC NMDC. But Tata Steel quality is much superior than the normal market availability on Fe or silica, alumina. And what Mr. MD comment about the logistics and availability and consistency. So, be rest assured that we will continue to buy till the time it is lower than the market or competitors.

**Vikas Singh**: What is the mix right now, third party mix?

**Subhra Sengupta**: Say in term of lumps, we try to get 100% from Tata Steel, because it is much higher, better quality. In case of fines, we try to get low-cost variants from market and that varies in today's market, 25% to 35% to 40%. So, 25% to 40% average.

**Sandeep Kumar**: One-third is bought from the market in the case of fines.

**Vikas Singh**: My second question pertains to price escalation. So, you said that, the current orders, which are coming, are coming at almost 50% to 60% higher than what it was last year, I just wanted to understand, are they still a fixed price contracts, and in case raw material price goes down which stands to benefit, or these contracts have a price escalation clause linked to Pig Iron. So, in case tomorrow if raw material prices goes off we tend to lose the additional order swings which we could have got otherwise.

**Sandeep Kumar**: So, most of the orders are fixed price contracts, because the contracts are taken by the EPC contractor. And the orders that we have with the EPC, like L&T, Voltas, Tata Projects, Megha, so all these guys, then they have a supply contract from us. These are typically I would say fixed price. Wherever we supply to the government, and in some other cases, it is linked to the WPI of Pig Iron. So, if the Pig Iron prices move, we get an advantage. But the percentage of that order in our books is pretty low.

For us, most of the order book would be fixed price. And therefore, anything that we are booking now for the last six months, would be certainly advantageous as and when the raw material prices come down.

**Vikas Singh**: Out of our total CAPEX plan, how much we have already spent and how much is pending and how would be the spread over FY23, FY24 in terms of CAPEX spending.

**Subhra Sengupta**: So, the total CAPEX, we are still left with to spend around Rs. 95 crore to Rs. 100 crores, on the growth CAPEX. So, that we will spend in FY23. Over and above, we have as MD has earlier explained that blast furnace II in the rebuilt, in the capital repair, there also we spend money, and also on the sustenance CAPEX. So, these three things predominantly all put together will try to spend in FY23.

**Sahil Sanghvi:** Ashit Patel, you may go ahead and ask your question.

**Ashit Patel**: Ashit Patel from Molecule PMS. My question was regarding, given that Pig Iron prices have seen a sharp up move, since February, meanwhile coking coal and iron ore prices have soften. So, how are we placed in terms of current currently the spreads compared to Q4?

**Sandeep Kumar**: See right now, Pig Iron is actually booming. And why, I will give you the reason. This has now become more of a structural reason. The Ukraine-Russia war or the conflict has actually disrupted the supply chain from Eastern Europe, from Ukraine, Russia, who are the very large suppliers of Pig Iron. And therefore, there is a shortfall of Pig Iron in the international market.

With the result, the Pig Iron players have started exporting, we don't export much, but our other peers and competitors are exporting in large quantities.

Now, again, to give you a sense, in the last two months, the order booking of Pig Iron is upwards of 300,000 tonnes, so, 3 lakh tonnes from India. When in a quarter on an average the exports are never more than 50,000 to 70,000 tonnes. So, you can imagine, so there is a major shortfall of Pig Iron supplies in the domestic market, which you will see and which you will continue to see. So, a lot of people ask me that raw metal prices come down then Pig Iron will come down, I said 'no', why it will not come down immediately is because of the supply demand mismatch.

Raw material will indeed put some, will ease off the pressure as and when they come down, and you rightly said there has been some softening. Pig Iron prices have not come down, Pig Iron prices are booming. So, in fact it's only started booming in March, after the impact of Ukraine, Russia conflict was visible. And because the sanctions are likely to continue on Russia, and Ukraine's industry is destroyed this phenomena is going to continue for a year or two, is how we read it. The rest of course, we have to wait and see how things go.

**Ashit Patel**: So, can we expect, in the case which you mentioned can we expect the Pig Iron segment margins to return back to the level it were in like quarterback?

**Sandeep Kumar**: Yes, so Pig Iron margins will be absolutely robust. There is no doubt in that, okay. It all depends on whether raw material prices come down, to more reasonable levels, in which case our spreads go up and we have a fantastic margin. While in the case of DI pipes, you will see a more stable margin and more long-term benefits.

**Ashu Patel**: Once your second plant of DI is online, and then we can that we will be, having only capacity to merchant sell around one 100,000 of metric tonne of Pig Iron.

