CORPORATE PARTICIPANTS

T V Narendran, CEO & MD – Tata Steel Limited
Koushik Chatterjee, ED & CFO – Tata Steel Limited
Samita Shah, VP Corporate Finance, Treasury, & Risk Management – Tata Steel Limited

CONFERENCE CALL PARTICIPANTS

Amit Dixit, ICICI Securities
Amit Murarka, Axis Capital
Indrajit Agarwal, CLSA
Kirtan Mehta, BoB Capital
Ritesh Shah, Investec
Satyadeep Jain, Ambit Capital
Sumangal Nevatia, Kotak Securities

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 attendees' 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'am.

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

Thank you, Kinshuk. Good morning, everybody. Good afternoon and good evening to others as well. On behalf of Tata Steel, I am delighted to invite you all to this call today to discuss our results for the first quarter of FY25. 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 discussions today will be covered by the safe harbour clause on Page 2 of the presentation. Thank you, and may I now request you, Naren, to make a few opening comments please.

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

Thanks, Samita. Good afternoon, everyone. I'll make a few comments and then pass it 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 tight monetary policy conditions. In China, the moderation in demand outpaced the production cuts which led to steel exports of around 8 - 9 million tons a month to the rest of the world. In India, the steel demand was broadly stable despite some impact due to elections, heat waves and seasonal weakness that we experience particularly once the monsoons set in. As a result, across geographies, steel prices have been a bit soft. In the US, steel prices were down 8 - 15% and domestic steel prices were reasonably stable but went down during the quarter. So, the increase that we had in the early part of the quarter got offset by reductions in the later part of the quarter.

Crude steel production in India was 5.27 million tons and was up 5% YoY and on QoQ basis it was down 2%, primarily due to planned maintenance shutdowns. Our deliveries at 4.94 million tons were the best ever 1Q sales, aided by a 4% YoY growth in domestic deliveries. Amongst the various segments that we cater, the automotive and special products volumes grew by 9% YoY with higher than market growth in select sub segments. Our well-established retail brand Tata Tiscon witnessed a 15% YoY 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 our e-commerce portal Aashiyana. We are looking to shape construction market practices through our ready-to-use solutions and now have over 30 construction centres across India to improve the customer experience. Our ready to use solutions sales have gone up about 30% YoY. [inaudible] We registered a 19% YoY growth in engineering goods driven by the best ever quarterly supplies to railways and 8% YoY growth to the consumer durables 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 2024 and we are looking forward to producing about 1.7 million tonnes from this new facility after the startup. As mentioned in the last quarter earnings call, the G - blast furnace in Jamshedpur will commence relining in the fourth quarter of this financial year and as a result the overall increase in volume will be lower and that is why we guided for the full year at 1.4 million tons for India. The continuous annealing line of the 2.2 MTPA 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 Usha Martin steel assets that we acquired. The combi mill, as we call it. It is a 0.5 MTPA combi mill in Jamshedpur will come up in the second half of the year, and that will help us leverage the volumes available out of 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 UK, we have safely ceased operations at one of the blast furnaces, which is the BF#5 at Port Talbot on 4th July. We are on track to close the remaining blast furnace (BF#4) by September 2024. This marks an important milestone in our endeavour 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 BF#6 alter the relining and we had quarterly steel production of around 1.69 million tons which was up QoQ and YoY. The stabilisation 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% QoQ and 8% YoY.

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 & utilisation. We recently launched a carbon bank initiative to further carbon abatement and are undertaking relevant pilot projects in partnership with technology providers, academia, and startups. We are the first company in India to use L&G powered cape size bulk carrier for transporting raw materials. I have already mentioned transition plans for the UK. Upon transition to scrap based EAF operations, the direct CO_2 emissions will reduce by 50 million tons over a decade, and similarly, in Netherlands, we are working on the transition to green steel, subject of course to the government support and necessary approvals and currently, the discussions are going on with the government. Thank you, and over to you, Koushik.

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

Thank you Naren. Good morning, good afternoon, and good evening to all who have joined in. I will begin with the quarterly performance provided on Slide 26.

