स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED

CA-17(44)/2023-24 2nd June, 2023

The General Manager (MO) Bombay Stock Exchange Through BSE Listing Centre	The Asstt. Vice President National Stock Exchange of India Ltd. Through NEAPS

Sub: <u>Transcipt of conference call held with Analysts & Investors on 26th May, 2023.</u>

Ref: <u>Regulation 46 of SEBI(LODR) Regulations, 2015: (Security ID:SAIL).</u>

Dear Sir,

This is in continuation to our letter No.CA-17(44)/2023-24 dated 26th May, 2023, intimating the link to the Audio Recording of the Conference Call held on 26th May, 2023.

Transcript of aforesaid Conference Call is attached herewith.

Thanking you,

Yours faithfully,
For Steel Authority of India Limited

(M B Balakrishnan)
CGM(Finance) & Company Secretary

Encl: As above

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PAN No. AAACS7062F **Corporate Identity No. L27109DL 1973 GOI006454**

"Steel Authority of India Limited Q4 FY23 Earnings Conference Call"

May 26, 2023

MANAGEMENT: **MR. ANIL TULSIANI – DIRECTOR FINANCE, STEEL AUTHORITY OF INDIA LIMITED**

MODERATOR: **MR. ASHISH KEJRIWAL – NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, Good day and welcome to Steel Authority of India Limited Q4 FY23 Earnings Conference Call hosted by Nuvama Wealth Management.

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 this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone.

I now hand the conference over to Ashish Kejriwal from Nuvama Wealth Management. Thank you and over to you.

Ashish Kejriwal: Thank you Selvin. Good morning everyone. On behalf of Nuvama Institutional Equities, we welcome you all for Q4 FY23 Conference Call of Steel Authority of India Limited. We are happy to host Mr. Anil Tulsiani – Director (Finance) along with his team.

Now I would request Mr. Anil Tulsiani for his opening remarks and thereafter we can open the call for Q&A. Over to you, Sir.

Anil Tulsiani: Thank you Ashish ji. Good afternoon everyone. It is my pleasure to welcome you all to the Investor Concall of Q4 and Financial Year '23.

Let me first briefly run through the economic scenario in which we operated during the Financial Year '22-23 which was quite challenging. We saw a consistent decline in the prices of steel in the first three quarters on the back of international prices. There was some stabilization of prices in Q4. The year also saw fluctuating prices of inputs, inflationary pressures forcing corrective action by the central banks which in turn led to growth getting compromised, disruptions in supply chains, slowdown in Europe and US, lockdown in China etcetera which impacted the GDP of economies across the globe.

As a result, the apparent steel consumption saw a decline over 3% during calendar year 22 over the previous year. Indian economy however fared better than the other major economies and the growth during Financial Year '23 is estimated at 7%. The domestic production and consumption of steel registered growth of 5% and 13% respectively during Financial Year '23. As per WSA, India at the rate of 5.8% was the one of the only two countries to register a positive growth growing during Financial Year '22 among the top 10 steel producing nations.

Coming to the performance of the Company Steel Authority of India Limited:

Despite all challenges, SAIL registered best ever production and sales performance during Financial Year '23. During the financial year, the Company produced the highest ever hot metal, crude steel as well as saleable steel. The hot metal production stood at 19.4 million tons as against the previous best of 18.7 million tons. Crude steel production stood at 18.3 million ton as against previous best of 17.3 million ton in Financial Year ‘22. Saleable steel production stood at 17.2 million tons as against the previous best of 16.9 million ton in Financial Year ‘22.

Now coming to marketing, the marketing had to face numerous challenges as already narrated. Despite the same, the Company registered its best ever sales volume during the Financial Year ‘23 at 16.20 million ton, marginally higher than the previous best of 16.15 million ton achieved in Financial Year ‘22. In fact, the domestic sales at 15.8 million ton grew by 7% over 14.8 million tons during Financial Year ‘22. The exports, however, declined to 0.4 million ton in Financial Year ‘23 from 1.4 million ton in Financial Year ’22, a degrowth of 68% as the international market faced the stress.