**Sandeep Kumar**: No let's say about 200,000 tonnes, 200,000 plus. See, our production of Pig Iron, of hot metal, is theoretically we can produce about 600,000 tonnes. Because both the blast furnaces have been misfiring for the last six months, one is up for major repair, it is used, it has reached it campaign life, end of campaign life, and therefore we don't expect much, we are not able to push it. And in the other one, there have been some other issues. Once these get fixed, I think we should be able to cross 600,000 easily. And if we can do, let's say 400,000 plus from DI Pipe, balance will come from Pig Iron.

**Ashu Patel**: As you mentioned we are seeing strong traction in Pig Iron exports, is that understanding right?

**Sandeep Kumar**: Absolutely. I just mentioned the figure of 300,000 plus booking.

**Sahil Sanghvi:** Yes, Saket Kapoor, you can go ahead and ask your question.

**Saket Kapoor**: Firstly, a clarification on the CAPEX part, Subhra, you mentioned that we are going to spend around Rs. 95 crore to Rs. 100 crore for FY23.

**Subhra Sengupta**: Saket, what I have said for the growth CAPEX it will be Rs. 95 crores to Rs. 100 crores, which is pending and which will be done in FY23. So, over and above, we have got BFII rebuilding and there also we will spend another say Rs. 90 crores to Rs. 100 crores and also the sustenance CAPEX, a lot we are spending on the digital automation and also another cost related project, yet another say Rs. 80 crores to Rs. 90 crores. So, all put together will be spending in the region of Rs. 250 crores to Rs. 300 crores.

**Saket Kapoor**: And currently our capital work in progress has gone up by Rs. 100 crore, if we take the March '21 number and March '22.

**Subhra Sengupta**: Yes, because we have spent this year around Rs. 325 crores. Out of that, on the DIP side, we have capitalized approximately Rs. 200 crores, mainly those things which has got already commissioned like on the melting, to casting and energy.

**Saket Kapoor**: So, the capitalization will happen, in the 1st Quarter I think?

**Subhra Sengupta:** No, Saket, totally say DIP is say Rs. 450 crores, we have approx. Rs. 200 crore, we have capitalized in March. Say Rs. 150 crore, kind of things, we will be doing the 1st Quarter. And balance Rs. 100 crore maybe in the last quarter or first quarter of this year.

**Saket Kapoor**: As you mentioned about the higher royalty charges for iron ore, on an absolute number, what is the impact for this full year with the implementation of higher royalty?

**Subhra Sengupta**: Say for whole year the impacts is Rs. 151 crore.

**Saket Kapoor**: Rs. 151 crore, only on account of iron ore.

**Subhra Sengupta**: Yes, it is on iron ore only. And also, coal, but we do not buy coal from Tata Steel.

**Saket Kapoor**: And on the DIP order booking part as mentioned by MD Sir that we have done a lot of order booking for the last quarter. So, taking into account the surge in raw material prices that have remained unabated, so are the margins protected as of now or there are also, there is a compression on margin, last six months order booking?

**Subhra Sengupta**: So, last six months, we have taken on a limited number. And compared to last six months, if you can see if you see the coal graph, it was surged only in the, mainly surged in the month of March. But again, in the April it has softened and did not have much exposure on March index. Coal I don't know it has a little bit softened, compared to two months back. And therefore, the orders which we have taken in last four to six months, our margin are still protected. But there are issues under those what our MD was explaining those are for FY21 --. To make it simple, those orders which you have taken in last six months is at higher price and the margins are protected.

**Saket Kapoor**: I would also like to thank the Board for this time the higher dividend payout at Rs. 8 per share and 10% of the profit being distributed, earlier we were always looking for a better dividend payout from Tata Metaliks, so thank you for improving us on that front also.

**Subhra Sengupta**: Thank you, but just to note that this is highest ever, Tata Metaliks maybe in 27 years, just paid dividend maybe for 18 to 19 years, this 80% is the highest ever. Last highest was 70% in 2008.

**Saket Kapoor**: In the investment part, under current asset, there has been an investment of Rs. 60.30 crore, what is this attributed to?

**Subhra Sengupta**: Rs. 150 crore, we have got intercompany bonds and investments that we have given to Tata Steel Downstream Limited, that Downstream Products Limited. Another Rs. 60 crore you will find is mainly in the mutual funds, Overnight Mutual Funds., So, you will find that our total cash and cash equivalent on 31st March is Rs. 337 crore.

**Sandeep Kumar**: So, Saket, what Subhra is saying, is that he is very rich, is dispersing money into others, other corporates. And that's where the money is, you are seeing that.