Our consolidated revenue stood at about Rs. 54,771 crores and the consolidated EBITDA was about Rs. 6,822 crores which translates to an EBITDA margin of around 12.5%. The consolidated EBITDA margin has improved by more than 100 bps on QoQ basis despite 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 Angul Energy Limited and the Bhubaneshwar Power Private Limited and the standalone financial statements for the quarter reflect the merger and the past periods have been restated as applicable. Tata Steel standalone EBITDA for the quarter was Rs. 6,750 crores, which translates to an EBITDA margin of about 20%. On a per ton basis, the standalone EBITDA was about Rs. 13,661 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 absolute revenues as well as on conversion cost. However, this was partly offset by the lower material costs, primarily because of the decline in coking coal consumption costs to the tune of about $11 per ton and the change in inventories QoQ.

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 June 2024 and this is on account of increased accrual of royalty charges payable on closing stock. This has led to a non - cash credit of about Rs. 1,100 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 Rs. 279 crores. Within two years of the acquisition of NINL, this is the first time we got positive PAT and are operating at the rated capacity.

In Netherlands, the EBITDA has turned positive with improved liquid steel production on QoQ basis upon stabilisation of the operations, post [inaudible] BF6 relining. The EBITDA generated was £43 million in 1Q compared to a loss of £27 million in 4Q. EBITDA on a per ton basis improved by about £48 per ton QoQ. The turnaround was primarily driven by improvements in costs. Material costs moved lower, primarily driven by the favourable movement in inventories and lower purchases, despite higher raw material cost. The conversion costs also moved lower upon decline in power and fuel and bulk gases related expenses with improved availability of the byproduct gases.

In UK, the EBITDA loss widened from about £34 million in the last quarter to £91 million in this quarter and I will explain that. The underlying performance though has actually improved QoQ. To elaborate on this, on a reported basis, the revenue and material costs have remained broadly stable while conversion cost has increased by about £81 per ton, resulting in a corresponding decline at the EBITDA level. However, as stated in the last earnings call, the fourth quarter earnings included credit relating to emission rights costs and R&D spend of prior years to the tune of around £70 million. Excluding these one-offs, the underlying movement in conversion cost was favourable by about £25 per ton, translating into an improvement in underlying EBITDA of around £24 per ton QoQ.

As Naren mentioned, we are committed to growth in India and have spent about Rs. 3,777 crores on capital expenditure during the quarter, primarily on Kalinganagar expansion. We have also started to spend on EAF in Ludhiana. There was working capital buildup during the quarter, primarily due to 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 optimising working capital. The net debt stands at about Rs. 82,162 crores and our group liquidity remains strong at about Rs. 36,460 crores, which includes about Rs. 10,799 crores of cash and cash equivalents.

The closure of the heavy end assets and restructuring program at Port Talbot is progressing in a safe and controlled manner and as Naren mentioned, this is as per plan previously announced. The BF#5 at Port Talbot produced its last liquid steel on 04th July and one of the three casters has suspended operations. The BF#4 will cease 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 July, and this will close on 07th August. After the elections in UK, we have also resumed our conversation and discussion with the new UK government on the execution of the grant funding agreement supporting the EAF project in Port Talbot. The Labour 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 serve its customers by utilising imported slabs and hot rolled coil substrate.

In Netherlands, we have started active engagement with the Dutch government on potential support for the decarbonisation project. The project is planned to be in two phases. In Phase I, we intend to replace one of the blast furnace with a DRP (Direct Reduced Iron Plant) and an EAF 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 - 40% reduction in CO_2 by 2030.

Moving on, finally, to the legal development with respect to the ORISED (Odisha Rural Infrastructure and Socio-economic Development Act) case in India, there has been, as you know, multiple litigations over time with respect to states' authority to levy tax on mineral rights. On 25th July, the Supreme Court has ruled that states will have power to levy tax on mineral rights and the existing mineral legislation does not contain any limitation of such power at this point of time. After this judgment, based on the petitioner's request, the Supreme Court is looking at the ruling operative from the date of pronouncement and then clarify the aspects of operations of the judgment. Yesterday, the Supreme Court reserved a decision on this matter. The implications of the ruling are obviously complex, varied across states and will have an effect on the mining 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.