On the Financial Front:

The Company once again reached the Rs. 1 lakh crore mark for its turnover. The turnover of 1,03,768 crore was the best ever, outperforming the previous best of Rs. 1,02,805 crore achieved during Financial Year ‘22. The profitability, however, could not match the levels achieved during Financial Year ‘22 majorly due to high input prices and marginal decline in the NSR. EBITDA for the year stood at Rs. 9,379 crores, a reduction of 58% over CPLY of Rs. 22,364 crores. PBT and PAT at Rs. 2,637 crores and Rs. 1,903 crores respectively saw reduction vis-à-vis Rs. 16,039 crore and Rs. 12,015 crores in the previous year. The borrowings have increased to Rs. 29,270 crores as on 31st December 22 as against Rs. 13,386 crore as on 31st March 2022 and has reduced in the Q4 by around Rs. 3,608 crores turning down to Rs. 25,662 crore as on 31st March 2023.

The recent decline in steel prices especially for the long product is again a cause of concern and may affect the profitability to some extent. However, the simultaneous correction in the prices of imported coal is expected to cover up the same.

Now coming to our sustenance and operational efficiencies. In addition to the production and sales in the current year, the Company is committed to take measures for ensuring sustainable operations. In the area of operational efficiency, the Company has been making steady progress for reducing coal and coke consumption, higher usage of CDI and improving its BF productivity. The Company has achieved its best ever performance on these performance parameters during Financial Year ‘23.

The Company is leveraging its new facilities to a good effect. We have already stopped production through the twin-hearth furnace route. The production of ingot route is also being brought down consistently. The Financial Year '23 the same stood at 0.8% versus 1.1% in Financial Year '22.

The share of value added steel increased to 52.7% in financial year '23 vis-à-vis 51.1% in Financial Year '22. The percentage of semis in production is also coming down with higher capacity utilization of the mills. The percentage which stood at 19.3% in Financial Year '22 has now come down to 13.1% in Financial Year '23. By engaging conversion services in and around the plant/demand pockets, the percentage share of semis in Steel Authority of India Limited has been even lower at 9% coming down from 15% in Financial Year '22.

As a responsible corporate, we have been working towards cleaner and greener steel by ensuring environment conservation over the years by use of initiatives like waste utilization over 100% in Financial Year '23 as compared to 83% in financial year '17, reduction in carbon footprints, various projects under our commitments to zero liquid discharge, eco restoration of areas, regions around the plants and mines, plantation of more than 21 million happening till date, use of alternate source of energy like hydropower and solar power.

Towards stakeholder management, the Company had paid a total dividend of Rs. 3 and 25 paisa per share in Financial Year '23 which included Rs. 2.25 per share at final dividend of Financial Year '22 and Rs. 1 at interim dividend of Financial Year '23. Further, the board of directors has recommended a final dividend of 50 paisa per share for Financial Year '23 subject to shareholder approval at AGM.

As a means to improve transparency, the Company has been procuring materials through Government e Marketplace (GeM). The procurement doubled during Financial Year '23 to round about Rs. 9200 crores against the previous year figure of around Rs. 4,600 crores.

The Company has been engaging in numerous CSR activities across the country and primarily in the vicinity of our plants and units. The activities are undertaken in conformity with the Companies Act as well as DPE guidelines.

IMF in its latest World Economic Outlook of April 23 has projected global growth to bottom out at 2.8% this year. As supply chain disruptions are unwinding, dislocations to energy and food markets are receding, IMF expects global growth to rise modestly to 3% in 2024 as inflation comes down further to 4.9%. The major advanced economies are seeing much lower increase in GDP growth at 1.3% for 2023 with Germany and UK actually projected to contract by 0.1% and 0.3%. The emerging economies are expected to fare much better than the advanced counterpart growing at 3.9%.

