CORPORATE PARTICIPANTS

T V Narendran, CEO & MD - Tata Steel Limited

Koushik Chatterjee, Executive Director & CFO – Tata Steel Limited

Samita Shah, VP Corporate Finance, Treasury & Risk Management – Tata Steel Limited

CONFERENCE CALL PARTICIPANTS

Abhijit Mitra, ICICI Securities Limited
Amit A. Dixit, Edelweiss Securities Limited
Anuj Singla, BofA Securities, Research Division
Indrajit Agarwal, CLSA Limited
Kamlesh Bagmar, Prabhudas Lilladher Pvt Ltd.
Kirtan Mehta, BOB Capital Markets Limited
Pinakin M. Parekh, JPMorgan Chase & Co
Ritesh Shah, Investec Bank plc
Sumangal Nevatia, Kotak Securities
Vishal Chandak, Motilal Oswal Securities Limited

PRESENTATION

Operator: Ladies and gentlemen. Good day and welcome to the Tata Steel analyst call. Please note that this meeting is being recorded. All the attendant's audio and video has been disabled from the backend and will be enabled subsequently. I would now like to hand the conference over to Ms. Samita Shah. Thank you and over to you, ma'm.

Samita Shah: ***VP CFTRM – Tata Steel Limited***

Good afternoon to all our viewers in India and very good evening to those of you joining us from Far East and good morning to our viewers from the West. On behalf of Tata Steel, I am delighted to welcome you all to this call, particularly our shareholders and shareholders of Tata Steel Long Products. Thank you for taking the time out on this call to discuss the results for the 4th quarter of FY22.

Our results including our presentation explaining the performance has been uploaded on our website and I hope many of you have had a chance to go through it. To discuss our results, we have with us our CEO and MD, Mr. T.V Narendran; and our ED and CFO, Mr. Koushik Chatterjee. They will take you through our results and answer any questions you may have.

Just before we move on, I just want to inform you that on the audio queue we will take questions on audio as well as chat. Please do type in your name, your email address so that operator can unmute your line and of course if you have chat questions please type them in as well. As always, this entire discussion will be covered by the safe harbour clause which is on page 2 of our presentation. Thank you and over to you, Naren.

T. V. Narendran: ***CEO & MD - Tata Steel Limited***

Thank you, Samita. Good morning, good afternoon, and good evening depending on where you're joining from. I'll make a few comments and then hand over to Koushik and then we'll be ready to answer the questions that you may have. So, the pack is already there with all of you.

As you know, commodities in general and steel markets, in particular, have been very volatile over the last quarter. And the ongoing Russia, Ukraine crisis, coupled with the COVID wave in China, obviously have added complexities to the supply chain. It has, of course, kept the demand/supply balance in some sense, a bit volatile, but the reality is with Russian and Ukrainian steel out of the market, at least in Europe, we're seeing a certain tightness in supply.

The coking coal prices witnessed renewed volatility with a steep rise followed by a decline towards the end of the quarter. They still remain at around $500/t, which is quite high considering what we've seen over the last many years and decades.

With recovering demand in Europe and the US, steel prices in the Western markets rose sharply in January to March quarter. And in China, the lockdown in key markets had an impact on demand and led to a broadly stable steel prices. As a result, Western spot spreads have been elevated while Chinese steel spreads have softened. In India, the steel demand rose 4% QoQ, and automotive production especially in passenger and commercial vehicles improved while the infrastructure construction goods witnessed steady growth. Against this backdrop, Tata Steel delivered record performance during the quarter and the year with strong performance across geographies.

In India, our crude steel production crossed 19 million tonnes for the first time with quarterly production being close to 5 million tonnes. Our deliveries at 5.12 million tonnes in the fourth quarter were the highest ever.

I'm happy to point out that in addition to higher volumes, we were able to also deliver better net realizations than our guidance. Against our guidance of a drop of around Rs 3,500 per tonne, we were able to limit the drop to about Rs 1,500 a tonne. The performance was broad-based, with all segments doing well, and our market share in auto is now the highest. In branded products and retail also, we crossed 5.2 million tonnes. And in the Industrial Products and Projects segment and Engineering segment, we crossed 6.3 million tonnes, with a sustained focus on high-end sales.

Our downstream portfolios across tubes, wires, tinplate etc., is also expanding well. Just to give you a sense, we now sell over 1 million tonnes of tubes on the back of strong growth in structural and high-end space. In fact, those of you who have seen the pack, the picture that you see on the front page of the pack is basically a steel structure. It's a tubular section, which goes under the branding ‘Tata Structura’. It's a tribute to Sir Dorab Tata and is at Sir Dorabji Tata Park in Jamshedpur.

Moving to Europe. We've had a very good quarter and delivered strong performance with an EBITDA for the year exceeding GBP 1.2 billion. Deliveries were up 9% during the quarter compared to the third quarter. Steel prices remain elevated, and our net realization QoQ was higher by about GBP 53 per tonne, which is better than both our guidance and the movement in the 1 month lagged Northwest Europe HRD spot price benchmark index. I have previously explained how our contract and product mix has meant that INR performance tends to be different from the benchmark. We have a different mix of long-term contracts. In fact, we have a different mix in Netherlands as compared to the U.K. Netherlands is more dependent on the packaging and the auto sectors and hence, have a greater mix of long-term contracts. Previously, the improvements on our net realizations in Europe were lower than the benchmark, but the trend is now reverse, and the same is expected to continue in the next quarter as well. We remain watchful on input costs, including energy prices in the near term.

In terms of projects, we should commission the 6 million tonne pellet plant in Kalinganagar by early third quarter of this year, which has an impact on our costs -- beneficial impact on our costs. And we will also commission the cold rolling mill. We will start with the cold rolling mill and follow it with the continuous annealing line and the galvanizing lines. Again, the PLTCM should get commissioned by the third quarter of this financial year. In the next financial year, we will commission all the balance facilities in Kalinganagar. The Neelachal acquisition should also close this quarter. As mentioned earlier, it gives us a fourth site in India. In fact, it's next to the Kalinganagar site, it's just across the road. The Neelachal acquisition gives us access to 6,000 acres of land between Neelachal and existing Kalinganagar site, which gives us the optionality to build a complex of at least 25 million tonnes in Kalinganagar.

In addition, we are also setting up one of our first EAF facilities in the North, which will be supported by the scrap recycling facility that we've already set up in Rohtak, the (inaudible) facility is likely to come up in Punjab. And we will be replicating this model of making steel through the recycling route in the other geographies as well, which is the West and the South. In the East, we will largely be iron ore-based production. All of this will enable us to reach 40 million tonnes in India by 2030. We want to do it in a sustainable manner. And to enable this, we've taken multiple initiatives throughout the year, not only from using higher scrap in our furnaces in Jajpur, Kalinganagar and Angul but also by working with multiple start-ups on various carbon capture and usage facilities. We've already commissioned a 5-tonne per day CO_2 plant at Jamshedpur. We are also using multiple modes of transport to reduce our carbon footprint, including using electric vehicles as well as inland waterways for transporting material.

