

# **Tata Steel Limited (TATLY) Q1 2025 Earnings Call Transcript**

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**Body**

Tata Steel Limited (TATLY)

Q1 2025 Earnings Conference Call

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Company Participants

Samita Shah - VP, Corporate Finance, Treasury and Risk Management

T. V. Narendran - CEO and Managing Director

Koushik Chatterjee - Executive Director and Chief Financial Officer

Conference Call Participants

Satyadeep Jain - AMBIT Capital

Sumangal Nevatia - Kotak Securities

Kirtan Mehta - BOB Caps

Amit Dixit - ICICI Securities

Ritesh Shah - Investec

Indrajit Agrawal - CLSA

Amit Murarka - Axis Capital

Presentation

Operator

Good day and welcome to the Tata Steel Analyst Call. Please note that this meeting is being recorded. All the attendees' audio and video has been disabled from the back end 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'am.

Samita Shah

Thank you, Kinshuk. Good morning, everybody. Good afternoon and good evening to others as well. On behalf of Tata Steel, I'm delighted to invite you all to this call today to discuss our results for the first quarter of FY '25.

I am joined by our CEO and MD, Mr. T. V. Narendran, and our ED and CFO, Mr. Koushik Chatterjee. We declared our results yesterday. There is a presentation as well on our website, which shares some more details about the financial and operating performance. I hope you had a chance to go through both.

Before I hand it over to them, I would just like to draw your attention to the fact that the entire today will be covered by the Safe Harbor Clause on page two of the presentation.

Thank you. And may I now request Narendran to make a few opening comments, please.

T. V. Narendran

Thanks, Samita. Good afternoon, everyone. I'll make a few comments and then pass on to Koushik before we open it up for questions. During the quarter, the global steel demand across most regions was impacted by subdued economic activity and the tight monetary policy conditions.

And in China, the moderation and demand outpaced the production cuts, which led to steel exports of around 8 million to 9 million tons a month to the rest of the world. And in India, the steel demand was broadly stable despite some impact of the elections and the heatwaves and the seasonal weakness that we experience, particularly once a monsoon sets in.

As a result, across geography, steel prices have been a bit soft in the U.S. and EU steel prices were down 8% to 15%. And domestic steel prices were reasonably stable, but went down during the quarter. So the increases that we had in the early part of the quarter got offset by the reductions to the later part of the quarter.

The group steel production in India was 5.27 million tons and was up 5% year-on-year. And this works out. On quarter-on-quarter, it was a 2% decline primarily due to planned maintenance shutdowns. Our deliveries at 4.94 million tons were the best of our quarter one sales that we've had, which was aided by a 4% year-on-year growth in domestic deliveries.

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Amongst the various segments that we catered to, the automotive and special products volumes grew by 9% on a year-on-year basis, with higher than market growth in certain subsegments. And a well-established retail brand, Tata Tiscon, witnessed a 15% year-on-year growth aided by enhanced reach and focus on consumer connect programs. We now have more than 10,000 dealers, over 24,000 influencers, and a growing share of customers via e-commerce portal, Ashiyana.

We are looking to shape construction market practices through our ready-to-use solutions and now have over 30 construction centers across India to improve the customer experience and our ready-to-use solutions sales has actually gone up over 30% year-on-year. These are basically ready-to-use solutions and construction sites.

We registered a 19% year-on-year growth in engineering goods driven by the best of our quarterly supplies to railways and an 8% year-on-year growth to the consumer durable industry driven by product and market development with major OEMs.

We continue to be bullish on India as a growth market and are scaling up to leverage this opportunity via capacity expansion as well as downstream capabilities. At Kalinganagar, heating of the stove and the coke oven batteries has already commenced as per plan and we are looking forward to the blast furnace startup towards the end of September and we look at we're looking forward to producing about 1.7 million tons from this new facility after the startup in September.

But as mentioned in the last quarter's earnings call, the G-Blast furnace in Jamshedpur will come in three lining in the fourth quarter of this financial year and as a result the overall increase in volume will be lower and that's why we've guided for the full year at 1.4 million tons for India. The continuous annealing line of the 2.2 million ton cold rolling mill complex is planned to be commissioned in August and the strip threading for the cold run is in progress. Separately, the rolling mill which is being set up in Jamshedpur to leverage the upstream opportunity that we have in the steel assets of Usha Martin that we acquired the downstream, Combi Mill as we call it. It's a half a million ton Combi Mill.

At Jamshedpur will come up in the second half of the year and that will help us leverage the volumes available out of the – what we call Tata Steel Gamharia which is the Usha Martin steel plant site and also cater to the growing requirements of high quality long products for the auto industry.

In the UK we have safely ceased operations at one of the blast furnaces which is the blast furnace number five at Port Talbot on the 4th of July. We are on track to close the remaining blast furnace which is blast number four by September 24 and this marks an important milestone in our endeavor to transition the operations to a sustainable business model. As we navigate the transition we are committed to supporting affected employees and are providing multiple training and community support schemes.

In Netherlands we ramped up the production at Blast Furnace 6 after the relining and we had a quarterly steel production of 1.69 million tons which was half quarter-on-quarter and year-on-year. The stabilization of operations has positively impacted the cost profile. Koushik will talk about it further in his comments and the deliveries for the quarter at 1.47 million tons were higher by 3% quarter-on-quarter and 8% year-on-year.

Sustainable operations are integral to our strategic goals and we have adopted a multi-pronged approach to progress on this journey. In India we are focused on process improvement, carbon direct avoidance and carbon capture and utilization. We recently launched a carbon bank initiative to further carbon abatement and undertaking relevant pilot projects in partnership with technology providers, academia and startups.

We are the first company in India to use LNG powered cape sized bulk carrier for transporting raw materials. I've already mentioned the transition plans for the UK upon transition to scrap based electric car furnace operation, the direct CO2 emissions will reduce by 50 million tons over a decade. And similarly in Netherlands we are working on the transition to clean steel subject of course to the government support and necessary approvals and currently the discussions are going on with the government.

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Thank you, and over to you Koushik.

Koushik Chatterjee

Good morning, good afternoon and good evening to all who have joined in. I will begin the quarterly performance provided on slide 26. Our consolidated revenues stood at about 54,771 crores and the consolidated EBITDA was about 6,822 crores, which translates into an EBITDA margin of around 12.5%. The consolidated EBITDA margin is improved by more than about – more than 100 bps on quarter-on-quarter basis despite the global cues and the adverse trade conditions.

Before I delve into the numbers across geographies I would also like to mention that we have received sanction for the amalgamation of the Angul Energy Limited and the Bhubaneswar Power Limited and the standalone financial statements for the quarter reflect the merger and the past periods have been restated as applicable.

Onto the numbers, Tata Steel standalone EBITDA for the quarter was 6,750 crores, which translates to an EBITDA margin of about 20%. On a per ton basis the standalone EBITDA was about 13,661 rupees per ton. As provided on slide 32, the EBITDA on an absolute basis moved lower compared to the previous quarter as the fourth quarter is typically a seasonally strong quarter.