The Indian economy, meanwhile, stands out as a silver lining with a strong demand and consumption pattern. Amongst the major economies, we are placed much better and beating the growth projections even for China. India is expected to grow in the range of 6 to 7% over the next few years in various reports like IMF, WE

Anil Tulsiani: For the year FY24 we have projected a sales volume of around 18.7 million ton which is an improvement of 15% over '22-23 and we expect that demand to be there all throughout means in all the segments especially in the infrastructure and of course there will be a slowdown in the demand during the monsoon season, but we expect more or less consistent demand thereafter also.

Amit Dixit: In last two months have you seen any slowdown in demand particularly infra and allied business?

Anil Tulsiani: No, there is no slowdown in demand at least for our products.

Moderator: Thank you. The next question is from the line of Mohit Bhansali from Bonanza Portfolio Limited. Please go ahead.

Mohit Bhansali: First of all I want to know what was the employee strength comparatively in the year end last year to this year how much reduction it has been?

Anil Tulsiani: There has been a reduction of around 3,800 to be exact, there has been a reduction in manpower.

Mohit Bhansali: 3,800.

Anil Tulsiani: Yes.

Mohit Bhansali: So, I am curious to know that since the reduction is year-to-year why the employee cost has gone up 15% year-to-year?

Anil Tulsiani: 15% I do not think so. Year-on-year there has been a reduction of around about Rs. 800 crores.

Mohit Bhansali: Last year it was 3,000 crore it is showing now it is showing 3,400 crore.

Anil Tulsiani: I think you are talking about quarter-to-quarter.

Mohit Bhansali: No, I am talking about last March quarter last financial year March quarter?

Anil Tulsiani: I think you are talking quarter-on-quarter. Actually, what has happened is that at the year-end normally what happens is we have a fresh evaluation of some of our actuary because otherwise normally go by the previous year figures only with some marginal escalation. So, when we have done the actual evaluation this year there was an increase of around about 400 crores because of that so which has impacted in the particular quarter and besides that the pension provision which we had made up to the third quarter that was considering since the profit was low at up to the third quarter we had taken it at 3% and now we had to do it at the rate of 6.6%. So, that 3.6% additional for pension and another 300 to 400 crores approximately for this revaluation after the actuary had given the figures for '22-23.

Mohit Bhansali: So, what is the call for this financial year like it will be gradual like earlier concall you said that wage revision will gradually come down?

Anil Tulsiani: Yes, it will be it will be coming down this year also. See there is a reduction of round about 5%. See when the manpower is coming down there will be a reduction for that, but besides that see there is a normal increments and the DA provision which we have to keep. So, that also had some impact on the salaries and wages at least you can say 6% to 7% for the normal employees who are still working. So, basically every year we can expect around 4% to 5% in salaries and wages.

Mohit Bhansali: So, it will be more or less same or it may come down a little bit?

Anil Tulsiani: Yes, it will come little bit.

Mohit Bhansali: Second question is on your debt trajectory what do you think your debt trajectory will be in this financial year, it will come down or it will go up?

Anil Tulsiani: We expect it to come down especially with this softening of the coal prices we will surely get a benefit of that because at the present whatever the outflow for coal it is surely expected to come down by you can say around about Rs. 1,000 to 1,200 crores per months, but the other thing which plays a vital role is the net sales realization of our products. So, we have to keep our fingers crossed for that. So, if this happens maybe with the CAPEX also what we are planning around about Rs. 6,000 crore we may still be able to reduce our debts to some extent.

Mohit Bhansali: One thing I just want to submit that CAPEX you are doing every year Rs. 4,000 to 5,000 crore so that is a huge CAPEX so why do not you mention what CAPEX you are doing in your presentation like new coke oven or SMS in Rourkela and what is the timeline of completion it will be very helpful for us if you mention everything in your presentation as well?

Anil Tulsiani: Okay we will keep it in mind.

Moderator: Thank you. The next question is from the line of Pratim Roy from B&K Securities. Please go ahead.

Pratim Roy: First question is that you have mentioned full year sales guidance of 18.7 million ton, so if you can tell me where this is coming from whether domestic or export and how the mix will come so that will be a great that is my first question?