**Sahil Sanghvi:** Thank you. So, the next question we have from Shubham Agarwal, you can go ahead.

**Shubham Agarwal**: So, my question is largely on the industry side of DI Pipes. So, as we have seen recently there has been few announcements as far as new capacities are concerned. So, almost in the next two to three years, we are expecting 1.5 million tonnes to come as new capacity. So, in this scenario, how do you see the demand supply situation for the next two years, if you can throw some light there?

**Sandeep Kumar**: Yes, Shubham, the projections and the announcements by the Government of India on water infrastructure projects is just too fantastic, okay. And I will give you some numbers. Today, or rather let's say in FY22, Government of India released only Rs. 20,000 crores for the water infrastructure projects as against, or rather they allocated Rs. 40,000 crore but actual release was Rs. 20,000 crore, and the budget was, let's say upwards of Rs. 90,000 crore. Because of two waves of COVID last year, and because of the surge in prices, people could not use the pipes, they could not complete the projects. And therefore, there was a hit.

What we have calculated that considering the budget of FY23, which is about Rs. 60,000 crores and the spillover of FY22, the total money available on water infrastructure projects only by the Centre is Rs. 132,000 crore for FY23. An equivalent amount will come from states.

If you take this and calculate and say let's say only 15% to 20% gets spent on DI Pipes out of this, you can imagine what number we are talking about. But the problem is that the government is willing to spend that much money, allocates, but in reality it is not able to spend, because of various reasons. So, let's keep our, let's say numbers much more conservative, because as I said in FY22, they spent only Rs. 20,000 crore.

So, this is just to give you a sense where the numbers can go from Rs. 20,000 crore it can go up to Rs. 132,000 crore, if the government has the wherewithal and the capacity to actually complete projects. This is one aspect.

Now let's come to hard numbers on DI Pipes. The industry order book today is roughly about 1.4 million tones that's about seven months of order. There are about 1 million tonnes of inquiries in the market. So, that makes it 2.4.

Then there is tender of about roughly 0.9 million tonnes, which is already floated for the EPC contractors, not for the pipes. So, the EPC contractors get it and then they in-turn, give it to the pipe suppliers. And projects approved and tenders being prepared for to be invited, is about 2.5 million tonnes. So, if you look at the total number, it comes to roughly 5.8 million tones, let's say 6 million tonnes. The industry capacity is let's say 2.5 million tonnes. If you are saying 1.5 million tonnes more comes up, which I doubt very much, then the industry capacity becomes four. And we are saying we have a theoretically an order visibility, either an order visibility or projects visibility of about 6 million tonnes. So, that's the kind of numbers you have. But more realistically, I don't know from where you got 1.5 million tonnes. But the number that looks that's more practical is that we will achieve, will go up to maybe closer to 3 million tonnes by end of this year. And that also is not easy. So, DI Pipes will continue to be in short supply, in my opinion. And I think the industry is going to have a, remain in a positive supply demand situation.

**Shubham Agarwal**: Secondly, I would like to understand how difficult it is for a new player to come in this particular industry, because I believe two new players have already announced their venture into DI.

**Sandeep Kumar**: Yes, so one is Welspun, I don't know who is the other one –

**Shubham Agarwal**: Sandur Manganese.

**Sandeep Kumar**: That they have announced, so this is going to be a long-drawn affair, you know how long it takes. You can announce a lot of things, in reality to come in will take time. Plus, the entry barriers are extremely high in DI Pipes, both operationally and on the market side. So, many of the projects they require you to have supplied material for last five years, three years. So, many of these new players are likely to struggle for the next three to five years because many of the orders will not come to them because they do not have the credentials, but it is possible because the demand is so much that they might have a slight easier run than what players in the past have faced.

So, let's see how it goes. But on the whole setting up a DI Pipe industry is extremely difficult, and long drawn. Even if you are a smart efficient player, you will still need at least two years to complete it. And I am not even taking the environment clearance etc. which is anywhere between one and two years. So, things will get added up to the industry but they will take time.

**Shubham Agarwal**: And secondly, in the few of the recent orders, I think we have observed that they have mentioned HDPE Pipe. So, is this a substitute for DI or how does it work?

**Sandeep Kumar**: So, HDPE Pipes is a substitute for DI Pipes, absolutely right. But they are more competitive in the smaller sections. So, broadly the industry wide characteristics is like this, up to 300 mm, it is DI Pipes and HDPE, between 300 to let's say 800 or 1000 it's primarily DI Pipes, and beyond 1000 is primarily steel. This is a very broad, I would say characterization of the industry product usage or rather the material usage. Tata Metaliks sizes are, we like to play with the 300 mm to 800 mm, although our expansion takes it up to 1200 also. In China they make DI Pipes up to even 3000 mm, but in India the maximum is 1200 mm.