I'm happy to share that in recognition of the sustained effort, Tata Steel has now been recognized as a steel sustainability champion for the fifth year in a row by the worldsteel and is now also a member of the new Sustainability Charter.

I'll now hand over to Koushik for his comments. Thank you

Koushik Chatterjee: *Executive Director & CFO – Tata Steel Limited*

Thank you, Naren. Good afternoon, and good morning to everybody who's joined in. A few comments on the financial performance. Tata Steel's consistent performance across quarters during this financial year has led to a record performance for the year with more than 100% growth in the consolidated EBITDA, and 4x the growth in the profit after tax compared to the previous year.

This is despite the fact that the complex global operating environment led to surge in the input prices, as you are aware, the consolidated EBITDA for the full year stood at Rs 63,830 crores, which works out to a margin of 26%, and the EBITDA per tonne was around Rs 21,626 crores. The free cash flow for the year was about Rs 27,185 crores.

During the quarter, the consolidated EBITDA stood at about Rs 15,174 crores, and was marginally lower compared to the previous year. If we exclude the forex impact, the adjusted EBITDA was flat at about Rs 15,891 crores compared to the third quarter. At Tata Steel Standalone, higher material costs were driven by inventory liquidation, that we did during the fourth quarter, and elevated coal prices. This was partly offset by royalty. The Forex gain stood at about Rs 597 crores in the quarter. Again, excluding this, the adjusted EBITDA stood at about Rs 11,766 crores, which translates to an EBITDA per tonne of Rs 23,690.

At Tata Steel Europe, we have seen an expansion in the margin compared to the third quarter. The third quarter EBITDA numbers were about 13% while the EBITDA margin for this quarter is about 16%. The material costs were up by about GBP 40 per tonne, primarily again driven by the inventory liquidation, higher energy prices and employee-related costs, but this was partly offset by the lower raw material costs and the other expenses. The rise in coking coal consumption cost was offset by the decline in the iron ore prices. Overall, costs were up by only about GBP 8 per tonne, while steel realizations were higher by about GBP 53 per tonne, leading to an EBITDA per tonne increase of about GBP 45, which translates to an EBITDA of GBP 430 million. The EBITDA performance has led to a strong cash flow performance of about Rs 13,971 crores despite an increase in the working capital of about Rs 9,600 crores.

While there has been an increase in the absolute value of the inventory and the debtors due to the higher prices, the working capital management has led to a decline in terms of holding days, both QoQ as well as on YoY basis. The capital expenditure was about Rs 10,522 crores, which is well within our guidance of Rs 10,000 crores to Rs 12,000 crores that we provided earlier during the year. Finance costs were about Rs 1,099 crores, lower by about Rs 434 crores as there were charges related to prepayment of SFA debt in Tata Steel Europe in the third quarter. Taxes paid were Rs 2,000 crores, and lower primarily due to tax credit in Europe.

Coming to the TSLP acquisition of Neelachal Ispat Nigam Limited. We expect to close the transaction in the first quarter. We would have liked to infuse equity into TSLP, but due to regulatory constraints what we have done is to infuse funding through non-convertible redeemable preference shares to limit the cash burden on the TSLP balance sheet.

We continue to focus on deleveraging while advancing our strategic growth priorities that Naren highlighted a while back. At the start of this financial year, we had set a target of achieving the investment-grade rating. And given our financial metrics, we achieved it within the first 6 months. Against our deleveraging target that we have announced of $1 billion every year, we have actually repaid double of that, about Rs 15,000 crores during the year. Our net debt to EBITDA has now further improved to 0.8x, and our financial metrics continue to be well within the investment grade level. Our group liquidity position remains strong at about Rs 37,470 crores with about Rs 24,500 crores of cash and cash equivalents. We are obviously holding the higher cash due to impending NINL acquisition, and it will normalize over time. As mentioned in the press release, and you would be aware by now, the Board has recommended a record dividend of Rs 51 per share and has also approved the splitting of the shares to Rs 1 per share, face value on a 10:1 split.

With this, I would like to end my comments and open the floor for questions

QUESTIONS AND ANSWERS

Operator: (Instructions) Our first question is from Amit Dixit of Edelweiss. Please go ahead

Amit Dixit, *Edelweiss*: I have 2 questions. The first one is on coking coal price. So, what was the increase in coking coal price in Tata Steel Europe and Indian operations in Q4? What is the kind of increase we expect in Q1 of this year? So, this is the first question.

The second question is, essentially, you mentioned about 40 million tons capacity by CY30. So just wanted to understand how much of this production would be through traditional route and how much would be through scrap-based route?

T. V. Narendran, *Tata Steel Limited*: So, Amit, on your first question basically in Q4, the coking coal price increased by about $50/t compared to the previous quarter as far as India is concerned. And as far as Europe is concerned it was about EUR 50 per tonne.

Q1 FY23 compared to Q4 FY22, in India, we expect it to be up $100 and Europe to be up about EUR 50 to 60 per tonne. That's the consumption cost impact, I am talking about not the billing cost (inaudible).

Operator: Our next question is from Sumangal Nevatia of Kotak. Please go ahead

Sumangal Nevatia, *Kotak Securities*: We understood about Coking coal, what sort of cost headwinds are we seeing both in India and Europe? And if you could just elaborate a little bit on how this entire energy issue may impact European business in coming quarters, what is the exposure? How do we hedge or these details, please?

T. V. Narendran, *Tata Steel Limited*: Sumangal missed the first part of your question. I just picked it up from Coking coal. Did you say something before that?

Sumangal Nevatia, *Kotak Securities*: No. So, we understood about coking coal, just want to hear about other cost headwinds, both in India and also in Europe.

T. V. Narendran, *Tata Steel Limited*: Yes, sure. So, I think pretty much all input costs have been going up across geographies because inflation is something which impacts us also. But obviously, you try and offset as much of that as possible through what we can get from the market, not only through price increases, but also in terms of deciding which markets to sell it. Because for instance, just now the prices in Europe are higher than prices in Asia even if you want to export. So, we've been doing all that, and we are quite comfortable and confident that cost increases for this quarter can be covered by the price increases that we got, or we'll get in this quarter, both in Europe and in India.

As far as energy cost is concerned, yes, we also hedge energy costs in Europe. So, our exposed part is very little, Typically, last quarter, I think we were 90% hedged. This quarter, we are at least 75 - 80% hedged. And we didn't as yet see a significant impact given our hedging as well as given the costs which have already come through in the last quarter. So, if I look at this quarter compared to last quarter as of now, on energy, we are seeing stable input costs at obviously a higher level than we have seen in the past.

Operator: The next question is from Pinakin Parekh, JP Morgan. Please go ahead.

Pinakin M. Parekh, *JPMorgan Chase & Co:* (inaudible) Steel prices in North Europe and HRC is up nearly EUR 400 per tonne. Indian domestic HRC price at the spot level are up by Rs 10,000 per tonne. Now Tata Steel has made multiple contracts across multiple segment consumers. So, can you just walk us through what kind of net steel realisation increase we can expect in the next two quarters, both in India and in Europe?