Anil Tulsiani: Shall I get back to you regarding the domestic and this thing in a few minutes by the end of this call.

Pratim Roy: My main question is there any what is the mix from that and from which sector it will come from that is the main question and the second question is that that employee expense that you have explained just now, but the other expense there is a jump in sequential basis, so if you can mention is there any one off on that basis or anything else that you?

Anil Tulsiani: There was a substantial jump this year because of the foreign currency losses which we have taken in this year because of the sudden hike in the dollar rate. Most of our exports, imports for coal are there nearly 85% of our entire coal is being imported. So, because of the sudden jump of the dollar rate in this particular financial year we had to take quite a lot of hit because of that.

Pratim Roy: And you just mentioned that the overall debt will come down by Rs. 6,000 crore for this year FY24 is it right?

Anil Tulsiani: Like our original plan is bringing down debt, but we are not too sure about this thing it entirely depends on the market dynamics the NSR as well as the coal prices. The coal prices if they continue like this then there is a good chance of the debt coming down.

Pratim Roy: By 6,000 right?

Anil Tulsiani: We cannot commit the figures at this point.

Pratim Roy: And the last question is sir can you please quantify the CAPEX number for this full year?

Anil Tulsiani: Come again.

Pratim Roy: CAPEX guidance for the year?

Anil Tulsiani: CAPEX you want to know about ‘22-23.

Pratim Roy: 24.

Anil Tulsiani: 23-24 we have projected a CAPEX of almost Rs. 6,500 crore.

Pratim Roy: For the coming year right?

Anil Tulsiani: Yes.

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

Sumangal Nevatia: I have couple of questions the first on the volume guidance of 15% growth sir if we look at last five, six years I mean it took almost five to six years to achieve this 15% growth from say 14 million to 16 million tons, now we are guiding to achieve the similar performance in one year, so just want to understand some breakup as to which all plants and how should we see on a quarter-on-quarter basis the growth coming, is it more back ended or should we start seeing this growth from Q1 itself?

Anil Tulsiani: Actually, the growth is more or less from the Quarter 3 it will be substantially higher like if you see that even in every year we have a substantial growth from the third quarter onwards, but we have not done too bad in the month of April also I think we have crossed 1.3 MT we have crossed. So, if you take that 1.3 MT into 12 that only works out around about 16 million ton and with some sort of a growth towards the third and fourth quarter we expect to achieve this target.

Sumangal Nevatia: So, my next question is on working capital now every year there is a big swing last two years there was a release of almost more than 20,000 crores and in FY23 the working capital increase is almost 14,000 odd crores, so sir what is the stable level year to expect and why such sharp increase in working capital?

Anil Tulsiani: See basically what is happening is we are we are basically the trade payables whatever we have got they are fluctuating a lot that is basically depending on the coal prices and we have got these deferred payment terms. So, that is basically playing a major role in this working capital this thing, collections we are doing it quite well our debtors are coming down means you can see that they are in the range of round about Rs. 5,000 crores. They were there last year and this year also they are on the same levels. So, it is basically the payables which are playing a dominant role in that because it entirely dependent on our payment terms with our coal suppliers.

Sumangal Nevatia: What is net debt as on the year end?

Anil Tulsiani: Rs. 28,400 and there is one more thing there has been an increase in the stock of steel this year as compared to last year by round down about 4.5 lakh tons. So, that has also had a impact on the working capital.

Sumangal Nevatia: Sir one last question on iron ore sales so what is the sales we did in FY23 and I mean we are still carrying the inventory when we revalued in 2019 of around 8,000 crore, 4,000 in each current and noncurrent, so what is the comfort we are having in terms of realizing this value?