The volume effect weighed on the absolute revenues as well as on the conversion cost. However this was partly offset by the lower material cost primarily because of the decline in coking coal consumption costs to the tune of about $11 per ton and the change in the inventories quarter-on-quarter.

I would like to elaborate a little bit about the cost. There has been an increase in the valuation of chrome ore inventory as on 30th of June 2024 and this is an account of increased accrual of royalty charges payable on closing stock. This has led to a non-cash credit of about 1100 crores in the raw material cost line and an increase in the other expense line which includes royalty related expenses. So the above treatment is broadly P&L neutral.

Neelachal Ispat Nigam Limited or NINL crude steel production was 0.25 million tons and the EBITDA for the quarter was 279 crores within the two years of the acquisition of NINL. This has been the first time when we have got the positive PAT and are operating at the rated capacity.

In Netherlands, the EBITDA has turned positive with improved liquid steel production on a quarter-on-quarter basis upon stabilization of the operation post the issue in relation to the blast minus six relining. The EBITDA generated was £43 million on first quarter compared to a loss of £27 million in the fourth quarter.

EBITDA on a per ton basis improved by about £48 per ton on a quarter-on-quarter. The turnaround was primarily driven by the improvements in cost. Material cost moved lower primarily driven by the favorable movement in inventories and the lower purchase despite the higher raw material costs. The conversion costs also moved lower upon decline in power and fuel and bulk gases related expenses, which improve the availability of the byproduct gases.

In the UK the EBITDA loss widened from about £34 million in the last quarter to £91 million in this quarter and I'll explain that. The underlying performance though has actually improved on quarter-on-quarter. To elaborate this on a reported basis the revenue and materials have remained broadly stable while conversion cost has increased by about £81 per ton resulting in a corresponding decline in the EBITDA level.

However as I stated in the last earnings call, the fourth quarter earnings included credit relating to emission rights and R&D spend of prior years to the tune of about 70 million. Excluding these one-offs the underlying movement in conversion cost was favorable by about £25 per ton translating into an improvement in underlying EBITDA of around £24 per ton on a quarter-on-quarter basis.

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As Naren mentioned we are committed to growth in India and have spent about 3,777 crores in capital expenditure during the quarter. Primarily spent on the Kalinganagar expansion as well as we've started the spend on the EAF in Ludhiana. There was working capital buildup during the quarter primarily driven on the basis of the buildup of stocks in the UK ahead of the closure of the heavy end facilities among other factors including seasonality in India.

We are focused on the optimizing of the working capital. The net debt stands at about 82,162 crores and our group liquidity remains strong at about 36,460 crores which includes about 10,799 crores of cash and cash equivalent. The closure of the heavy end assets and restructuring program at Port Talbot is progressing in a safe and controlled manner as Naren mentioned and this is as per plan as we previously announced.

The blast furnace five at Port Talbot produced its last liquid steel on 4th of July and one of the three casters has suspended operations. The Blast Furnace 4 will seize operations before the end of September. We remain in close discussions with the union in relation to the support for the affected employees based on the enhanced support package we had discussed with them.

We launched the voluntary redundancy aspiration process on 11th of July and this will close on 7th of August. After the elections in the UK we have also resumed our conversation and discussion with the new UK government on the execution of the grant funding agreement supporting the electric arc furnace project in Port Talbot.

The Labor Party is already committed to delivering the 500 million grant previously announced for Port Talbot. All parties appreciate the need to close the agreement as soon as possible. Upon closure of both the furnaces, the downstream in the UK will continue to service customers by utilizing imported slabs and hot roll pile substrate.

In Netherlands we have started an active engagement with the Dutch government on potential support for the decarbonization project. The project is planned to be in two phases. In Phase 1 we intend to replace one of the blast furnaces with a DRP and an EF, which is a direct reduced iron plant. By 2030 the DRP will initially run on natural gas and later transition into hydrogen as the availability and the cost of hydrogen becomes more competitive. We are committed to achieve about 35% to 40% reduction in CO2 by 2030.

Moving on finally to the legal development with respect to the ORISED case in India. There has been as you know the multiple litigations over time with respect to state's authority to levy tax on middle rights. On 25th of July the Supreme Court has ruled the states will have the power to levy tax on middle rights and the existing middle registration does not contain any limitation of such power at this point of time.

After this judgment based on the petitioners request the Supreme Court is to onto looking at the ruling operative from the date of pronouncement and they clarify the aspects of operations of their judgment. Yesterday the Supreme Court reserves a decision on this matter. The implications of the ruling are obviously complex, varied across states and will have an effect on the middle linked industries in India. We await the orders of the Supreme Court.

With this, I would end my comments and open the floor to questions. Thank you.

Question-and-Answer Session

Operator

We will now begin with the question and answer session. We will be taking questions on audio and chat. [Operator Instructions] The first question is from Satyadeep Jain of AMBIT Capital. Satyadeep please go ahead.

Satyadeep Jain

Yes. Am I audible?

T. V. Narendran

Yes please.

Satyadeep Jain

[indiscernible].

Samita Shah

You have to speak up Satyadeep.

Satyadeep Jain

Am I audible?

Samita Shah

We can't hear him. Kinshuk, let's go to the next one and come back to him.

Operator

We will now move on to the next question. Our next question is from Sumangal Nevatia of Kotak Securities. Sumangal, I request you to please go ahead and ask your question.

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Sumangal Nevatia

If we can share some details as to how are we looking at NSRs and cost movement both across India and Netherlands. And then, with respect to UK, are we looking at the last quarter as far as these losses are concerned? And do we still maintain that maybe from second half onwards we will have some sort of a breakeven as far as EBITDA is concerned? Yes that's my first question.

T. V. Narendran

Yes, thanks Sumangal. So as far as India is concerned, our guidance on net realizations for Q2 is about ₹1500 per ton below Q1. And as far as UK is concerned the projection is flat, but Netherlands is projecting a £60 pounds reduction in net realizations Q2 compared to Q1. In terms of coal costs in India it will be about consumption basis $15 per ton lower in Q2 compared to Q1, and in Netherlands it'll be about $26 per ton lower Q2 compared to Q1. Coal is not really relevant now for UK going forward. In terms of iron ore, UK will be about $7 per ton, lower Q2 to Q1 and Netherlands will be about $17 per ton lower Q2 compared to Q1.

Your question on Tata Steel UK. Yes, once we close the second blast furnace in the second half of the year at an operating level we should be close to a breakeven or slightly positive on an EBITDA basis apart from the one-off cost that we may have to incur as part of the separation packages and other things. But on an operating basis the losses that you see today should go back to breakeven or should go to breakeven or get a positive EBITDA.

Sumangal Nevatia

Understood.

Koushik Chatterjee

When you said that will this be the last quarter of losses and the answer is no. September will be the last quarter of the losses and then as Naren mentioned from the third quarter we should get to close to break even and then as the volume ramps up on the imported substrate we should be in positive territory.

Sumangal Nevatia

Okay. So 2Q is the last quarter, right? I mean third quarter is where we expect, understood. And just the clarification on Netherlands given the softness in prices, which is only partly getting offset by iron ore and coal. So do we expect spread to be under pressure at these levels? And does the 1Q margin what we've reported, does it have any loss or sorry, any cost of relining or everything kind of concluded in fourth quarter reported results?