T. V. Narendran, *Tata Steel Limited*: So Pinakin, basically to come to the last part of the question, we are expecting realisations in India this quarter to be about Rs 8,000 to 8,500 per tonne higher than the last quarter. And in Europe, we are expecting it to be about EUR 60 per tonne higher than the previous quarter. I am not yet going to give a guidance for next quarter. We'll do that closer to the end of the first quarter.

Pinakin M. Parekh, *JPMorgan Chase & Co:* But it would be fair to say that the net steel realisations increase will not fully reflect in the spot steel price increase, right?

T. V. Narendran, *Tata Steel Limited*: So, it's like this, right? If you look at Europe, we contacted prices in November December. The auto and the packaging contracts were actually higher than the spot prices of January ok? Because we have got significant increases which are closer to the spot prices of November December which were quite high. Now the spot prices in Europe have also gone up, thanks to what's happening in Ukraine, and it's come close to our contracted prices.

We had expected this year, prices to be less than the contracted prices. Last year, the contracted prices were lower than the spot prices. But today, where it stands is that both the spot prices and contracted prices are close to each other and at a high level in Europe. As the spot prices, if and when they drop, you will see the impact, but 60 to 70% of Netherlands mix is more on long-term contracted prices. In UK, it's a bit less, about 40% is on long-term contracted prices. So, we are a little bit more riding with the wave as far as spot prices are concerned.

In India we are about 20-30% on contracts beyond a month - those are largely the auto contracts, and those are still getting negotiated for Q1 or H1. So, those negotiations are going on.

Pinakin M. Parekh, *JPMorgan Chase & Co:* My second question is if we go back to Slide 9 of the presentation, where the company has laid out the plan till 2030. Now existing capacity is 21 million tons, and the Kalinganagar Phase II is about 5 million tons, which will come through over the next 12 to 18 months and that takes it roughly over 26 million tons. That leaves 14 million tons of capacity addition over the next 7-8 years. And some of it, as you have highlighted, would be Electric Arc Furnace. Now the land for all these expansions has now already been acquired, whether its Neelachal or Bhushan. So, it's fair to say that the Capex per ton should be lower than $1000 per tonne, which was set the benchmark?

So, if we look at the remaining capacity addition of 14 million tonnes or so and assume a $750 per tonne, that basically means that the growth capex should be ballpark $10 billion over the next 7 years or so. Now obviously it will not be linear. There will be years of more capex and less capex. But given where the balance sheet is today and given where steel cash flows are today, do you see that this growth capex at some point of time gets upsized far higher? Or does Tata Steel look at growth beyond steel, given where cash flows are?

T. V. Narendran, *Tata Steel Limited*: So, I think where we are - like you said, given the optionality, we are in a very comfortable place, right? So, between Neelachal, we can take it from 1 million to 10 million tonnes during the decade. Kalinganagar, you can take it from 8 million to 16 million tonnes during the decade. Angul, you can take it from 5 million to 10 million tonnes during the decade. So, we can choose where do we want to grow depending on what is the most optimal way to grow for us.

In addition, we have the optionality to grow through these electric arc furnace units, and that is going to be capital-light growth for us because we have partners who are willing to set up these facilities for us because it's more about the ecosystem which we manage, the brand that we have, and the distribution network that we have than the assets that we create in that model.

So, we have an optionality to have capital-light growth there. And if the first one operates well, then we can scale it up very fast. The 40 million tonnes road map has multiple options. The options that I have just articulated can take us beyond 40 million tons and we will exercise whatever is the most capital efficient and value-accretive way to grow.

As far as cash flows are concerned, as you can see, India cash flows have always been strong. And as we scale up the India business, we believe that we can generate enough cash to take care of our growth without having to borrow, right? In fact, as Koushik said, we are basically confident that we can grow as well as deleverage at the same time. We are already investing in what we call knowledge-intensive growth, which is basically new materials. We are already into fiber reinforced polymers. We are into medical materials. So, basically, we are looking at materials which are more knowledge-intensive and capital-intensive. We are into graphene. These are all businesses which are scaling up. Their revenue (inaudible) has crossed Rs 500 crores this year and will cross 4 digits in the near future. So, these are the businesses which are growing, and which will supplement our growth in steel.

You must also remember we will also be growing in mining. We are currently at about 30 million, 35 million tonnes of mining. We'll take it about 60 million to 65 million tonnes to support our steel growth. It's more for captive consumption. So, I think we feel that keeping the balance sheet health intact, we can continue to grow in India from the cash flows that we generate in India, and that will help us realize our ambitions. So as of now, this is the plan. Koushik, I don't know if you want to supplement

Koushik Chatterjee, *Tata Steel Limited*: No. I don't. You've said it all. I think all that in one single sentence, I would just tell Pinakin that yes, there is a realistic expectation for upscaling the capital allocation and growth in the coming years. And most of these are getting finalized as far as specific execution plan is concerned. So, we would -- we have started this year with an allocation guidance of Rs 12,000 crores, but we will review it in the first 6 months and come back and see as to if there is an upside bias potentially to accelerate some of the growth projects.

Operator: The next question is from Abhijit Mitra, ICICI Securities. Please go ahead

Abhijit Mitra, *ICICI Securities:* Yes. I hope I am audible.

T. V. Narendran, *Tata Steel Limited*: Yes.

Abhijit Mitra, *ICICI Securities:* So, my first question is on shareholder returns. Any framework that we should look at it? I mean it's great to see Rs 51 in dividend this year, but what's the framework to look at it? Should we sort of take this payout ratio? Or (inaudible) because clearly, over the next couple of years, it seems like your cash flow generation would be much higher than probably what you can probably allocate towards your growth projects. So, any framework that you can give on that?

That's my first question. And second question is bit of an update and then probably to Mr. Narendran, given your air separation units in Jamshedpur and Kalinganagar, is there any possibility to sort of look at production of this inert gases like neon and others? Have you sort of looked at it? Any thoughts on that would be great.

T. V. Narendran, *Tata Steel Limited*: Sure. So, I'll answer the second one and let Koushik answer the first one. So, we did -- when I heard that neon gas is basically made in steel plants in Ukraine. That was one of the first things we looked at to see that is there something that can be done there. But actually, what we understood is, it calls for significant investment because the separation units that we use for, currently oxygen, nitrogen etc., in a steel plant you need to have one, which is in some sense, far bigger in intensity of capacity, however you describe it. It means you do a lot more to get neon out of it. And I understand the economic value is not there so much, just now there is a shortage. So typically, in Ukraine also, it has been a government-supported initiative. And obviously, they had a lot of spare capacity, which they leverage, and there was a government support and hence, you have a strong production of neon. So, it doesn't really make commercial sense as far as we know, just now maybe, but that's only as long as there's no neon gas coming out of Ukraine. So, we did look at that. But for now, we are not pursuing it. Koushik?

Koushik Chatterjee, *Tata Steel Limited*: I think you would have seen last year also, we scaled up our payout and dividend percentage and also the dividend per share to Rs 25, which was one of the highest in recent history. I think as we have - we are basically triangulating the capital allocation between deleveraging, return to shareholders and growth capex.