Anil Tulsiani: See basically the majority of our iron ore is located in Jharkhand. So, there are some issues in the case of Jharkhand for evacuation of ore from there, some clearances are required from the Jharkhand government. So, we are working on that and we are optimist that it will be cleared very soon. We have already deposited some royalty also in the GeMs portal also for evacuation of ore. So, we feel that we will be able to evacuate quite a lot of quantity this particular year like I think we have projected more than roundabout 2 million tons from Jharkhand group of mines in this particular financial year and last year I think the total sale of fines was round about 4,00,000 tons and yes we are optimist and regarding this we plan to liquidate these stocks in a rapid manner because we have got you can say three pronged strategy in this. We will be supplying to our own steel plants, we will be using it for conversion to pellets, try to sell it also and we are also planning beneficiation and a pellet plant in our mines through an MDO route. So, we feel that this evacuation will be quite fast once all the things fall in place.

Sumangal Nevatia: Sir you said 4,00,000 tons for FY23?

Anil Tulsiani: 4 lakh tons yes.

Moderator: Thank you. The next question is from the line of Rahul Jain from Systematix Group. Please go ahead.

Rahul Jain: Sir firstly on the there is a large amount of provisional sales I think around 8,500 odd crores you have mentioned in your result, so when is this going to conclude and what do you expect the direction of is it going to higher and also how much is receivable out of this?

Anil Tulsiani: Actually this is mainly we have this provisional sales for our rails which we supply to the railways. So, basically what is happening is the pricing is done after the financial year ends, but the issue which has come up is that till now we have not been able to get the price for '21-22 also. So, the price at which we are billing to the railways is around Rs. 67,500 per ton. So, we expect a substantial amount from the railways once the CA cost finalizes this pricing of the railways for '21-22 and '22-23 also we will try to get it this year otherwise because there is normally a lag of round about one year. So, '21-22 we expect and say by the beginning or say by the second quarter of '23-24 and we will try to tell that '22-23 pricing also which is again still at Rs. 67,500 in maybe end of '23-24 or maybe '24-25 beginning.

Rahul Jain: So, you have booked 30,000 crores cumulatively so on that number we should see a big jump, is that the right way to look at it?

Anil Tulsiani: And that will probably add straight to our bottom line also.

Rahul Jain: Any number you want to give what percentage in a range?

Anil Tulsiani: We have submitted a cost, but then I think we should not disclose it at the moment because it is subject to CA (Cost) checking it and finalizing it.

Rahul Jain: Secondly we have now completed this large round of CAPEX which took us almost a decade, any further plans to look at say go to 30 million or beyond and what is the big picture over here?

Anil Tulsiani: Yes, we have got plans lined up. We will be going in for ramping up of some of our facilities and that will add one more 30 million tons in the next you can say three to four years and besides this we are planning expansion plans in IISCO Burnpur of round about 4.5 million tons and another you can say 3 million tons in Bokaro and even to some extent we may also up to 31-32 we can have a plant in Rourkela steel plant. So, our plans are to achieve around you can say 35 million tons by you can say 31-32. So, already we have obtained the in-principle approval of the board to go ahead with the preparation of DPRs for Bokaro and IISCO Burnpur and shortly we will be also going in for Durgapur in some time now Durgapur also we are planning expansion.

Rahul Jain: So, in the next two to three years any meaningful number like, for example, for this year you have said 15% volume growth say in the next three years any number which we have worked based on the plants we have?

Anil Tulsiani: Yes, actually what I was telling you that there are some debottlenecking facilities and some new facilities which will be bringing up which will help us to increase our production by around about 2.5 to 3 million tons in the next three to four years and after that the benefits of the expansion will also start coming in.

Moderator: Thank you. The next question is from the line of Siddharth Mehrotra from Kotak Institutional Equities. Please go ahead.

Siddharth Mehrotra: Also, a small clarification sir our tax rate in this year has been around 15% odd and this is the cash tax rate, so do we have any leftover credits and what will be the taxes in the future year any guidance on that?

Anil Tulsiani: At 25%.

Siddharth Mehrotra: So, we have exhausted all our previous year tax credit?

Anil Tulsiani: Yes we have exhausted.