T. V. Narendran

No. From a CapEx point of view you would see some CapEx in Netherlands in Q1 which is more to do with the settling of the relining bills. From a margin point of view we are basically operating at pretty much full level. If you see the volumes on production we are almost at 6.8 million ton annualized basis, which is much higher than what we've ever been in the past even before the relining. So there is clearly operational improvement and stability. But yes, there is, as I indicated, there will be some margin compression in Q2 because the markets across the world are struggling with Chinese exports at pretty low prices. But I think our expectation is at the current levels of prices and coal prices if you see even the Chinese companies are losing a lot of money. And so we do expect that this could be the low point and things could pick up from Q3 onwards on terms of prices.

Sumangal Nevatia

Okay. Naren, just one clarification, you said CapEx. So there's no at the operating results – there's no cost, right, there's no OpEx of relining in 1Q results?

T. V. Narendran

No. I don't, Kaushik, I don't think so. Right?

Koushik Chatterjee

Yes. It's actually the relining got over. It's as you know that, after the performance guarantee the retention payment those come in after a period of time. So that's there in the cash flows for this quarter in as part of the CapEx, but not in the OpEx side. In fact the other way around the OpEx has actually been better than the previous quarter because the volumes have increased very significantly.

Sumangal Nevatia

Understood. That's very clear. My second question is with respect to the expansion plans. Now we are on the verge of commissioning Kalinganagar and we've been seeing this slide of 40 million ton kind of potential since long. I mean looks like even if we start today there would be a period maybe to 18 odd months where we will run out of capacity and maybe start losing market share in India. So want to know what timelines are we looking at further finalizing the CapEx plan? Number one. And yes, I think, yes, that's the only question, yes.

T. V. Narendran

Yes. So I think the way I would respond to it is – we have this 5 million tons coming in Kalinganagar. You have all close to a million tons coming in Ludhiana. And we have maybe a few hundred thousand tons coming in Jamshedpur because we are adding a rolling mill there and we'll get some additional volumes out of the Usha Martin assets that we acquired sometime back. So that's the incremental volume we will see over the next couple of years. Later this year we will hopefully get the approvals, internal approvals for the Neelachal expansion which will take it to 5 million tons. The Kalinganagar expansion from 8 to 13 was anyway expected to start only after we finish the current expansion, so that we will plan for.

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I also want to make a point when you talk of market share, actually the market share in our chosen segments will continue to be very strong, because the Kalinganagar cold rolling mill adds 2 million tons of cold roll, very high in cold rolled and galvanized products to our product mix and we have a few downstream expansions also going on parallelly. So I think in our chosen segments we will continue to grow our market share. The overall market share, of course will be a function of the upstream volumes that we get on the ground.

Sumangal Nevatia

Understood. I will join back the queue. Thank you so much for the answers.

Operator

Thank you so much. The next question is from Kirtan Mehta of BOB Caps. Kirtan please go ahead.

Kirtan Mehta

Thank you, sir, for this opportunity. I wanted to understand sort of the new round of the UK discussions with the Labour Party. What are the additional demands that you are seeing from the Labour Party while sort of finalizing on the grant agreement?

T. V. Narendran

Koushik?

Koushik Chatterjee

Yes. So I think the first of all, I must say that the new government, the ministers, et cetera have been very supportive in not only Tata Steel, but the Tata Group to continue in a big manner in the UK. Obviously, there's no demand as such. They want to work together to make the UK Steel Industry strong because they have plans in their capital allocation for usage of that industry in infrastructure and other industrial projects. Because as you as you if you have followed the election campaign and the manifest on the Labour Party side, it's more about renewal of what of UK in terms of being more industrialized and focus on manufacturing, focus on renewable energy and so on.

So I think the question is essentially the negotiated grant funding agreement is re-invented in some manner. What they want is to explore more investment opportunities if possible, that's not imposed, but if possible. And to explore what else do we need to make the UK steel business more valuable and sustainable. So I think that's the broader context. As far as the other thing is the employee bit which is on essentially how can we help in the training of the employees who are moving out of Port Talbot to make them more employable. As you know, there is a transition board that has been formed under the previous government. That transition board is funded by about £80 million by the UK government and £20 million by us. So the whole focus is how do we best use this capital and do that.

So those are the kind of conversations that we are having at this point of time and we hope that in coming weeks and maybe a month or two we should be able to get to a frame where we have a good understanding of an agreement on where we want to move. And more important from our perspective is to ensure that the base EAF project which is the already approved project gets done as per plan and that ordering detail engineering, et cetera is something that we are coming very close to. So I think in a nutshell we see continuity of our discussions with the UK government. We see more interest in the steel industry from the UK government and we see more capital allocated from the Treasury on the steel industry as a whole.

Kirtan Mehta

Just a follow-up here. So, if at all the way you mentioned about is there is a possibility of increasing the scope of the expansion. So if we go through that discussion is there a sort of a possibility that this could elongate the time before we give a go-ahead for the next EAF?

Koushik Chatterjee

For the only new EAF. No. The answer is as I said that the current EAF is something that we have already captured in the existing draft of the grant funding agreement. So that has not been disturbed. The proposition is what can you do more and for which how can we give you more? So, what can we do more and how much can we give you more is what the conversation is. Our focus is obviously on getting the 3 million ton transition into the electric arc when it's done on time, because that's the base case for the sustainability. But there are other opportunities in the downstream if there is a business case, if there is an investment case and if the government provides us with support in capital, we will consider it, and that's the conversation that we are having at this point of time.

Kirtan Mehta

Thanks for this detailed clarification. Second question was about the contingent liability that we have disclosed regarding Odisha. Do we have similar demands across any other states which could have an impact from the Supreme Court judgment finalization or Odisha is the only state, which has raised such demands in the past?

Koushik Chatterjee

No. First of all, I must give you a bit, and if you have read the notes in the SEBI Note Number 8. This case actually – when the Orissa government did come out with the regulations on levying what is called as ORISED, we had gone into the Orissa High Court and the Orissa High Court had actually squashed the regulation itself as unconstitutional. So there was no demand existing at this point of time from the Orissa government on us. But because there is a act which had come in, which was squashed by the Orissa government, we had been reporting this as contingent liability since 2005.

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So I think it is a question, which we did out of prudence to ensure proper disclosure. There is no other direct cases or demands of this nature for Tata Steel at this point of time from any other government. Our bulk of our mining is in Orissa, and we have mining in Jharkhand. But at this point of time there isn't anything that is pending as a demand which we have not paid or therefore we are reporting. We reported this as contingent liability based on the regulation that came into being in Orissa in 2004, which we challenged in the Orissa High Court, which got squashed and that's why the state had gone to the Supreme Court. And many other such states had gone to the Supreme Court, which is the judgment that we has been talked about.

Kirtan Mehta

Right. And what was the underlying royalty rate under this particular contingent liability? What was the state demand actually?