**Shubham Agarwal**: And lastly my question would be on the coke side. So, currently basis our capacity what is our total coke requirement?

**Subhra Sengupta**: It will be approximate 15%. So, it is a total requirement, only 80% to 85% is backward integrated, and 15% is we are exposed to market. If you go by the absolute terms it is 4000 kind of monthly, annually 50,000 tonne.

**Sandeep Kumar**: And for that entire 85%, how much coking coal are we procuring what is the total volume?

**Subhra Sengupta**: We have got a capacity of approximately 240,000 tonne of coke and that requires approximately 3.5 lakh tonnes of coal. Over and above, we also need coal for coal injection PCI coal injection.

**Sahil Sanghvi:** Kartik Arya, you may go and ask your question.

**Kartik Arya**: Kartik Arya I am an individual investor. First query is regarding Pig Iron. So, as we see the exports are running, shooting up like anything. So, in the previous quarter in Q3, what percentage of export and domestic would be the bifurcation? And second would be, what is the trajectory that we are looking at for TML, considering we had a shutdown. And like, what is the current position on that and what is the future going forward?

Since the Pig Iron prices have been running like anything and domestic, maybe the prices might not be shooting up that much. So, what is the future trajectory regarding this and also in Q4 what has been the let's say bifurcation of an export and domestic?

**Sandeep Kumar**: So, we have traditionally concentrated on the domestic market, but we have exported also. I think, Quarter 2 or Quarter 3 we did a very large quantity, I think 15,000 to 20,000 tonnes to China or somewhere, break bulk shipment. But otherwise, traditionally, you can say, we hardly, sell, I think we sell less than 10% to 15%, something like that in export market. So, 10% to 15% of our Pig Iron sales is in the exports market. It's an opportunistic play. If prices are good, more attractive, we will certainly look at that. But we have some regular customers we like to service, we more like to not starve them of Pig Iron. And therefore, our concentration is more in the domestic market plus we supply mainly the foundry grade of Pig Iron which is used by the castings players, whether it's for auto or for engineering, or for whatever. Most of the exports that's happening is the steel grade, where we don't concentrate, making that grade, although we do make but not much. So, that's the difference. But, depending on the margins, we can easily make that and supply and export. So, that's not a problem.

Quarter 1, as far as your blast furnace question was concerned, I think we continue to face some challenges in the blast furnace end as I said, blast furnace II was going for major overhauling and repair towards the end of this year. So, it will continue to struggle or let's say work under suboptimal conditions. So, we will be having a little bit of a challenge there. And blast furnace I also, we have been facing some trouble although we got back the blast furnace I in March. So, we need to make sure that the rest of the year we are able to operate efficiently. And actually the blast furnace I is also under some kind of augmentation as part of the expansion project. So, there will be some ups and downs, but I believe that after we have expanded that in Quarter 1, we should have a smooth running in the larger blast furnace, which is the blast furnace I.

**Kartik Arya**: Just one more thing on this, so regarding shortfall any particular number that we are looking at for Q1?

**Sandeep Kumar**: So, not really shortfall but I am saying that it will not operate at its peak efficiency, that's the point I am saying.

**Kartik Arya**: But all our furnaces will be operational?

**Sandeep Kumar**: Yes. And we will be taking some regular shutdowns etc. See what happens is when your blast furnace has reached its end of campaign life, its efficiency level comes down. It starts creating some problems, you need to take frequent shutdowns to repair it as and when things happen. So, that's a little bit of uncertainty. We have actually stretched the furnace, over last two, three years because we were able to run with it. And we took the capital shutdown program and the budget in this year. So, once we repair it, we are going for a major overhauling, it will be a far better furnace because you can imagine we had this furnace I think in 2012 Shubhro? When did the blast furnace II, the last one we did?

**Subhra Sengupta**: 2012.

**Kartik Arya**: So, it's almost 10 years. So, that's the problem, typically it will last you for about seven years or so. So, we are three years above it. So, that was just the, I was just flagging that, don't get surprised if you hear from time-to-time issues in blast furnace. Otherwise, all other DIP continues to be operating at best ever number, coke oven power plant, sinter plant I think rest everything is doing well. But except for the blast furnaces.

**Sahil Sanghvi:** Akhil Hazari, you may go ahead ask your questions.

**Akhil Hazari**: My name is Akhil Hazari from Robocapital. I just want to know what are the total volumes that the company did in the previous years, FY20, FY19 around, which would be DI Pipes plus Pig Iron?