So, I think that's the triangulation. I think the heavy lifting on the deleveraging has happened. We continue on the same journey of $1 billion every year. We've been overperforming in the last few years. Therefore, it is important now to look at the return to shareholders, commensurate with earnings and that's being addressed this year. Our stated policy has been 50% of (inaudible) PAT up to 50%. That's been the ceiling, but we've been progressing on that basis. Good thing is our consolidated earnings is what is being focused on, and we -- this year are on a Stand-alone basis, we have been about 19%, 20%.

We continue to look at this to, a) be consistent and b) to be commensurate with the earnings, and c) to also prioritize the future value of the company, which is through the growth capex. So, it's not a simple formula, but it's effectively a triangulation of priorities and ensuring that we can optimize on the same. So that's the approach that we are taking, and we'll continue to consistently apply that approach in the future.

Operator: The next question is from Vishal, Motilal Oswal Securities Limited. Please go ahead

Vishal Chandak, *Motilal Oswal Securities Limited*: Okay. So, my first question was with regards to your long-term carbon plans for Europe, given the fact that your competitors, SSAB etc. have all lined up capex of about $4 billion to $5 billion over the next 4, 5 years to transition into green steel. What would be our strategy in Europe in that regard? That's the first question.

T. V. Narendran, *Tata Steel Limited*: Yes. So, Vishal, so basically, the approach is different for UK and for Netherlands. In Netherlands, there are plants which have been made and there are conversations which are going on with the respective governments. So, in Netherlands, the road map that we've already articulated in some sense is about transitioning from coal to gas to hydrogen, right?

But that - the starting point is there needs to be gas available in plenty and at the right price, which was there. But now with what's happening with Ukraine and Russia, and the calls that the European governments are going to take, we are waiting to see what their plan is. Because Netherlands does depend on Russian gas. And I think it's about 30% to 40% of the gas used in the Netherlands comes from Russia. So, we're waiting to see what that happens. There is a view in Europe that they may have transitioned faster into hydrogen. So, we'll wait and see what happens and then decide our plans.

So, we do have the plans already in place. And I think the cash flows that we are generating in Netherlands will be used to support this transition. And I think the Dutch business is generating the EBITDAs and the cash -- will generate the cash that we feel should support this transition.

Of course, we will also look at certainly support from the government, if not in capex, in opex. As far as UK is concerned, the transition plan is more around making better use of the scrap that is available in the UK. UK is one of those countries, which exports scrap. So how can you again transition into a process which uses more scrap. But unlike in Netherlands, where the business -- the existing business can support the transition in U.K., this transition cannot happen unless it's supported by the government.

So that's a conversation going on with the government. So, we will move ahead based on how we are progressing in these conversations. In the meanwhile, at least as far as Netherlands is concerned, we will continue to build the corpus that is required for the transition.

Vishal Chandak, *Motilal Oswal Securities Limited*: So, my second question was with regard to the steel cycle. Now we have been looking at never-like-before steel prices in Europe in the Asian market, but China has started slowing down, and it's not known whether, and how much of stimulus they will do. So, in that scenario, do you think it would be more prudent to bring down the leverage or the absolute debt level significantly low before embarking on the growth capex?

Because once we commit to a growth capex beyond a certain point in time, we enter into a point of no return. So, the capex has to be committed. And overall, in the past cycles also, we have seen steel companies have committed to a large amount of growth capex at the peak of the cycle. And after the cycle has turned around, it has been very difficult in managing the debt subsequently. So, I just wanted your thoughts on how we think - because it still is a cycle, the prices will never stay at the current levels for a long time. It has to come down.

T. V. Narendran, *Tata Steel Limited*: So, Vishal, I just want to respond with 2-3 points. One is at a very fundamental level, the steel industry is structurally in a different place, right? - I am not saying steel prices will stay at this level forever. But the disruptors of the past, which is largely been significant capacity being added which was happening in China. 50-60 million tons capacity was being added a year, 10 to 15 years back. And secondly, exports out of China was the biggest disruptor. Today we don't have that situation. Even though steel prices are high, apart from in India nobody else is really adding capacity, okay? So, the supply - demand imbalance that is created by lot of capacity coming quickly on steam will not happen.

And no other country will be able to add capacity as fast as China did. Even if India wants to add 50 million tonnes a year, it won’t be able to do it right? So, to me, that is one change from the past when steel prices were high.

The second factor is a lot of capital is being invested to transition to green. So, steel companies cost – the operating cost of steel companies is also going up, not only because of input costs, but also because of capex being spent, as you asked, or it was asked earlier in the call about Other spending capex. So, there is a bit of a down kind of, what you call it, the bottom below which steel companies will not be motivated to sell steel and with China not being a big exporter at cheap prices there is nobody else who’s disrupting. The other big disruptor - to some extent, low prices were available from Ukraine and Russia, and that is also not there.

The third point I want to make is, when you look at steel companies growing - When it is inorganic growth lot of money is spent in a short period of time and then if the steel cycle turns you struggle. When you are doing organic growth, you have an option, which we did, for instance, that’s what we did in Kalinganagar. We slowed down the project when we felt that there is a need to focus more on deleveraging after the Bhushan acquisition. So, we did that, and brought down our debt. And now today, we are able to ramp up.

So, we have the optionality even if we start the projects in the multiple sites that we have, we have an optionality to slow down if we feel that things are not going the way we see it. But having said that, given that the India business is double the size it was 5 years or 10 years back and is continuing to grow, the cash flows that you will generate in a down cycle for Tata Steel is going to be much higher than it was in the past. Even in the lowest point of the last cycle, the EBITDA margin of the steel business in India was 20%, okay?

So, now the base on which you’re generating 20% EBITDA margin has doubled and is increasing. So, from a structural point of view, Tata Steel is also in a very different place than it was 5 years or 7, 8 years back. And that's what gives us the confidence that we should be able to grow without adding to our debt, and we can pace growth well because we have multiple sites optionality available.

Vishal Chandak, *Motilal Oswal Securities Limited*: Yes. Sir, just a follow-up on this. You mentioned that there is no more capacity addition happening. And therefore, there is no such disruptor. But at the same time, the counterpoint over here, what we also hear is that the consumption has also slowed down significantly, not only in China but across the world, and therefore -- but the mills which already have been commissioned over the last decade or two, continue to churn out the same amount of steel. So therefore, on one hand, while there are no more additional capacities being built, the existing capacities themselves are sufficient enough to flood the market. So just wanted to -- on that line

T. V. Narendran, *Tata Steel Limited*: Yes. So, Vishal, basically, what -- if you see the World Steel Association forecast, the steel consumption is forecasted to continue to grow. But where it is growing is changing. The growth outside China is today more than the growth in China, okay? So, China is pretty flat. But we also should keep in mind, if China grows 1%, that itself is 8 million, 10 million tonnes. So that's the kind of thing which is happening today. And -- so we are not seeing -- and a lot of capacities which you see are coming up even in China, electrical arc furnace capacity is replacing the smaller blast furnaces, the induction furnaces, which they closed. So that's why China's exports is stuck at 4 million, 5 million tonnes for the last few years, right? It's not increasing, right? Even if consumption has not been growing so much, but consumption is still at 950 million tonnes to 1 billion tonnes.