Koushik Chatterjee

So again, there is no state demand. What was basically formulated is based on the last two years production and based on the IBM price on the first day of the year, there was a calculation given of about 15% or so. So that was the basis of the calculation that was given at the time in that act which got squashed under the Orissa High Court order.

Kirtan Mehta

Thanks for this clear clarification. If I may squeeze in one more, could you update us on the cold rolling mill in terms of the operation levels, profitability levels at what stage ramp up we are in. and what's remaining? We understand about the Continuous Annealing Line that you just disclosed.

T. V. Narendran

Yes. The cold rolling mill has been operating since last year. It's been ramping up quite well. It produces what is called full hard cold rolled product till the Annealing Line comes in. The Annealing Line is coming in August. Then we'll have the anneal product available. And the galvanizing line will come in towards the end of this financial year, and that will give us a galvanized product. So the cold rolling mill in its entirety is best to assess after we have all the downstream facilities. Because it is going to be really a state-of-the-art mill, which will be able to cater to the high tensile grades, which the automotive industry requires now and also the high end galvanized steel that the automotive industry requires now. So that's where it is, so I'm not able to give you the profitability just yet because not only are the volumes ramping up, the quality is also just about ramping up.

Kirtan Mehta

Production run rate if possible?

T. V. Narendran

I think we are currently maybe at about 50,000, 60,000 tons a month. You will not see it simply because that means you will sell less HR and more full hard CR. So it's not a top line addition. It is value addition. Let me put it that way. You will see less 40,000, 50,000 tons HR and more CR.

Kirtan Mehta

Thank you for commenting.

T. V. Narendran

Thanks.

Operator

Thank you, sir. [Operator Instructions] The next question is from Amit Dixit of ICICI Securities. Amit request you to please go ahead.

Amit Dixit

Good afternoon everyone. Am I audible?

Operator

Yes. We are able to hear you. You can speak a bit louder.

Amit Dixit

Great. So I have a couple of questions. The first one is on a very broad macro sense if we look at it while domestic consumption is growing there are instances of imports also surging. On the other hand there is a now after the Supreme Court judgment technically state governments can levy any sort of says they want. So, I just wanted to understand from an industry perspective, which is growing, there is nothing being done to curb imports. At the same time states are coming up, I mean, states technically have got freedom to levy any kind of duty. So what we are thinking about, I mean, how we are looking at it being someone who is like quite you would say integrated. Aren't we at a technical disadvantage here? What are the thought process? Or how are we working with the government? Just wanted to get your thought process around that?

T. V. Narendran

I think it's a very valid point and that's precisely the point you are making with the government. It would be very ironical if India with all the iron ore that it has, firstly, over taxes the iron ore and negates the competitiveness that we as a country should have right at the raw material stage. Okay. So I think that is one thing. And we are as it is from a effective royalty rate and tax rate point of view one of the highest taxed countries in the world as far as mining is concerned, compared to Brazil, Australia and the other geologically rich countries we are already taxed among the highest. So that is one point.

And I think if we do that, there is less and less incentive or less and less room to make investments to value add on that iron ore or coal or bauxite or whatever else, right? So I think that is one point. The second point, which we are telling the government is most of these minerals are in the poorest states in the country. Yes, they need tax revenues, but they also need jobs. And if you need jobs then you need investments. If you need investments there needs to be a business case where the industry makes money and can use that money to invest in new capacities or whatever.

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Third point is when you look at private sector investment in India, the steel industry is one of the leading sectors. It's not just Tata Steel, all our peers have also announced significant CapEx. So you have a good story there on private sector CapEx and if all this keeps going up, obviously that's a matter of concern. The fourth point you talked on imports is also a very important point, because oftentimes we say China's competitive. China is not competitive. They lose money at these prices. So it's not that they are making money at these prices in which case you can call them competitive. It's a predatory pricing which is again detrimental to the future of the industry in India and this point has been made with the government as Indian Steel Association. And we are hoping that there will be some action because the rest of the world is moving fast on this.

So whether you look at the U.S., you look at EU, you look at many other countries, because China exporting 100 million tons a year is not something the world can live with. China selling steel at less than $500 when cooking coal prices are $220 to $230 defies the logic. And the last time China sold at these prices was during COVID. So we are seeing some circumstances where like you said, import pressures are there and domestic cost pressures are also there, which is not good for the long-term health of the industry. So it's a very valid point. We are representing to the government at the states and the centers. And let's hope that we come to a good long-term solution.

Amit Dixit

And on the similar line just one clarification what Koushik mentioned that there are no demands from state as such. Now the retrospective or prospective application of this new judgment doesn't really matter. The thing is that, is there a possibility at this point in time what you see that states might just go ahead and levy something. Is there something in the pipeline? Is there something that they have been making demands in the recent past that we might see our costs getting escalated? Retrospective of course doesn't matter. I'm not talking about that 17,000-odd crores liability. All I'm talking about going ahead how will our cost increase in the present regime of things?

T. V. Narendran

So I think yes, the states have that prerogative and that's what has been now said. Again the question is, I mean, I think the question for the government both at the center and state is what they want to do. At the center it's all about what are the laws which need to be amended? How do you address this issue? Can you offset some of this? Because I think the larger point being made is a lot of these costs will pass through particularly when you look at coal, which is today the biggest product being mined and the power sector are the one which consumes it. If these keep adding up obviously it has an impact on the power sector and the consumers of power including us, right? So that is one.

And secondly, there's bauxite and aluminum. There's iron ore and steel. So I think this is a larger issue. I think the government is seized with it. And obviously, it impacts the cost of doing business, which is very clear. So let's wait and see how the next few weeks transpires in terms of what states are doing what. Koushik you want to add?

Koushik Chatterjee

Yes. So I just wanted to add, Amit, that all that the courts are have said, the benches said that, as far the current MMDR is concerned there is – we don't see a limitation. So if that limitation comes in terms of an equitable distribution of the CESS between the state and the center then obviously there is – that's the point Naren mentioned, that the Center, it's seized of the issue on a much more wider issue. And that's the point that has to be addressed in due course of time because the limitation is essentially a cap et cetera, which needs to be put in. So we'll see whether there is an amendment that comes in due course of time and that's the point which will derisk this into an issue because the same iron ore can therefore get priced differently in different states. That's not going to help either or a coal or for that matter any minerals because every state is acting different and that kind of defeats the federal structure and that's how the MMDR actually said that the center sets the policy, states collect the money or get the money.

So, I think there is a broader discussion that has to happen and the center is seized a bit as to how to obviate to ensure that investments occur more uniformly and to ensure that as a country we continue to have the advantage comparatively to get the benefit of the minerals that exist in the country. So I think that is important. And I would request if you hear the dissenting Judges comment, these are precisely the points that have been highlighted. So I'm sure that there will be administrative and executive stepping in after the Judiciary clears the period of application of the CESS.

Amit Dixit

Okay. The second question is a major bookkeeping question. Just wanted to understand the bridge between EBITDA and cash flow from operations for this quarter? And whether the debt increase that we have seen was majorly due to the working capital build up at UK operations?