**Subhra Sengupta**: DIP this year we have done 237, last year 219, year before that say FY20 we did also 230 plus. And FY19, two lakh plus but exact number I cannot say, I don't know, don't recollect. But I can share you separately. Similarly, so the 237 is the highest ever, keeping in mind that our nameplate capacity is 2 lakh tonnes.

Same thing for the hot metal side, last year, we did 466 Kt, hot metal. This year we have done 565 Kt and FY20 approximate 550. And based on the DI pipe the balance goes to hot metal, the balance goes Pig Iron. Pig Iron this year we did 344 Kt and last year it was 283 Kt.

**Akhil Hazari**: And coming here, the company is planning on doing six lakhs in total, right.

**Subhra Sengupta:** Yes, so, we expect that six lakhs at minimum and we definitely will try to sweat our asset more than we can try to reach the six, in between 6 lakhs to 6.20. Our DIP capacity nameplate would be say 4 lakh and we should try to do 4.20 to 4.25 kind of number and the balance 2 lakhs will be on the Pig Iron side.

**Akhil Hazari**: And regarding margins so, the margins purely depend on whether the raw material prices come down or not going forward?

**Subhra Sengupta**: So, that is true, but, as in earlier calls also we have time and again said, that DIP margin will be always higher in a steady state manner, in normal circumstances. And if we see in the long run, if you consider iron ore to DIP the EBITDA margin will be 20% on an average, if you take average up to three years, four years. And we our objective is to take it to north of 20.

**Akhil Hazari**: This would be only for Pig Iron margins, right.

**Subhra Sengupta**: No, I am saying the DIP margin on a three to five years horizon. It should be always approximate 20% of EBITDA margin and our objective is to do north of 20 through the cost measures and all.

**Akhil Hazari**: And the Pig Iron margins would be, any guidance that you could give?

**Subhra Sengupta**: Pig Iron, that depends, and in Pig Iron it is always that we can pass on a large portion of the cost to the customer. So, if you take a longer term, we can have a 15% to 18% margin definitely at the Pig Iron. Last year, the scenario was different Pig Iron get much higher margin that DIP, but the numbers I have talked is more of a three to five years kind of horizon.

**Sahil Sanghvi:** Ritika Tiwari, you can go ahead and ask question.

**Ritika Tiwari**: My first question was that since the prices of Pig Iron have shot up in the last quarter as well and I think they are continuing now also. So, is there any traction, what kind of traction do you find is the demand on the domestic front for foundry grade? Like is the demand stagnant or people are still continuing to raise their demand basis, the material availability?

**Sandeep Kumar**: Typically the castings players have a contract for about a quarter, while they buy it on a spot basis from us and from others. So, it takes time for them to pass on the prices to their customers. And obviously, there has been resistance, and people think we have reached the highest point and therefore it may come down. And therefore, there is a lot of resistance.

The capacity utilization of the foundries has come down from let's say, 70% to, let's say more like 50%. But I think the foundries will very soon realize that there is no point in holding on, they need to pass on the prices, because it's a structural issue. It's not that it's a temporary issue. Even if the raw metal price of Pig Iron should remain high as I explained a little while back, because of the Ukraine, Russia conflict. And Ukraine and Russia are large suppliers of Pig Iron to Europe and U.S., that's got completely stopped. And therefore, Indian Pig Iron is now going to U.S. on a large scale. And therefore, there is going to be a shortfall in the domestic market, which is going to continue. My sense is it will continue for longer and longer could be even one year, two years.

So, therefore, I think we are in a very robust position on the Pig Iron side. The raw material prices has its own dynamics and that should not influence the Pig Iron prices. And the Pig Iron prices should remain strong. That's my sense. We will see how it goes.

**Ratika Tiwari**: On the other hand, on the raw material side, since we must be having some high-cost inventory on the coal run of the last month, maybe in March it reached its peak. So, will it have its impact on Quarter 1 also, or have the lower cost inventory booked also, shipments booked for Quarter 1.

**Sandeep Kumar**: So, you have already seen the impact of high-cost inventory in Quarter 4. March was the highest but we didn't buy much in March. We did buy but not much. April, it has started coming down and then you know, so prices are better, but not the same as in March. But we will have to wait and see how things go in May and June as far as the raw material cost is concerned. But in general, definitely the costs are on the higher side, though not as high as in March.

**Ratika Tiwari**: And just one more thing you said that -- do have ended up at a very low inventory on Pig Iron side, so you assign it a number on the basis of number of days, inventor days, if you can give, how much inventory is left?