In India, the consumption is growing. In Southeast Asia, it's growing. Africa has not even started. It's 1 billion people consuming 40 million tonnes of steel, right? So -- and a lot of consumption yet to come in many other parts of the world. So, there is a view that -- I mean if you see the World's Steel long-term forecast, the steel consumption is expected to continue to grow. And like I said, capacity addition is nowhere near what it was -- what was happening when China was growing right? So that's where -- I mean we can debate this point, but we feel that the situation is different today than it was 15 years back.

Koushik Chatterjee, *Tata Steel Limited*: If I may just add to your previous question, Vishal, I think the other point, since you started the point by saying, why not deleverage more. At no point are we saying that we have stopped deleveraging. We are saying that we'll continue our deleveraging path. And we are not saying that our -- the leverage will be the provider of capital for our growth.

So, our balance sheet priority remains the same, what we are saying is that we would allocate capital more for accelerating. First priority is to complete Kalinganagar, which helps us to complete our existing projects and then look at an upward bias, taking all the factors. So, I'm just replying or adding to what I replied to Abhijit. So, it's the triangulation of deleveraging, return to shareholders as well as capex because there is a need to continue to grow capacity competitively, looking at new technologies and looking at different business models.

And that builds in a lot more sustainability to Tata Steel in the future. And I think that is something that we would continue to focus on. So, it's not that -- it's one or the other. It is a combination of balancing our priorities.

Operator: The next question is from Prashanth, Dolat capital. Please go ahead

It looks like we have lost our line with Prashanth.

We will now proceed to our next question from Anuj Singla from Bank of America, please go ahead.

Anuj Singla, *BofA Securities:* So Koushik, I think this quarter, again, a very impressive performance on deleveraging. What took me by surprise was working capital reduction. So, can you talk about what steps are being taken? And you talked about the debtor, and the inventory days being brought down as well. So, can we expect this to sustain in the next year, given where coking coal prices are, and we have also seen iron ore pricing being elevated? How sustainable are these working capital initiatives going into next year?

Koushik Chatterjee, *Tata Steel Limited*: So, Anuj, I think all these initiatives are sustainable provided we look at it from a full year perspective and not from a QoQ perspective because the volatility the way it is running. For example, our purchase price of coal in -- for example, in March is going to reflect in the consumption cost in this quarter. Similarly, it happens with a lag.

So, there is also -- in terms of the debtors, the value of the debtors is much higher, not because of the tonnages represented by it, but because of the prices. So certainly, we are looking very sharply, and continue to look at it, and I think it is more structural than just being a one-off measure. I think you have to look at it across. For example, just now I would rather -- we look at the first half in totality as we move forward, and then the second half and then for the full year. I think the full year basis, I think we are very confident that we'll continue on the same path.

Anuj Singla, *BofA Securities:* Okay. Got it. And the second question is with regards to the capital allocation, Mr. Narendran did point about the growth optionality on the organic side. Now there are a couple of assets which are on the block on the inorganic side, NMDC plant, RINL plant. I mean we have asked this question before as well. But just want to get your thoughts again, what is the strategy around that?

In terms of bidding, are we now very comfortable with the organic growth pipeline and they will take a back seat? How do we look at growth trajectory for 40 million tonnes target which we have over the next decade?

Koushik Chatterjee, *Tata Steel Limited*: I mean if I were to look at our current footprint that Naren elaborated on between Neelachal, Kalinganagar and in Meramandali, which is the ex-Bhushan Steel facility.

There are significant opportunities for scaling up growth in each of these sites, using state-of-the-art technologies, using carbon friendly approaches or paths that helps us to reduce our intensity and add to that the greenfield sites that we are talking about as far as the electric arc furnace process is concerned.

So pretty much set for now. But if there are opportunities, we -- we'll have a look at it for sure. But I think our base plan considers the organic growth. And I think that's where the capital allocation will be helpful. That's where the trade-off and the paybacks are much better. It's all brownfield. It can be paced, and it can be allocated as we earn. So, I think that's our base plan. Opportunities come about in various areas. We look at it. But it has to meet some hurdle rates given our counterfactual on the organic growth

Anuj Singla, *BofA Securities:* Got it, sir. And last question if I may. On the global footprint, we were earlier looking for some kind of strategic solution to the European assets. So, given where steel prices and spreads are right now, are we comfortable with the kind of profits and cash flows we are making there? And does that plan take a back seat now? Or we continue to explore opportunities there?

Koushik Chatterjee, *Tata Steel Limited*: So, I think to be fair, at this point of time, we've gone through a strategic restructuring of our European business. We have separated Netherlands and UK. Each one of them is pursuing their transformation plan and their decarbonization plan. That's a very important part of the long-term value of Tata Steel in Netherlands and Tata Steel in UK. So, as part of that, our focus is currently on getting these things right, pushing for higher value through the cash flows and the earnings.

And if there are opportunities as part of this, we'll certainly look at it. There is never a -- but it has to be done in a manner where the priority is the decarbonization, priority is the way in which we are generating profits and cash flows. And I think that remains the single most important thing for the local management as well as for us as a shareholder. And therefore, I wouldn't kind of say that we are comfortable or not comfortable. That's not how we look at it. We look at what's the immediate priority. And I think in Netherlands as well as in the UK, getting the best of the current situation in the market and getting cost out, getting the transformation programs to continue to deliver is the most important priority so that we can ensure that we anyway create value out of these enterprises.

Operator: The next question is from Mr. Sagar Doshi. Please go ahead.

Sagar Doshi, *Participant:* The question is regarding capex at Kalinganagar plant. So, the -- what top line addition will we get by completing this? What could I expect then, let's say, the last quarter of FY23 once this capex extends? So that's the first question

T. V. Narendran, *Tata Steel Limited*: So, Sagar, basically, this year, we will complete the pellet plant, which has a cost impact than a revenue impact. It will have a significant cost impact once we commission it. The cold rolling mill -- what we call the PLTCM will get commissioned. That will give us what we call fully hard cold rolled product, which will have to be annealed and galvanized.

Annealing and galvanizing facilities will come up in the last quarter of this year and the first 2 quarters of the next financial year. So, the revenue side impact will be felt more in FY24 than in FY23. In FY23, we'll start realizing the cost benefits of Kalinganagar, and the full revenue impact will start flowing through from the subsequent years when the blast furnace is up, and you have 5 million tonnes additional production in place.

Sagar Doshi, *Participant:* Okay. Got it. Also, just one more thing on coking coal. As we see that coal price has escalated. So how much of the coking coal requirements that we have is, let's say, sourced internally and how much we need to buy from outside. So, what's the ratio? And do we have any steps to increase our in-house production at this stage?

T. V. Narendran, *Tata Steel Limited*: So, the in-house -- in India, it's 25% in-house, 75% bought out. In Europe, it's, of course, 100% bought out. In India, we are planning to increase our capacity, double our capacity, but because our steel production is also going to double, the percentages will be 20% to 25%

Operator: I would now like to hand over the conference to Ms Samita Shah for the chat questions. Over to you, ma'm.