Koushik Chatterjee

So there are two parts to this as far as the debt is concerned. Firstly, there is the UK bit, which is negative and the working capital bit. So there is a loss bit in the UK and then there is the working capital bit in the UK. And then there is a working capital bit even in India because of the fact that we – this is a pre-monsoon preparation and also preparation for the Kalinganagar startup of the blast furnaces. So these are the three elements that we see. I think over a period of time in the next two quarters we will see the release of the same.

Operator

Thank you, sir. The next question is from Ritesh Shah of Investec. Ritesh request you to please go ahead.

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Ritesh Shah

Am I audible?

Operator

Yes, loud and clear.

Ritesh Shah

Hi. Thank you so much. Sir couple of questions. First is thank you for the explanation on contingent liability. I just wanted to understand hypothetically if the Supreme Court does impose a judgment on a prospective basis, what is the probability of this contingent liability actually translating to a cash flow impact?

Koushik Chatterjee

So that's not very hard to say, Ritesh, because I think if in the unfortunate event it does become retrospective, we have to see what is the period at which it will be paid. Secondly, I think it will also be dependent on – see, once the Supreme Court has actually explained the point of law, not individual cases. So once the point of law has been explained and the operating part of the judgment is clarified later on, whether it's retrospective and/or prospective, in the worst case scenario, as you just said, if it is retrospective, each of these individual cases will go to the regular in a typical manner. So, if – because these cases, like in entry tax was kind of aggregated at Supreme Court and they said, the constitutional bench will consider this. So, each of these should ideally be considered get back to the High Courts or the Supreme Court regular benches, etc. And then the determination will happen on those individual cases, quantum, period, payment, demand happening or not, because in many cases, demands have not been raised.

As I said, in our case, there's no demand. It's actually a contingent liability which we have disclosed. So that operating bid has to flow in. I think it will take some time to get to that position to understand in case, as I said, in an unfortunate case, it goes to a retrospective judgment.

Ritesh Shah

Sure, that's quite useful. So my second question, I'll put it very straight. Sir, what is the net debt number for Tata Steel UK and Tata Steel Netherlands, say 31st March basis or end Q1? If you could please help on that. And just wanted to understand how should one look at the debt profile for both these regions separately, taking into account the incremental cash flow ask that we have?

Koushik Chatterjee

So I think you can consider, if I were to look at it from a broad perspective, Tata Steel UK in general – UK and Netherlands, each of them have about £600 million to £800 million of debt. Mostly working capital, and these are these are essentially used for securitization, as well as working capital needs. I see that the Netherlands was actually debt free till about 12 months back, or maybe 15 months back. And I see them going back into a debt free status in the next 18 months. So I think that is something that we are working on, because Netherlands never actually had any debt requirement because they were always positive cash flows. It's only in the last 12 months post the Blast or during the Blast Furnace 6 relining that they have got affected.

So I don't see that to be an issue there. We have about £200 million of – maybe £300 million of the old acquisition dept setting also in addition to this. So that's broadly the frame between Netherlands, UK and the acquisition that we have in overseas. Apart from the Tata Steel bonds, et cetera, which are there in Singapore, et cetera. So I think that's the profile. On your second question on cash flows, as I said, Netherlands should have their own cash flows to bring down their debt to zero in the next 12, 13 months because that's simply important and they will not have any material CapEx on the legacy business. The decarbonization CapEx is a separate CapEx spend that will happen.

And as far as the U.K. is concerned, as we mentioned in the earlier part to a question that we would like to see it to be profitable, EBITDA profitable, and also pair some parts of its debt. But fundamentally, the U.K. debt is, in effect, it's to the India business because we will have to clean the business and make it ready for the decarbonization or post-decarbonization as we get the £500 million of grants from the U.K. government.

Ritesh Shah

So that's useful. Just a related question. Sir UK., we have indicated 1.2 billion of CapEx. So the government grant is around 500. Are we looking to infuse any incremental capital from India to Singapore to Europe? The reason to ask is, I think the board took an approval in May with respect to $2.1 billion. I think we have transferred around $875. So I wanted to understand the end use of this $2.1 billion. Partly I understand it was ABJA refinancing. So I wanted a breakup over there and wanted to understand is there further cash flow asked from U.K. which will have to be funded through the India operations?

Koushik Chatterjee

So as far as the – there are a couple of parts to this, Ritesh. One is that there is a loss funding that is happening, which is what we said that till September this will continue as only when we wind down the second blast furnace, we expect to get into a positive territory. This is also a transition from on – the working capital side, buying iron ore, buying coal, and then winding it down and instead buying slabs and coils, and so that's a transition point that will happen. And post that, it will – in our view, by the fourth quarter of this financial year, it gets to a stable working capital position, despite centers we'll hopefully get into a more stable situation. The loss funding also would get off. But there would be – there is a restructuring that is going to happen and that restructuring, including the redundancies, et cetera, are funded by India.

Secondly, if you look at the project, 1.25 billion, of which 500 million will be from the government and the 750 million will be from Tata Steel. And we don't intend having more debt on Tata Steel UK. We will be – it will be spent over four years, but it will be spent from a Tata Steel point of view. So this is broadly the flow in which the capital will go over the next couple of years, as far as UK is concerned.

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Ritesh Shah

All right. Sir, breakup of $2.1 billion, I think 875 has already moved the balance. So is it ABJA or is it UK? How should we look at it based on the ABJA maturity?

Koushik Chatterjee

Mostly, ABJA was about – see, ABJA is in two parts. There was a 125 billion and then there is another element which is on debt, effectively about 700 million. The total ask that we talked about is 2.1 billion, which is the breakup, if you look at it, about 600 million will be for UK loss funding over a period of time and the restructuring that is going to happen. And then there is a UK loan repayment of about 200 million, which is also going to reduce the debt in the UK and the consolidated debt. And there is the element as far as ABJA is concerned, and there are some debt in Singapore, which is also going to be repaid, of about 750 million.

Operator

Thank you, sir. Next question is from Indrajit Agrawal of CLSA. Indrajit, I request you to please go ahead.

Indrajit Agrawal

Good afternoon. Can you hear me?

T. V. Narendran

Yes.

Indrajit Agrawal

Hi, I have a couple of questions. First, on Netherlands, given that it has, like, fully ramped up on production, can we see any further conversion cost reduction from here on or have you peaked on that?

T. V. Narendran

So I think the volumes are close to peak. We were about 50,000 tons short. What we are chasing is 7 million tons of annual production. We have not been at that level for the last four or five years. So we are at 6.8 million rate for Q1. So if you get to that, that will certainly lead to a conversion cost reduction, clearly compared to the last two years, because the last two years, one is we had lower volumes, as you saw, higher costs because of the cold rolling mill upgrade and the BF6 upgrade. We were using a lot of high-cost slabs, which we had produced earlier when the coal prices were high. And you had record high prices of electricity and gas, thanks to the Ukraine situation.