Siddharth Mehrotra: And secondly just a small clarification so we are spending around 4,000 crores annually when it comes to our CAPEX, but when it comes to capacity additions there has not been any really meaningful capacity additions, so am I to assume that this 4,000-crore odd number is mainly for the maintenance CAPEX level, is that understanding correct?

Anil Tulsiani: You are correct to a very large extent. See we have got these old coke oven batteries so it is every 15 to 20 years we have to keep changing these batteries means again replace the battery mainly on the same foundation, but we have to replace it. So, it is basically this and then some improvement for bringing up the improvement in productivity and all those things we have these BF stoves and we also have some facilities within the SMS and all which you know actually will help us improve the operations but will not add to the capacities. So, they are basically debottlenecking and like improvement efficiency improvement facilities which we are having installed in these in our plants at the moment.

Siddharth Mehrotra: Sir, if that is the case when do we start to actually start incurring the growth CAPEX because you highlighted repeatedly that we plan to expand our capacities. My question is on the timeline sir, what sort of timelines do we expect for the growth CAPEX part to come in?

Anil Tulsiani: Growth CAPEX as I was telling you that we are in the stage of preparing the DPR for our IISCO Burnpur and also for Bokaro it has also started. So, these DPR once they are finalized it will take some time for the DPR and the tender specifications to be finalized which will be round about 6 months you can say from now onwards 5 to 6 months by August or September we will be getting our stage 1 clearances for our these projects this expansion project then we go out for a tendering activity and maybe another 4 to 5 months down the line we will be able to finalize the tenders and come back for order placements. So, we can expect by the end of this financial year we'll be ready for order placement.

Siddharth Mehrotra: And one sir last small question, what sort of steel price change are we seeing quarter-on-quarter for us Q3 versus Q4 in the realization sir?

Anil Tulsiani: Q3 versus Q4 in case of long Products there was an increase of round about Rs. 2000 and in case of flat products there was an increase of round about 2,700.

Siddharth Mehrotra: And sir the guidance for the upcoming quarter?

Anil Tulsiani: Upcoming has not been too good like there has been April was quite steady, May slightly down as compared to April. So, it is round about Rs. 2,000 to Rs. 2,500.

Siddharth Mehrotra: Basically, it means we are roughly back at Q3 levels all the gains of the past quarter have sort of disappeared?

Anil Tulsiani: It will be at that level or maybe slightly marginally more than that.

Moderator: Thank you. The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: Sir you just touch based on the next lag of expansion, so for FY25 what will be our CAPEX guidance, so I just wanted to understand from when which year there will be a material increase in CAPEX going forward?

Anil Tulsiani: Material increase in CAPEX will probably be from you can say from FY25 second half because we will be trying to place the orders by the end of FY24 and then initially like basically the upfront payments which are round about you can say 3% to 5% of the total project cost for design and engineering and all, but the real thing will start probably from the second half of FY25.

Aditya Welekar: So, what will be that full year FY25 CAPEX plan?

Anil Tulsiani: Because since our DPR is not yet ready so we are not yet sure what will be the total outlay. We have projected a total outlay of nearly Rs. 1,00,000 crore for our entire expansions and these debottlenecking facilities over the next you can say 9 to 10 years and it will be peaking basically in the year 27-28 and 28-29 when all the modernizations will be there means going on together. So, initially in '24-25 you do not expect much in that because it will be only one particular plant for which the expansion will be commencing 25-26 the next plant expansion will commence. So, basically the real expenditure will start coming from 27-28 and 28-29.

Aditya Welekar: So, second question one of these other expenses you can see in this quarter there was a jump of 9% sequentially and 6% on a year-on-year basis any one off in that or it is largely because of the increased production?

Anil Tulsiani: You are talking about the financial year?

Aditya Welekar: No, I am talking for Q4 other expenses.

Anil Tulsiani: Can you just give me some time for that I will just revert back to you or I will send it to you separately.

Moderator: Thank you. The next question is from the line of Mohit Bhansali from Bonanza Portfolio Limited. Please go ahead.

Mohit Bhansali: What is the inventory level closing year?