Samita Shah, *Tata Steel Limited:* Thank you Kinshuk. I think we have a number of chat questions, and let's try and answer as many as we can. The first question is on the recent coal shortage in India. Is there any impact on operations or customer operations and orders? Naren, can you take this?

T. V. Narendran, *Tata Steel Limited*: Yeah. So, what we buy is largely metallurgical coal, which we import. So, there we are not impacted by the coal shortage. But DRI operations that we have in Angul, which is what we call Tata Steel Meramandali and the operations which is Tata Steel Long Product, buy DRI that we also import a lot from South Africa etc.

So, there is sometimes a bit of a -- I wouldn't say availability -- I mean it's a challenge that's all. It's not that we have to shut down the operations because coal is not available.

As far as the customers are concerned, I think wherever the states, there are power cuts, yes some of the customers are impacted, but it also impacts producers because a lot of secondary steel producers are also dependent on power supply.

So, as of now we are not seeing the demand impact significant or material. So, it's something we're watching but not yet having a direct impact on us.

Samita Shah, *Tata Steel Limited:* Yes, thank you. There are a couple of questions on our guidance on sales. So, this is for FY23 for Tata Steel, in general. And there's also a question on NINL in terms of sales from NINL expected in this year.

T. V. Narendran, *Tata Steel Limited*: So, guidance on sales for this year is without NINL is about 0.5 million tonnes more because we are pretty much running full out across all our capacity. So, until the 5 million tonnes comes out of Kalinganagar, whatever incremental sales we do is more through bottlenecking.

Of course, there will be significant value addition once a cold rolling mill comes in Kalinganagar because that's adding value to the existing sales mix. We will, of course, continue to enrich the sales mix also through more sales to the more value-accretive segment. So, all that continues.

As far as Neelachal is concerned, the capacity is 1 million tonnes, but the plant has not been operational for the last 2 years. We are confident that we can get the plant started, at least the blast furnace started within 3 months of getting ownership of the facilities, which we hope to have during this quarter. [inaudible]. But by the end of this financial year, we hope to be operating at the rate, which is 100,000 tonnes i.e., 80,000 to 100,000 tonnes a month.

How much of production will we have during the year? I think we'll be in a better position to give that guidance once we have ownership of the place. I think when we do the Q1 call, maybe we'll be able to give you a more specific guidance.

Samita Shah, *Tata Steel Limited:* Thank you, couple of questions on the financials. First one is what is the net debt target for FY23 and FY24 I think you have answered that question, but I think it's coming consistently. So maybe you just want to reclarify.

Koushik Chatterjee, *Tata Steel Limited*: Yeah. So, I think I keep saying it again that we have an announced policy of a billion dollars and let's stick to it. We just started the year. We'll see how the market and the business works and the cash flows, based on that we'll take a call, but certainly $1 billion, and that's something which we have committed to.

Samita Shah, *Tata Steel Limited:* Thank you. The other question is on the swing in EBITDA of other India operations, which we have in - Other India and Other trade related operations, which we have. Can you explain why there has been such a huge swing? And how do you see this going forward?

Koushik Chatterjee, *Tata Steel Limited*: So, I think we are talking about other income?

Samita Shah, *Tata Steel Limited:* No, Other EBITDA. So, India, Europe, and Other EBITDA.

Koushik Chatterjee, *Tata Steel Limited*: The Other EBITDA effectively reflects our other subsidiary companies and I think most of them are doing significantly well. We have - apart from one or two companies, I think most of them have performed well. And I think consistently, we should have an additional other income from subsidiaries, which would continue to beef up our consolidated EBITDA.

Samita Shah, *Tata Steel Limited:* Thank you, there is a question on Russia. What is the rationale behind cutting ties with Russia for Indian operations, especially when their coking coal can be procured at a discount at a time when coking coal costs are at a record high and have squeezed margins?

T. V. Narendran, *Tata Steel Limited*: So, I think you know obviously they were operational issues and other complexities because we are a global company operating across footprints. Certainly, in Europe, we couldn't be buying from Russia and in India also, it was not that we're buying significant volumes and there was also lack of clarity in between on how we can transact. And as a company and part of group, which has a global footprint, a call was taken that we will not be transacting with Russia for now.

Koushik Chatterjee, *Tata Steel Limited*: Also, so the procurement is always on a value in use basis. So -- given our long contracts and customer – supplier relationships with existing suppliers, it was a prudent thing to do.

Samita Shah, *Tata Steel Limited:* Thank you. There's a question on Europe, which we will take. I think this is to try and get greater clarity on the performance. So, it says in terms of operations, what has really driven QoQ profitability for Europe? Because realizations did not move materially as the EBITDA per tonne because there was a steep hike in all cost items. Was the offset on Iron ore QoQ decline so material?

Koushik Chatterjee, *Tata Steel Limited*: So, there was about GBP 100 million lower cost of raw materials, which is essentially because of the lower cost of iron ore offsetting the higher coal, that's been one of the areas. The liquidation of inventory, which was there, is the other element, but actually the prices have also increased.

I'm not sure why they are saying that the Revenues have not increased because the contracted prices have been reflected -- the contracts were renewed in December and has fully reflected in the fourth quarter. So, I think it's been a spread increase which reflected in the EBITDA as well.

Samita Shah, *Tata Steel Limited:* Thank you. There are a couple of questions on the subsidiaries. The first question is on Tata Steel Long Products - Is there a business case to merge Tata Steel Long Products with Tata steel post the changes in MMDRA, which is leading to higher royalty incidents at TSLP, and the second question is request for an update on the merger with Tata Metaliks I think last time we had said we are reviewing it. So, the question is on an update on the same.

Koushik Chatterjee, *Tata Steel Limited*: So as far as the first one is concerned, we continue to look at options as to what is best to avoid any value leakage. There are other operating models that we are also evaluating, which if it is economically viable, will be implemented. Tata Steel Long Products, as everyone knows, is also the company which bid for NINL and there are certain restrictions at this point of time as part of the process to do any corporate actions we will continuously review it, which is also indicative of the entire Tata Metaliks merger process because the entity which was used for valuation at that point of time is very different at this point time. So therefore, we are looking at all of this.

It's taking a bit of time because we first want to close the NINL, and then take a call on the whole consolidation play for the long products and other subsidiaries.

Samita Shah, *Tata Steel Limited:* Thank you. There is a question on our performance and EBITDA per tonne. As everybody knows, we don't give any guidance, but I think maybe a slightly deeper flavour. So, the question is, we expect in Q1, the NRs we have indicated will increase by around Rs 8,000 - Rs 8,500 per tonne, but we are also saying that coking coal consumption cost to increase by about $100 per tonne. So, is it fair to assume that the EBITDA per tonne sequentially can be maintained?

T. V. Narendran, *Tata Steel Limited*: Yes, the answer is yes.

Samita Shah, *Tata Steel Limited:* Thank you and I think I will take one more question before moving back to audio. So, the question is do you have any update or any targets in terms of Revenues for your new material business, the graphene ceramics etc. and similarly do you have a target for your downstream revenues by 2025?