**Sandeep Kumar**: I can tell you the number, we squeezed out every ton of Pig Iron so it's virtually close to zero. So, you can say less than 1000 tonnes. Okay, the lowest ever. Even on the ductile iron pipe side, less than 2000 to 3000 tonnes you see there will be some hot pipes coming out which you can dispatch, leaving aside that every single tonnes has been moved out. The highest ever sales of both Pig Iron and DIP we did in FY22. Despite all that our profitability is still not the best ever.

**Ratika Tiwari**: For Pig Iron, there was no challenge for lower demand in the domestic front, because of the material availability thing.

**Sandeep Kumar**: No, it is no issue. In fact, you will start seeing a shortfall more and more, I think in this quarter of Pig Iron, because people have booked, see the Ukraine crisis started when, in February 2nd half of February, the impact was felt in March, okay. And then people realized, oh, there is no Pig Iron, so they started booking. Now the orders will get executed. And therefore, you will start seeing the impact of that. So, whatever price rise you saw in March was more sentiment. Now you will start seeing the real one, which we are started seeing in April. So, April, May, June, is going to remain pretty strong for us. The only problem that we are facing, as I mentioned, is the strong resistance by the foundries because they are not able to pass on those prices. But I think it's a matter of time, because I don't see any other option.

**Sahil Sanghvi:** I just have two questions before we move on to repeat questions. So, what would be our order book right now on DI Pipe?

**Sandeep Kumar**: Our order book would be, let's say more like seven to eight months at the moment.

**Sahil Sanghvi:** And the CAPEX that you have said about the sustenance CAPEX and for the rebuild of blast furnace That would be all spend in FY23 or would we spread it over to FY24 also? So, the whole, total CAPEX will be spend in FY23?

**Subhra Sengupta**: Rebuilt of furnace, 90% will be in FY23. And sustenance, digital automation, robotics it is a continuous one. What I was trying to give the guidance was that total CAPEX one on DIP II, blast furnace II, sustenance, robotics, all put together, it will be in the region of Rs250 to 300crores. And this number will vary based on the amount you are generating from the operations.

**Sahil Sanghvi:** We just have a few more questions. So, Sunil Jain you may go ahead and ask your question.

**Sunil Jain**: I am Sunil Jain from Nirmal Bang. One question regarding coking coal, what was our average cost of coking coal in Q4 and how it is likely to move in Q1?

**Subhra Sengupta**: What I can tell you about the Q1 of FY23, because as the coking coal prices are going up, we are trying to look for a newer and newer blend to keep the cost contained. But nevertheless, we will be having in Q1 average cost of blended cost in between 36,000 to 38,000 on a dry basis, which if you convert back, it will be in the region of 400 to 420 kind of CIF India. So, this is on a blended basis and various types of coals together. So, that if you talk about one quarter back, it will be approximate Rs. 8000 lower. So, 36,000 to 38,000 would be 28 to 30.

**Sahil Sanghvi:** Mr. Anil Jain you may go ahead and ask your question.

**Anil Jain**: I just wanted to know about the timeline of merger with the Tata Long Steel Products.

**Sandeep Kumar**: Yes I have already answered that, saying that you may get to know something from Tata Steel. Since this is a long pending question and it keeps, I don't want to repeat the same answer. So, the procedural delays have been there. And I don't want to keep appearing and giving you all kinds of reasons. I think you will get to hear I think, because there are three or four companies involved so I am sure Tata Steel will give you an answer sooner than later.

**Sahil Sanghvi:** We had a repeat question from Ashu Patel. You may go ahead and ask.

**Ashu Patel**: My question is regarding the fact that you mentioned that we are facing sort of resistance from domestic foundry players, that they are not able to accept the current higher prices. So, just to understand, theoretically, we have the process and infrastructure in place to export Pig Iron in case the domestic foundry doesn't show the traction the way we expect it. Can we export the entire supply?

**Sandeep Kumar**: So, obviously, you are not serious when you are saying export the entire supplies. What you mean is, and if I have got you, right, is that can you ramp up your exports? Of course, yes. We prefer to sell it in the domestic market, primarily because the realizations are better. We have old customers, long term customers, and we like to continue the relationship and not stop them, that's number one.

And as you would have seen that we are continuing to honor the DI pipe contracts, which was, let's say, at 50% to 70%, lower prices than what you have today. And we are one of the very few companies which is doing so in the industry and you can ask the customers. So, we don't want to deprive or let's say go away, make our customers lose faith in us. So, we will continue to supply. But obviously, the mix, the skew will go more towards exports as we go forward, because the export prices are booming. And we will take a call, depending on how much the industry is willing to accept the prices.