Anil Tulsiani: The inventory level is 1.05 million tons.

Mohit Bhansali: And since you are saying that coking coal is very important and major factor so you are again going for the big, large expansion. So, are you going to in the DPR are you going to make sure that you have the raw materials security or that is what you are at present doing that sourcing coal from other sources the same will go on?

Anil Tulsiani: See, basically at the moment we are sourcing you can say round about 84% to 85% of our coal from our resources at Mozambique, Australia and USA we are importing from there. We are importing from our own, we have our own ICVL which is supplying us round about 1 million ton of coal and the sense that indigenous coal is around 15% which is mainly supplied from the BCCL and some of our own operations, but shortly we will be now operating our Tasra mine. So, this Tasra mine will be able to give us around 1.6 to 1.7 million tons of coal annually number one and the ICVL has got lot of reserves and it has got a lot of potential. So, some more additional capacities beyond this 1 million ton also we will be sourcing from our own resources in Mozambique. So, balance also we will be requiring some more additional coal from Australia, US, and Canada so we will be going in for long term agreements for that and we are also trying to get our coal from Russia also now. We have started that also.

Mohit Bhansali: Basically, the question was like you always have this volatility and how you are going to escape from this volatility because already you are going to spend lot of money on the expansion and after that expansion if same problems occur then you will be like in trouble again?

Anil Tulsiani: This time we have actually worked out a strategy where the expansion is phased out like initially we are planning our expansion in IISCO Burnpur and the next expansion which you are planning is in Bokaro which will come you can say around about a year later a year down the line and then Durgapur which will again be a year further down the line. So, that all the funds requirement is not bunched up at one place. So, this is the strategy which we have worked out and we hope we will be successful in this system.

Mohit Bhansali: And you said that your Tasra mine you are going to start so when it is expected to start sir?

Anil Tulsiani: Tasra mine we have already finalized the tender so let us see as soon as possible.

Mohit Bhansali: So, all the permissions are in place to mine?

Anil Tulsiani: Yes, all clearances are there.

Mohit Bhansali: And second thing is that I was going through some news that in parliament Steel Ministry has put up that that expansions which sales are doing around of 2,500 crores are delayed and because of contractor issue, so are these issues are resolved or still going on?

Anil Tulsiani: See we are resolving issues one by one like we had some issues in Rourkela which we resolved last year and maybe in this particular year also we will try to resolve as many issues as possible but there's just one thing that I do not know in the Parliament whatever it is there. Our objective now is to close all the old contracts so that you know like they have been the confidence of the people who are part of the project. So, our objective is basically that. So, we have closed quite a lot of projects in the last 1.5 years and our aim is to close the projects as soon as possible. So, whatever is there we are even sometimes go in for out of court settlement also with the parties also.

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

Kirtan Mehta: I had a specific question on the Rourkela and Bokaro profitability when I compare the Q4 profitability with the average quarterly profitability that we have seen over FY22 Rourkela and Bokaro steel operates at 20% to 30% level, so are there any specific factors which is holding back profits in these two mills?

Anil Tulsiani: Actually, there is a thing that what has happened in '21-22 we fetched a very good price for our flat product. Basically if you see the difference between flat and long Products in '21-22 was in the range of Rs. 11,000 to Rs. 12,000. Now this has come down and especially if you see in the last you can say three quarters Q2, Q3, Q4 there is hardly a difference between the long and the flat products in the market. So, the major reason for very good profits last year was the good NSR which we got for the flat products. I think all the entire steel industry whoever is in the flat product range made substantial profits because of that.

Kirtan Mehta: So, largely is our understanding it is attributable to the external pricing factor and there are no material plant related issues here?

Anil Tulsiani: No plant related issue or anything it is basically the external factor which has played a very big role last year.

Kirtan Mehta: Another question was about understanding the specific improvements that has been done this year particularly we see that the semis volume has gone down from 19% in FY22 to 13% in FY23, VAP products have also increased from 49% to 52.7%, so what are the specific improvements that has come through this year which is helping in this?