So many of those things have corrected. Some of it you're seeing, but you'll see that happening. So I think we have now reached the lower levels of electricity and gas prices and CO2 prices also, which had gone to about €80, €85 are now around €60, €65. So you will see all that. So I would think by Q3 or Q4, you will see a more stable cost, I mean, it will trend out. There are also many initiatives that we are taking over the next two, three years to further bring down costs. So I would expect that on an ongoing basis at these production levels, you will start seeing the costs reflecting some of these initiatives and the stability of operations.

Of course, the bottom line will also depend on the spreads. And that's where the spread compression is also there, which hence sometimes negates some of the cost takeouts that we've been doing. But yes, to answer your question, yes, conversion costs should keep trending down as we run through some of these initiatives.

Indrajit Agrawal

Sure. Thank you. Now, my second question is, given that we have better visibility on KPO-2 commissioning, any kind of volume expectation that we can see in FY '26 from KPO-2 or too soon to come?

T. V. Narendran

FY '26 should be close to a full year. I think that's what we see in terms of once the blast furnace stabilizes, the steel mill shop also would have done its expansion. So we'll give you a guidance closer to the end of this financial year. But yes, the expectation is that we will see as close to maximum as possible. There are some logistics issues which we are sorting out. Those are some of the constraints that we want to deal with over the next six months. Just now, that's not the bottleneck, but as we ramp up, that could be a bottleneck and those are the problems we have to solve in the next six months.

Indrajit Agrawal

Sure. Lastly, can you give me the CapEx and working capital build up number for the quarter?

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Koushik Chatterjee

CapEx was – as I mentioned, CapEx was about 3,700 crores, 3,770 crores. I think that is the CapEx number that I had mentioned during my comments. As far as working capital is concerned, I think it was about net working capital number, give me a second.

Samita Shah

About 5,000 crores, 5,300 crores.

Koushik Chatterjee

Yes, 5600 crores, 5400 crores, which had a large proportion in basically in India and in the UK.

Indrajit Agrawal

Sure. That's all from my end. Thank you so much.

Operator

Next question is from Satyadeep Jain of AMBIT Capital. Satyadeep please go ahead.

Satyadeep Jain

Am I audible?

Operator

Yes.

Satyadeep Jain

Hi. Thank you. A couple of questions. One on the contingent liability, I just wanted to clarify, you mentioned when you're reporting contingent liability, it is based on an assumption of 15% tax in addition to 15% royalty, 15% additional tax on whatever iron ore value you're mining from that state. Is that correct?

Koushik Chatterjee

It's in the production. Average of last two years production, at the IBM prices and then –

Satyadeep Jain

Is there – there would be something for chrome ore and other, maybe dolomite, other minerals also, is that-

Koushik Chatterjee

Yes. Anything in Orissa is what is disclosed there. And there's a small amount in Jharkhand, which because Jharkhand at that time had not notified their act, though they had passed it, but it was, if you're not notified, it's not an act. Orissa had notified, but the Orissa High Court had squashed it down. So that's the basis on which we have done the calculation. And this calculation is not, I mean, it, every quarter it changes because we have been over the last what? 20 years now, have been doing this revision to disclose. So if you look at our annual reports for the last years, you will see this number going up.

Satyadeep Jain

So that is, you're saying the, liability of building for chrome ore and other minerals is also 15%, based on 15% royalty, same royalty rate for all the minerals?

Koushik Chatterjee

Yes. They have not distinguished between any other – between different minerals. It's the same rate.

Satyadeep Jain

You mentioned Jharkhand, just wanted to understand, because I was under the impression that even Bihar and then Jharkhand also had similar act. You're saying they didn't notify it before this was struck down by the High Court?

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Koushik Chatterjee

Satyadeep, I think this will become a big conversation. If you look at this issue, there are states where the act has been passed and depending on petitioners have been squashed. There have been states in which the acts has been passed and not notified. There have been acts – states in which the acts have been passed, notified, and states have been collecting. So there are a mix of this between, say, Uttar Pradesh, Chhattisgarh, Andhra Pradesh, there's very few states which is left. So there are a lot of – it's not just in Odisha. In fact, Orissa is, is the one place where the High Court has actually squashed the act. But there are other cases, some states are collecting, some states have not notified, some states have not demanded.

So there's a plethora of stuff, which is why it went to the Supreme Court. So Supreme Court is actually settling a point of law. It is not settling individual cases. It is settling a point of law that under the MMDR Act and Article 49 and 50 of the Constitution, does the state have the power to levy a CESS on minerals? That is the point of law. So the point that they have said is if there is no limitation in the Central Act, they do have. So if you do bring a limitation in the Central Act, they will be capped. So this is –

Satyadeep Jain

That limitation could be possibly brought up by amendment in MMDR Act. Is that would be fair?

Koushik Chatterjee

That's correct. That's, that's the point that Naren explained earlier. That is the point that the Center also understands. And remind you, a ton of coal or a ton of iron ore in this current construct can be different in different states. So it will have different cost of – based on the royalty that each state in their best understanding imposes. You can have a ton of iron ore differently in Orissa, it could be different in Jharkhand, it could be different in Chhattisgarh or anywhere else. So that is the point that needs to be addressed by the Center. And that is the point that as an industry, as a mining industry, everybody has kind of requested the Center to look at it.

Satyadeep Jain

Fair enough, understood. The second question is on UK. I think in the earlier remarks, you mentioned that you're looking at maybe considering, the government is considering a wider, scope, possibly looking at downstream. So just want to understand, is it also a discussion around DRI plus EAF? And when you look at downstream, what exactly does it mean? And how would you evaluate all these proposals, even if let's say the capital intensity increases, if they give you the same grant of 40%a, would you go ahead? How would you evaluate these proposals is what I try to understand.

Koushik Chatterjee

So effectively, if you look at it, so first of all, they have not said, prescribe what you need to have. So they basically want to say that the steel industry in the UK, which is being neglected for a long period of time, we want to ensure that without investment, no steel industry can revive. And how do you become the best-in-class in terms of competitive ability, and therefore what investments are required to service the requirements of the industry and the consumers of that steel, whether it is downstream, automotive, construction, engineering, et cetera.

So that's an open discussion that we are happening, including DRI as a case in point, but in DRI for us, because our primary investment case has been drawn due to the availability or the surplus amount of scrap that UK produces, and UK is one of the largest seller or exporter of scrap at about 10 million tons a year. How do we tap that for domestic value addition? And that, actually resonated in the investment case. So DRI, we will require virgin Iron, but the proportion is much less, and it may not have the ability to make the full business case, may or may not.

So we are – actually, unless we become a merchant DRI player, and use some for captive and outside. So what we said, essentially, is that, look, there are many options in DRI or in downstream, but those are, first of all, to be taken separately to the base investment proposal on which the government and us have agreed upon in September 23. That needs to proceed accordingly. If you are saying I have more money to give you as grant, and if you can put in something else, we said that we will take the opportunity, do an investment case, and see what kind of investments makes sense to or makes investment the business case and I'll come back to you, we'll come back to you and then you can decide whether you can give it or not.