I just mentioned, the industry is still having difficulty facing on the places, its customers and therefore utilization of the industry has come down from let's say 70% to 75% to let's say about 50%. But it will, I think go back as they are able to pass on the prices, it's still early days if you realize the prices have started moving up significantly in March. And so it's been a month, month and a half. So, you have to give them some time. They have more longer term contracts, so they are struggling to do that, but they will do it because there is no option otherwise they will have to close down. But to answer your original question, yes, we can ramp up exports if required. And we will be doing, you will be seeing more exports as we go forward.

**Ashu Patel**: So, broadly saying always the domestic Pig Iron prices of foundry grade are in line with the global prices or can we see a discrepancy there.

**Sandeep Kumar**: See what happens is the foundry grade is not a bulk commodity. Typical foundries they take small quantities. So, we have distribution model. And we supply to them and we get good prices, because of this distribution model. Imagine a bulk buyer versus a retail buyer okay plus making foundry grade is more difficult, maintaining quality etc. So, our competition is also limited. So, that's why we concentrate on the foundry grade. The steel grade everybody makes you can make it in bulk and ship. Right now, the steel grade is booming. So, is the foundry grade, but foundry the supplies quantity can be only limited. So, what normally we do is we then make the steel grade or the basic grade Pig Iron and sell that whether in the domestic market or export market. That is the logical thing to do. And we will do that if we don't find enough takers at our desired prices, we will do that.

**Ashu Patel**: So, broadly saying if all the monitorable in terms of current Pig Iron realization and input prices, and everything remains stable as it is right now, can we say we can expect Q1 which is starkly different from Q4, which we just witnessed when it comes to Pig Iron?

**Sandeep Kumar**: No Pig Iron actually in March we got a lot of benefit. And I think that same benefit will continue into Q1, maybe somewhat more. Maybe the spreads will improve if the raw material prices continue to soften. Raw material prices has its own let's say trajectory. At the moment it has softened, but let's see how long and what. So, all in all, Q1 for me the Pig Iron looks to be good at the moment, whether it will continue to remain good is a challenging question. But from today's point of view, it looks better than last quarter.

**Sahil Sanghvi:** Saket you have a repeat question.

**Saket Kapoor**: If you could give us some color what were the exit prices for Pig Iron for March and what are the current prices trending, to get an idea of the trajectory.

**Sandeep Kumar**: So, the last price is in March and the prices that you are getting in April there has been an increase of let's say, Rs. 4000 to Rs. 5000 over March. Now, I will not be able to say exactly if you say exit prices, but overall compared to March there has been an increase of Rs. 4000 to Rs. 5000 per tonne in April.

**Saket Kapoor**: And as Subhra Sir mentioned that the impact of Coke was from 30,000 to 38,000. So, that is an escalation of Rs. 8000, am I correct on that or from Q4 to Q1?

**Subhra Sengupta**: Net Realisation is on the 100% coke is based on the usage. So, the impact will be half.

**Saket Kapoor**: Impact would be half, but the trend is from average of Rs. 30,000 it has gone up to 38000 is what you mentioned.

**Subhra Senguputa**: But that I have mentioned based on the quarter-on-quarter, but what MD Sir has explained based on the month-on-month. So, there will be little here and there.

**Sandeep Kumar**: Plus, even the number that Subhra Sir has said is a very approximate, it's more of a thumb rule kind of, if you were to use that as a thumb rule so he said 6,000 to 8,000. So, in actual it depends on the blend, what kind of coal you have used, how much of PCI you have used so all that.

**Saket Kapoor**: In the similar way, had the scrap prices also moved up, some of the players who are doing casting work or do they have any arbitrage play in that sense, just to understand the Pig Iron prices were shooting up, will it have a direct impact for the scrap market also?

**Sandeep Kumar**: So, interestingly, the scrap prices hasn't moved up so much. So, obviously, the players will like to use more scrap and less Pig Iron, but then scrap has its own availability issues and beyond a point, depending on the kind of furnace you use, you can't use scrap you need to use Pig Iron. So, if there is a typical furnace, they will need to use at least 50% to 60% Pig Iron. If it's induction furnace they can do with maybe 20% to 25% Pig Iron. So, there is a whole lot of variation here so you will not be able to accurately assess what is going to happen where. But to answer your question scrap prices haven't increased the way Pig Iron has increased is right.

**Saket Kapoor**: And a small point on the depreciation front Subhro da, as you have mentioned that we have capitalized the projects for this year, the depreciation for the year-on-year has gone down from 67 crores to 61.70. So, if you could explain the reason for the lower depreciation, although we have capitalized the project.