Anil Tulsiani: See basically what is happening is our mills are performing quite well especially the long product mills we had set up a medium structural mill in Durgapur and universal structural mill in ISP. So, these have started performing really very well means like earlier the thing was that they were producing something like even the 4 lakh or say 3.5 lakh tons per annum. Now we are we are seeing that their production from these mills has gone up to even you can say 6 lakh tons per annum average of 50,000 per month and universal structural mill is also doing very well. So, this is the major factor because of which we are having less of semis for sale now and more of our own finished products.

Kirtan Mehta: Would you be able to also share the current utilization level at both this mills?

Anil Tulsiani: I will just convey to you later on.

Kirtan Mehta: And one more question I just want to know I am not sure whether this has been shared earlier what was the iron ore sale during the year?

Anil Tulsiani: 4 lakh ton. Somebody wanted to know why was there an increase in expenditure during Q4 as compared to Q3. So, the major reason is royalty which had gone up around over Rs. 270 crores then conversion charges of Rs. 23 crores and expenditure on CSR of around about Rs. 91 crores. These are the major three reasons for which the expenditure in Q4 was higher than Q3.

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

Sumangal Nevatia: Just two things one is overall in terms of capacity from say currently 20 odd for next three years where are we going and what is the overall CAPEX intensity of this expansion?

Anil Tulsiani: See the total CAPEX which we have planned up to 31-32 is in excess of 1 lakh crore and with peaking in the years from 27-28 and 28-29. This is the main thing and otherwise the normal CAPEX which we will be having say our debottlenecking and our normal AMR schemes and coke oven rebuilding and that will be you can say around Rs. 5,000 crores to Rs. 5,500 crores every year. This is going to be our normal expenditure and besides this next transaction will come in.

Sumangal Nevatia: So, 5,000 normal expenditure which includes maintenance and then maybe around 1 lakh crore over next 7-8 years?

Anil Tulsiani: Yes.

Sumangal Nevatia: And sir what sort of leverage level are we comfortable because today also I mean FY23 we have almost 3.5 times net debt to EBITDA, so this part of CAPEX of around 1,40,000, 1,50,000 crore over next 7, 8 years?

Anil Tulsiani: Actually, the debt to EBITDA is bad basically the EBITDA being low also. Actually, the denominator being low also is the cause of worry for us. It was very good last year, but this year again it is a cause of concern we also understand that. See last year it was around about 0.59 now it is in the range of 3. Hopefully, if our EBITDA improves I think it will have a corresponding effect on the debt part also because we are able to reduce our debts also to some extent because of that.

Sumangal Nevatia: But sir beyond what level then we will reassess our expansion plan and to what level from say current 3 and half years comfortable increasing the leverage to….

Anil Tulsiani: We have got our plans there our cash flows are there we have done some preliminary work. We are trying to restrict our debt equity ratio to 1 is to 1 means not go beyond that. So, that is the sort of plans which we have got on hand.

Moderator: Thank you. Due to time constraints this was the last question. I would now like to hand the conference over to the management for closing comments.

Anil Tulsiani: Thank you. The global economy which was earlier reeling under the stress due to inflationary forces, tighter monetary policies, supply chain disruptions has started to breathe easy as inflation is also coming under control. Even in case of steel production and apparent consumption, India is expected to outperform its peers quite handsomely which augers well for the industry in India. With a strong government spending on infrastructure the share of investment in GDP has been rising consistently. The residential sector is also expected to grow backed by affordable housing projects and urban demands. Private investment is improving on the back of production linked incentive schemes. India's capital sector capital goods sector is also expected to benefit from the momentum in infrastructure and investment in renewable energy, automotive and consumer durables are expected to maintain healthy growth driven by sustained growth in the private consumption. We hope that Steel Authority of India Limited will also be able to deliver performance consistent with the projections for the domestic industry.

Moderator: Thank you. On behalf of Nuvama Wealth Management that concludes this conference. Thank you for joining us and you may now disconnect your lines.