T. V. Narendran, *Tata Steel Limited*: So, the new materials business has crossed Rs 500 crores. And we expect it to cross about Rs 1,000 crores over the next few years. We've just invested in medical materials, which we think is a [inaudible] has great potential for growth because a lot of it is imported today. So, we're doing a lot of work on that. There's a very aggressive growth plans, certainly 4-digit kind of numbers very quickly and then let's see how we can scale it up further.

They are newer businesses for us. So, we've had good traction so far. So, at one point in time, we were chasing 10% of our revenues from new materials. But since then, our own existing revenues have gone up very significantly, so we will revisit that. But the ambition is there. There's going to be very significant growth. Obviously, double-digit CAGR, if not more, right? Yes. What is the other one, Samita? That -- on the subsidiary on the downstream, yes, Koushik, do you want to take that?

Koushik Chatterjee, *Tata Steel Limited*: So, Downstream subsidiary, you're talking -- I don't know if the question relates to [inaudible].

Samita Shah, *Tata Steel Limited:* It's actually -- I think it's referring to our downstream volumes, not in subsidiaries, but the tubes...

T. V. Narendran, *Tata Steel Limited*: Then let me take that. So basically, if you look at it, we are a very strong player in many downstream businesses. In tubes, with the Bhushan acquisition, we have now become a very big player. We were already quite big. We are 1 of the largest in India, both in precision tubes, regular pipes, structural pipes, etc. So, we have more than 1 million tonnes, and continuing to grow. In wires, again, we are the largest in India, and we are again chasing 1 million tonnes of wires. The Neelachal acquisition will give us an upstream that is required to further support growth in downstream. In tinplate and packaging, we are doubling. We are in the middle of an expansion. In galvanized products, also, we are significantly expanding with Kalinganagar. The Bhushan acquisition will also help us grow the color-coated footprint that we have, which will also more than double. Currently, we are on the joint venture with BlueScope, but this facility together with that more than doubles our footprint in coated products.

In addition, of course, we are moving more and more into solutions, whether it is nesting solutions, which is again a business which is doubling every year, which is now [inaudible] and also our doors, windows, those kind of solutions for the house builder with whom we already have a relationship. Again, this is a business -- all these businesses have grown to about Rs 500 crores now, and we'll cross Rs 1,000 crores very quickly. So, we believe that going more downstream, going more into solutions will help us withstand the cyclicality much better.

Samita Shah, *Tata Steel Limited:* Thank you. I think there are a couple of questions, which I will just take and then move back to audio.

So, I think some clarity in terms of NR increase - India and Europe, lot of questions there So maybe just a flavor of what we expect on the NR side in Europe, particularly?

T. V. Narendran, *Tata Steel Limited*: About EUR 60 per tonne, Q1 compared to Q4. And in India, we said about Rs 8,000 – 8,500 per tonne in Q1 compare to Q4

Samita Shah, *Tata Steel Limited:* Thank you**.** With this, we will go back to audio questions, and over to you Kinshuk.

Operator: Thank you Ma'm. The next question is from Ritesh Shah of Investec. Please go ahead.

Ritesh Shah, *Investec:* Sir I had a couple of questions. First was, any timelines on the relining of the furnace for Tata Steel Netherlands? And would it have any impact on volumes? How should one look at the Capex related to that? That's one. And secondly, you also did indicate about moving from coal to gas to hydrogen. What are the timelines that we are looking at? And how should one understand this in a better way if one is taking a 3 to 5-year call on the company?

T. V. Narendran, *Tata Steel Limited*: So as far as Netherlands is concerned, the Blast furnace 6 is actually due for a reline. It was due some time back, and we've extended it as much as possible. It's being prepared for a reline sometime next year. But in anticipation of that, we've been building slab stocks, and some of the working capital increase that you see in Europe is because of the slab stocks that we've been building. So, when the furnace goes down, the downstream facilities will continue to have the feedstock that is required.

So, the volume impact will be minimized. It is going to happen towards the end of this financial year, and we'll give more specific guidance on that. But largely, like I said, we're trying to insulate the volume impact by building of the slab stock. In fact, there will be a cash release as you use up the working capital, which is today locked in those slab stocks.

The Blast furnace 7, which is a bigger blast furnace when it comes up for relining, that is the one which we want to transition first. But again, that needs to now be reconciled with the gas situation in Europe, and whether the gas that was available earlier is going to continue to be available given this issue between EU and Russia as far as gas supplies is concerned. So, we'll take that call. This is something we are working very closely with the government. And we will take the decision to transition to gas once we have clarity and comfort that gas is available. Hydrogen was due to be available to us by the end of the decade. And again, it may happen earlier if EU wants to transition quicker to hydrogen. But we will align our timelines with the timelines of availability of both gas and hydrogen and plan accordingly.

Ritesh Shah, *Investec:* Sure. Sir, my second question was on mining capacities. We have indicated that it will go to 60 - 65 million tons by 2030. I think we already have the growth optionality to put more into the market. So, how should one look at merchant sales say, 3 years 5 years out? Because that's one variable which we do not capture in our models.

T. V. Narendran, *Tata Steel Limited*: So as far as Iron ore is concerned, we have 2 kinds of mines with us, the ones which we have from the past, which are captive mines. There is an optionality if you are fully meeting your requirements to sell some at a higher premium, etc. But today, the rate at which we're building steel capacity, I think the mining capacity is just about able to keep pace with it.

The second one is what we did at one, and we have deliberately bid for what are more greenfield mines, which takes a few years to develop because we wanted that capacity to be in place as we come closer to 2030 when our existing mines will go up for auction. So, we may not have much available to sell in the market apart from some fines, etc., out of some of the mines.

So, it's not going to be very material to -- the merchant mine opportunity is not going to be very material for us at least for the next few years. But post 2030, of course, that's certainly an optionality, which we can leverage. It's an optionality for us in the chrome ore side, where we've got the mines. And of course, there also we would prefer to value-add than sell the ore.

Operator: The next question is from Indrajit Agarwal of CLSA. Please go ahead

Indrajit Agarwal, *CLSA:* So, 2 questions from my side. First, can you help us understand the carbon situation in Europe currently? What is the availability, the allocation? And would you -- would we have to end up buying something for FY23? And what kind of cost impact would it have?

Koushik Chatterjee, *Tata Steel Limited*: So, in Europe, we -- as you know there's a mechanism whereby, we get the free allowances from the government or the regulator based on the average production for the last 3 years. And then there is the gap to the free allowances, which you have to buy from the market.

So as far as Netherlands and UK are concerned. In Netherlands, in particular, we produce about, say, liquid steel of 6.9 million tonnes, and therefore, there is an emission of about 12 million tonnes. And the allocation is about, say, 10 million tonnes. So, there is a gap of 2 million to 2.3 million tonnes, and that's something that is built into the plan to purchase for the market. The EU ETS price -- and I'm talking about last year's numbers. And EU ETS price has gone up to say EUR 80 per tonne. So that's been factored in the performance that you see in the year.