And link to that you will also have to understand it is public tax money that what kind of employment potential is there for each of these investments. So if all these converge together, there will be something. But we have said and the government completely understand that we need to implement the existing EAF project on time, on cost and ensure that we get the facilities in terms of planning, promotion, et cetera done so that we can implement. So that is being the base understanding and there's no change in that. So this is an add-on to see if we can make the whole investment case better, both from a steel industry perspective as well as from the employment perspective. That's where we stand.

Satyadeep Jain

Thank you so much. So I just want to understand some economics of the transition tied to this. When you look at from what I understood for a 3 million ton conversion, when you're bringing slab and converting it to HRC, for that kind of configuration, I thought maybe 1000 employees is enough, but you would have 5000 employees. Is that fair, the number that I mentioned? And when you look at the slab that you're going to get, does Tata Steel India, is there a benchmark? Are you already exporting slab in the markets and would UK buy slab at the same price? How would that pricing for slab import for UK work out?

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Koushik Chatterjee

So I think the – to your first question, the 1000 and 5000, as far as the – if it was only converting slabs to hot strip mill, that's not the answer. We have a significant amount of downstream. We have – if in the UK, we have color-coated, we have automotive lines, we have packaging lines. So we have a significant amount of downstream. We have cold rolling mills. So that is the reason why you see a higher number than 1000. If it was only a hot strip mill in Port Talbot, which is bringing in the slabs, converting it and producing hot roll coil, your number is more, in fact, your number will be higher than what we would need. So that's not the point. But – because we have a significant amount of downstream and well-established downstream for a long period of time with long-term customers linked to it.

On your point on the transfer price, it is based on the regular transfer pricing that will happen on a market basis. And that passes, muster through the transfer pricing regulations, both from a tax point of view, as well as from commercial point of view. So it is priced out of HR. And that's how it works internationally also when slabs are sold. And that's the model that we will have. So there is a – we look at both system as well as individually, and that's how it should make money.

T. V. Narendran

And the timing, just to add to what Koushik said, the timing is ideal for us because the Kalinganagar upstream with the hot metal and the steel mill shop, we'll be able to produce million tons. But the hot strip mill in Kalinganagar is a 6 million. 6.5 million ton hot strip mill. So we are slab surplus till we add something else in Kalinganagar. And those slabs can be sent to the UK as we build during the interim while we build the EAF there. So that works out well for us. Out of the 3 million tons of requirement close to it, about 1.5 million tons is going from India and 1 million tons close to that is coming from Netherlands. And the rest we are buying from the merchant market, both slabs and hot rolled coils.

Satyadeep Jain

Thank you so much and wish you all the best.

T. V. Narendran

Thanks.

Operator

The next question is from Amit Murarka of Axis Capital. Amit, I request you to please go ahead.

Amit Murarka

Am I audible?

Koushik Chatterjee

Yes, please.

Amit Murarka

Good afternoon. Thanks for the opportunity. So like earlier in the call you mentioned that you're working on setting up a 5 billion plant at NINL. I just wanted to understand like you've always said that there are options at almost every site for you to grow maybe except Jamshedpur. What would be the order of priority on the plants now, particularly given the context that by FY '30 like our older leaders are going into expiry? Will that impact the decision on the brownfield expansions or do you think that you'll still go ahead irrespective of that?

Koushik Chatterjee

So I think obviously post 2030 depending on the premiums you will pay for those mines to retain them or to have some other mines, the margin will get compressed a bit compared to where we are today. That's for sure. But I think there are a number of actions that we are taking to mitigate some of those. Even a simple thing, as we grow more and more in Kalinganagar and Neelachal, we don't carry forward some of the legacy costs that we have let's say in Jamshedpur, so the productivity levels the configuration of the plant et cetera will help us run larger volumes with fewer people. So there are a lot of other benefits that we will accrue from this expansion.

So I think – so the long-term profitability will obviously be kept in mind as we plan these expansions and we'll obviously do it only if it's value-accurate, which we think it will be. The second point is from a priority point of view, Neelachal will get the first priority because we are more ready there than on the engineering work and everything else. Kalinganagar, 8 to 13 will you know, maybe be a six months after that in terms of getting all the approvals. And Bhushan, the Meramandali plant going from 5 to 6.5. So 6.5 there, 13 in Kalinganagar and 5 in Neelachal is clearly visible and that's what we will move towards. So that brings us to close to 25. And then you have 11 million plus 1 million in Jamshedpur because you have the Usha Martin business and the Tata Steel business. So that's brings us to 36. And then you have the EAF in Ludhiana. And if that's a good operating model we can very quickly add other EAFs and other rolling mills in the west and south where there is scrab.

So that's broadly the roadmap for 40. We can grow beyond that also, but like I said Neelachal can go from 5 to 10. Kalinganagar can go from 13 to 16 and the Angul plant can go from 6.5 to 10. So we have enough headroom in each of these locations to grow beyond the 40 million tons that we already described.

Amit Murarka

So just also on the 40 million tons, like earlier the target was 40 million tons by 2030, but seems like now you're giving a range of 35 to 40. So it's fair to say that by FY '30 we'll be closer to 35 now and probably go to 40 beyond FY '30 then?

T. V. Narendran

I mean, what I've told you is already almost 37, right. And like I said, we will take a call on the EAFs beyond Ludhiana in the next two years once we have the Ludhiana plant up and running and we have greater comfort with that model. And setting up an electric arc furnace actually takes a couple of years. So it's only a hundred acres of land and you can set it up, and the whole approach to that is to do a replica of what we're already doing in Ludhiana rather than start to do the engineering and do various things. So I think there is an opportunity for us to do that. But again, we will take a call depending on priorities and we have the options. I think that's a larger point and we can execute on the options depending on the cash flows of the business and the profitability and all these various taxes that are coming in or the steel imports coming in. So the advantage with brownfield is you can pace yourself. So we will pace ourselves very appropriately.

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Amit Murarka

Sure. Also tied to that, like if, let's say, you have to go ahead with the TSN, the DRI CapEx, kind of, will it be possible then to parallelly run those expansions in India or like, how do you think about the balance sheet constraints there?

T. V. Narendran

Sorry, go ahead Koushik. Go ahead.

Koushik Chatterjee

So I think in the TSN decarbonization, that's why the conversation with the government becomes more critical is our basis understanding is fundamentally between the internal generations in Netherlands plus the government grant and plus the residual project financing debt in Netherlands. It should be able to be able to do that as we go forward. That's the base assumptions that we have looked at which is why to – I think there was an earlier question to which Naren mentioned on the conversion cost that we are very focused on getting – focusing on the profitability of Tata Steel Netherlands by reducing conversion cost structurally across a range of stuff in the current business, which will give the headroom from an internal capital generation perspective.

It's not a magic switch. It will carry on for multi-year. But I think it is something that we are undertaking almost like a project to be the best in the Western Europe in cost structure. So balance sheet should not get impacted fundamentally because it will be somewhat ring-fenced is our understanding. Of course, we will have to get past the conversation with the Dutch government and we'll see what is the level of grant that comes in. The situation in Netherlands is slightly different than in the UK because of the context in which the steel industry stands there. So I think we are – it will be – we'll keep giving you updates as we go along. But I think fundamentally Netherlands should be able to ring-fenced Netherlands CapEx, which will be larger than UK because it's got a DRI included. But that's the basis. If we get in the best-case scenario everything then of course we'll be able to ring-fence and that's our primary focus.