**Subhra Sengupta**: So, the capitalization took place on say 28th or 29th March so it do not have any impact in FY22, that will have an impact in FY23, that is the first thing. Second thing that now Tata Metaliks has crossed almost 25 years of the presence. So, a lot of assets, which we have bought in 1994 to 2000 now got fully depreciated. So, that's why one of the reasons is it is falling, year-on-year it is coming down. So, the impact of that DIP II will be felt in the next year. So, on a FY22 as a base the depreciation may go up by approximately 10 crore kind of number.

**Saket Kapoor**: On the last part on the profit on disposal of land. So, what was the total sell value, this is the profit 31 crores we have booked.

**Subhra Sengupta**: Sell value was approximate Rs. 42 to Rs. 43 crores.

**Saket Kapoor**: You summed up, Sandeep Sir, taking into account the impact of the hardening of raw material prices and consequent the jump in the Pig Iron, there is a better realization on the Pig Iron front, however, with the legacy order book still not fully not executed, we will be having an impact on the DI Pipes margins for the 1st Quarter, this will get mitigated by the first quarter itself, the old legacy or will it percolate to the 2nd Quarter also, second half.

**Sandeep Kumar**: So, I gave you an idea that roughly 1/3th of the orders in FY23 will be the old legacy orders. That doesn't mean we will execute everything in Quarter 1.

**Saket Kapoor**: Right there will be blended basis.

**Sandeep Kumar**: Yes so you will get a, so we will play it long. Also, the fact that Pig Iron is more profitable we would also like to maximize Pig Iron, it's a logical thing to do, isn't it. So, basically we will play this margin maximization game, but balancing out customer needs, every quarter in FY23, it will not be only Quarter 1 as we go on, I think quarter-on-quarter you will see this.

**Saket Kapoor**: But here also we have a disadvantage because of the blast furnace not working at optimum level. Had that been the case, the Pig Iron volumes would have been more robust. This is what one could sum up.

**Sandeep Kumar**: Yes, no, so you are right. So, there will be some impact of that, which we have also already seen in Quarter 4 also, otherwise, we could have done even more. And I think that will continue at least till Quarter 1. And I hope that we can get over it at least part of the problem by Quarter 1 because we will be taking those annual shutdowns etc. So, you will have some of those things.

**Saket Kapoor**: And lastly, we will be hearing something on finally we will be hearing affirmative thing from Tata Steel on the on the merger story once for all, this should happen in one quarter time, or it will take longer than that.

**Sandeep Kumar**: No, what I said was that you will get to know and get a better picture from Tata Steel, because Tata Steel is our parent, you will get to hear from them sooner than later as to where do we stand. I know this is oft repeated question and I am sorry, I don't want to answer this question, because I think it’s better to get a complete picture, because I can only give you one side of the picture, you will get a complete picture from Tata Steel, and I am sure they will answer sooner than later.

**Sahil Sanghvi:** So, that I think that's all for now. Thank you so much, Sandeep Sir and Subhra Sir for elaborately answering all the questions. We will definitely improve on this video call experience in the next call. And would you like to give any closing comments Sandeep sir or Subhra sir?

**Sandeep Kumar**: Yes I would like to just make a couple of points. So, overall, I think the investor community must understand that let's say if our profit was this year was, let's say 338 or 339 whatever. And we have lost out let's say about 150 crores and I am comparing to FY21 on account of iron ore royalty. So, our profits were, let's say, closer to Rs. 500 crores if you had not taken that into account. So, on a like-to-like basis, because I am talking about a lot of improvement in the operational performance, but the results are not there. It's only marginally up compared to last year. But we must see it in the proper perspective.

So, about Rs. 150 crores if you add we are closer to Rs. 500 crores. And also if the DIP old legacy contracts, if we had, let's say it had not happened and let's say as we go forward, things will get evened out, we are in a much better position in terms of profitability in the coming I would say years. And this is considering the fact that the DIP II the expansion project, first phase is nearing completion. And therefore, we would also have one volumes coming in from there this year. And the DIP Phase II will get completed by let's say end of this year or early next year. So, we are in from a robustness point of view, financial health point of view, we are great. But in terms of profitability, I think there may be some disappointment, but I just wanted to clarify, it's temporary. And the future looks pretty good to us, at least from a really resilient

Tata Metaliks perspective. That's all. Thank you, Sahil, thank you for organizing. Thank you to everybody for taking the time off and asking us these questions. Thanks.

**Sahil Sanghvi:** On behalf of Monarch Networth, we thank all the participants. This concludes the call. Thank you all. Bye.