And typically, that is -- that's something that will continue for the future, and which is why the decarbonization is going to work. So, we expect a gap of about 1.5 million to 2 million tonnes in Europe, in Netherlands and also in the UK. And that's the part that you have to buy from the market to kind of meet the requirements. There are ways in which we can mitigate it or spread it over time because you also get free allowances ahead of the usage, and that's why you would see us working to optimize that model. But fundamentally, we have a gap to the free allowances. And over a period of time, these free allowances somewhere around 2030 to 2032 / 33 will eventually come down. So, by which time, we must have our configuration ready where we don't depend on the external purchase

Indrajit Agarwal, *CLSA:* Thank you, that's helpful. Secondly, can you throw some light on how European steel demand has been, particularly given the sharp rise in prices over there? Are you seeing some push backs in terms of demand getting weaker, gradually?

T. V. Narendran, *Tata Steel Limited*: I think the demand has been quite strong actually. The challenge has been more with the auto sector because they have struggled a bit because of semiconductor issues etc. But otherwise, so far, the demand has not been an issue. In fact, what's also happening is on the supply side, Russia and Ukraine are no longer in the European market and that has created a gap on the supply side, which is why the prices in Europe shot up abruptly. So, the demand supply balance is there. It's not disrupted.

Indrajit Agarwal, *CLSA:* Sure. One last question, if I may. You highlighted about several year-based capacity expansion in India, particularly in the Northern and Western side. How confident are you on the scrap availability or the raw inventory availability domestically? Or do you think you will have to bank a lot on imports for that?

T. V. Narendran, *Tata Steel Limited*: So currently, the thinking is more to leverage what is available domestically. We believe that the scrap collection and recycling ecosystem in India can be better organized, and also the ELV, and end-of-life vehicle, thing which is coming in is also going to generate a lot of scrap. So, we will partner with dismantlers.

Auto companies are themselves setting up dismantling facilities. We are not interested in dismantling, but the steel component of the car is something we are interested in. And so, we will tie up with dismantlers, take the scrap. In addition to that, there is scrap, which is generated from manufacturing practices. So, we will set up the scrap processing centres closer to where we feel scrap will be generated and hence, the first one in Rohtak, and we are looking at other sites in the West and South, where scrap is being generated.

The whole approach is part collecting the scrap, melting it, rolling it, casting it, fabricating it, etc., and selling it within the same vicinity. So not only do you produce steel through a more carbon efficient route, the carbon footprint of the whole supply chain is also minimized because there's not much a movement of either the input or the output. So that's a model. We believe it's going to be important to have a more carbon-efficient footprint going forward. And it's easier for us to scale up faster once we get the model and the operations right.

Operator: (Instructions) The next question is from Kirtan Mehta of BOB capital. Please go ahead.

Kirtan Mehta, *BoB capital:* I had a question on NINL. You have indicated that your first priority is to sort of take it up to a record volume of 1 million tonnes. And in the longer term, there is an optionality to increase it to 10 million tonnes. Would it be possible to share the options that you would be considering developing your Long Products portfolio at this point of time? What could come over the next 2, 3 years?

T. V. Narendran, *Tata Steel Limited*: So Kirtan, there are a few things which are happening. One is there's already a project ongoing to add a rolling mill to the -- what is called Tata Steel Long Products. That will add about 400,000 tonnes of rolling capacity because we have steelmaking capacity, which is not fully utilized.

So, we can leverage that. That is one thing which is going on, and it will help us supply steels to the passenger car industry, forging quality steels to the passenger car industry.

The second one is Neelachal. Neelachal, like I said, has a footprint of about 1 million tonnes currently, and we can very quickly ramp it up to 4 million tonnes. It will all be Long Products. All the Neelachal expansion will be Long Products, just like expansion in Kalinganagar or Angul or Meramandali will be flat products. Meramandali and Angul is the same place. So, the long products opportunities are threefold, one is value addition in the existing Tata Steel Long Products, two is the electric arc furnace specialty, which we talked about, and using scrap recycling. And the third is the Neelachal expansion. So, these are the 3 opportunities that we will pursue for Long Products.

Kirtan Mehta, *BoB capital:* Right. And on Long Products at Neelachal, to take it up to 4 million tonnes, what level of capex would it require? Some initial color

T. V. Narendran, *Tata Steel Limited*: So, it is like building any greenfield site. It will, of course, be a bit less because it's long products. Normally, the flat products cost is much higher. So, if you're looking at adding about 4 million tonnes, maybe about Rs 20,000 crores, Rs 25,000 crores is what we think, but we will come to a better estimate once we get into the site and do a more detailed analysis.

Operator: The next question is from Anupam Gupta of IIFL. Please go ahead

There seems to be a network issue at your end, and we are unable to hear you clearly.

We will now move to Kamlesh Bagmar from Prabhudas Lilladher.

Kamlesh Bagmar, *Prabhudas Lilladher:* Koushik, sir, one question for you. Like sir, how much spending is left on KPO project Phase 2? I believe it was Rs 23,000 crores, which were -- which we had to spend on that expansion. But how much is left now -- until now, sir?

Koushik Chatterjee, *Tata Steel Limited*: About half of it. And we have also rescoped based on the current requirements, etc. So, roughly about half of it is left.

Kamlesh Bagmar, *Prabhudas Lilladher:* And sir, secondly, on this provision related to Tata Steel Mining, so how much we have provided in this particular quarter? And sir, can you give us some clarity on the way the swing has been there in this Other Indian operations. So, like I say, from Rs 400 crores, it moved down to, like, say, negative Rs 900 crores. So, can you provide some clarity on that part, how it can move going forward or like -- so that we can factor in something for that in our quarterly update.

Koushik Chatterjee, *Tata Steel Limited*: So, I think I would say that -- there are 2 parts to Tata Steel Mining. One is relating to the stock or inventory that was there, which came from the previous mining in Sukinda when we had gone in, and we had enhanced our mining. And there what we have done is we have taken a net realizable value adjustment, which is one-time. That's around Rs 500-odd crores -- Rs 540 crores. Second is as part of the MDPA, there has been a certain amount of penalty and demands that we've been asked to from a compliance point of view because the law changed post acquisitions. The law was the MDPA to be paid on production thereafter it changed to dispatch. And then COVID happened, we couldn't kind of use it for exports because it has got prohibitive export duty.

But now with Rohit Ferro, we have the ability to actually use it for downstream Ferro Chrome conversion. So that is the -- and that was almost about -- Rs 800 crores of provisioning. So, both are one time. The underlying business of all other subsidiaries have been very strong in India. So, I think you can safely assume that this is one time and wouldn't get repeated. So, about Rs 1,300 crores of the… [inaudible]

Operator: The next question is from Pallav Agarwal from Antique Limited. Please go ahead.

It looks like we have lost our line with Pallav.

We will now proceed to our next question. The next question is from Ashish Kejriwal of Centrum.

T. V. Narendran, *Tata Steel Limited*: I think it’s getting closer to lunch break

Koushik Chatterjee, *Tata Steel Limited*: I was about to say that

Samita Shah, *Tata Steel Limited:* There is some connectivity issue. So, I think with that we will end the call. Thank you, everyone, for joining us on the call today. I hope we could answer all your questions, and I hope you have found it useful and informative. Thank you. Take care and we will join again next time. Bye

T. V. Narendran, *Tata Steel Limited*: Thank you

Koushik Chatterjee, *Tata Steel Limited*: Bye