Amit Murarka

Thanks a lot for the elaborative reply. All best wishes.

Koushik Chatterjee

Thank you.

Operator

Thank you, sir. I would now like to hand over the conference to Ms. Samita Shah for the chat questions over to you, ma'am.

Samita Shah

So we have a lot of questions on the Orissa case and I think we've answered them at length. So I will not take any of them. I think, literally answered every question which has been asked. We have a question on Sukhinda, which maybe we can touch upon. Essentially, it says that post-surrendering the chrome ore mine, why do you still have inventory revaluation and what is the impact on the EBITDA? So just technically we have not yet returned the mine, but if you just want to comment on that maybe Kaushik, in terms of overall impact.

Koushik Chatterjee

Yes, so the surrender process is a fairly engaged process. So when we announced that we want to surrender that came from post the board approval. Then there are stages in which it goes to different agencies which look at the proposals and then recommends finally for the surrender. We are in that particular process at this point and pending that we have to continue to mine and account for based on the mine plan, which has been approved by the IBM and pay royalties and so on and so forth. So it is still an operating mine. It is still operating as a division. So we will have to go through this. We are looking at the next 6-8 months to get through the surrender process.

Samita Shah

Thank you. The next – there are a bunch of questions on TS and decarp, which I also think we have answered. And I think maybe just a question which we can – is about is on timelines of the decarb CapEx. What is our timeline? Will we start implementing it from next year? So maybe you want to just comment on that.

Koushik Chatterjee

So at this point of time as I said that we are discussing with the government. I think in the next – by the next six months, we should have a definitive term sheet in place, 6 to 8 months before the end of this financial year, if the discussions go right. So then after that obviously in both the UK and Netherlands and also in India in some ways, what is called as a planning permission is called almost like an EC environment clearance in India. So there is a planning permission period which is a long lead item. We will obviously have to get into what we call as the detail engineering process to understand and fix the CapEx numbers and the timeline.

But the end is known that it has to be done before 2030, because 2030 the emission norms reduction kick in. After that we will have to comply with that requirement. So I think the start point of big CapEx. So just now it is actually the engineering CapEx that is being – that will go in the initial years and the planning permission, site preparation, community hearing, all of that is the part that goes on in the initial period and in parallel the technologies is finalized, the detail engineering, the technology suppliers agreement, even the other infrastructure requirements, whether it is power et cetera, those kind of stuff gets in place.

And then the spend. So on the TSN decarb, I think is about a year behind Tata Steel UK decarb project. So we will see the UK decarb project more starting to spend serious money in about 12 months later, because June is when – next year is when we will get the accelerated planning permission and then the construction period starts. I think as far as Netherlands is concerned, it's about a year later. So I think that is how I would put it.

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Samita Shah

Thank you. There are some questions on importing slabs or coils into the UK and does that attract any tariffs and how does that actually affect the entire operation?

Koushik Chatterjee

So I think – good question. I think there are quotas and that are in place for imports on hot rolled coil not on slabs. We have a mix of slabs on hot rolled coil. So we have been working with the trade regulatory authority to take out those quotas and these quotas are going to get suspended. And we have been requesting for a bespoke arrangement on traded arrangement so that we can give it now without any tariff implications. So the whole idea is and the government has been receptive, the regulatory authorities have been receptive only because the fact that we are the only flat product producer of steel in the UK. So there is no other competition which gets affected because of the way in which the tariffs are placed. But the tariff will be structured in a manner which facilitates the import of slabs into the UK.

Samita Shah

Thank you. There are some questions in terms of the funding. So there is a question about your dollar bond outstanding 2028. Do you have any plans to take it up earlier et cetera? And a related question about all the equity injections which are happening in the various subsidiaries. How is that being funded?

Koushik Chatterjee

So, I think, one of the principles – as far as dollar bonds is concerned, I think we will run till course. There is buying back dollars and the bonds are more costlier and more complex. But as far as the second question is concerned, one of our whole orientation has been to ensure that from a broader capital structure efficiency purposes the debt is better served on the India balance sheet than on anywhere overseas. So that's a broader theme. And if you have been tracking our deleveraging over the last four years or so, you will find that's happening and that's important because we've been paying significant amount of tax in India. So I think we just need to kind of rebalance it and use the flow in an efficient manner so that we can optimize on the cash flows across across Tata Steel consolidated financials.

Samita Shah

Thank you. There's a question on our LNG powered trucks and logistics systems. Could you elaborate any more plans? And what is the plan with regards to this?

T. V. Narendran

I think we continue to take initiatives to make sure supply chain is greener. Already in Netherlands there are initiatives around delivering with greener trucks to customers who want that service. In India, we've been moving cargos on ship and on road using greener options than we have today. So that's an initiative which will continue to be taken across Tata Steel sites because we move a lot of material around. So if you're moving about 30 million, 32 million tons of steel, we are moving typically about 90 million tons of various inputs. So there's a lot of opportunity when you look at it from a Scope 3 kind of carbon footprint point of view. So I think those initiatives, which will continue. Of course, as you know, long-distance movement of cargo on trucks is still a challenge and the commercial vehicle industry globally needs to come out with solutions. I think short distance, it's easy to electrify and use options, but long-distance they're still an issue. Yes.

Samita Shah

Thank you. There's a question on the Ludhiana project. What is the timeline for completion and ramp up to full capacity?

T. V. Narendran

So the board approved timeline is two years from March of '24. That is March of '26. But we are hopeful to have the plant up and running well before that. But we'll give you a more specific guidance for next year. And it shouldn't take long to ramp up. It's an electric arc furnace with a rolling mill. It's a state-of-the-art plant. So once we start some of these, it's not like starting up a blast furnace or something else. So it would be much simpler to start up and ramp up to full capacity. So, of course, the volume impact will largely come not in FY '26, but maybe in FY '27 because that's when the plant would be ramped up.

Samita Shah

Thank you. And the last question, which we will take is on NINL. There is a resolution to fund 6,000 crores. What is this for?

Koushik Chatterjee

So this is actually not a new funding. This is – when we acquired NINL we had Tata Steel long products in between. So therefore we had to move through Tata Steel long products some part and some part directly, because in Tata Steel long products, we used to hold almost 74%. So we couldn't equitize the company at that point of time to do this acquisition. So we had this NCPRS. Then once the Tata Steel long products got merged with Tata Steel then we are holding it directly. Now there is an opportunity to equitize it and ensure that the NCPRS is not in between. Because when you see the standalone numbers of NINL sometimes based on the yield to maturity basis you have to accrue the interest on standalone. So I think it just was inefficient from that perspective. So, on a net-net basis, it's basically a conversion of the NCPRS into equity if you look at it in substance.

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Samita Shah

Thank you. With that I think we've answered all the questions. Thank you very much all our viewers for joining us. We look forward to connecting with you again next quarter. Thank you and bye.

T. V. Narendran

Thank you.

Koushik Chatterjee

Thank you very much.

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