QUESTIONS AND ANSWERS

Operator

We will now begin with Q&A session and first question is from Satyadeep Jain of Ambit Capital. [inaudible]. We will now move on to the next question and it is from Sumangal Nevatia of Kotak Securities.

Sumangal Nevatia, *Kotak Securities*

Could you please share some details as to how we are 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 break even as far as EBITDA is concerned?

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

As far as India is concerned, our guidance on net realisations for 2Q is about Rs. 1,500 per ton below 1Q. As far as UK is concerned, the projection is flat. In Netherlands we are projecting about £60/t reduction in net realisations in 2Q vs. 1Q. In terms of coal costs, in India, it will be on consumption basis, $15 per ton lower in 2Q vs. 1Q. In Netherlands, it will be about $26 per ton lower in 2Q vs. 1Q. Coal is not really relevant now for UK going forward. In terms of iron ore, UK will be about $7 per ton lower in 2Q vs. 1Q, and Netherlands will be about $17 per ton lower in 2Q vs. 1Q.

In UK, once we close the second blast furnace in 2H, at an operating level, we should be close to 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.

Koushik Chatterjee: ***ED & CFO – Tata Steel Limited***

September will be the last quarter of the losses. And then, as Naren mentioned, from the third quarter, we should get close to breakeven levels. And then as the volume ramps up on the imported substrate, we should be in positive territory.

Sumangal Nevatia, ***Kotak Securities***

In Netherlands, given the softness in prices and this is only partly getting offset by iron ore and coal, do we expect spreads to be under pressure at these levels? Does the 1Q margin, have any loss? [inaudible] Any cost of relining or was everything included in the fourth quarter reported results?

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

No. From a capex point of view, you would see some capex in Netherlands in 1Q, 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 basis, we are almost at 6.8 million tons annualised basis, which is much higher than what we have ever been in the past, even before the relining. There is clearly operational improvement and stability. But yes, as indicated, there will be some margin compression in 2Q because the markets across the world are struggling with Chinese exports at pretty low prices. I think our expectation is at the current levels of prices and coal prices, the Chinese companies are losing a lot of money and so do we expect that this could be the low point and things could pick up from 3Q onwards, in terms of prices.

Sumangal Nevatia, ***Kotak Securities***

Just one clarification. At the operating results, there is no cost, right? There's no Opex of relining in 1Q results?

Koushik Chatterjee: ***ED & CFO – Tata Steel Limited***

The relining got over and the performance guarantee, the retention payment, come in after a period of time. So that is there in the cash flows for this quarter and 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, ***Kotak Securities***

My second question is with respect to the expansion plans. Now we are on the verge of commissioning Kalinganagar, and we have been seeing this slide of 40 million tons potential since long. Even if we start today, there would be a period maybe 18 odd months, where [inaudible] we will run out of capacity and maybe start losing market share in India. What timelines are we looking at further finalising the capex plan?

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

We have 5 million tons coming up in Kalinganagar and close to a million ton in Ludhiana, and we have maybe a few hundred thousand tons coming in at Jamshedpur because we are adding a rolling mill there. We will get some additional volumes out of the Usha Martin assets that we acquired some time back. So that is the incremental volume you will see over the next couple of years. Later this year, we will hopefully get internal approvals for the Neelachal expansion, which will take it to 5 million tons. The Kalinganagar expansion from 8 MTPA to 13 MTPA was anyway expected to start only after we finish the current expansion. So that we will plan for. 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 very high end, cold rolled and galvanised products to our product mix. We have a few downstream expansions also going on parallelly. 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.

Operator

The next question is from Kirtan Mehta of BoB Capital.

Kirtan Mehta, *BoB Capital*

Thank you sir, for this opportunity. Wanted to understand, on the new round of discussions with the UK Labour party. What are the additional demands that you are seeing from the Labour party while finalising the grant agreement?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

First of all, I will say that the new government, the ministers, have been very supportive not only of Tata Steel, but the Tata Group to continue in a big manner in the UK. Obviously, there is 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. If you followed the election campaign and the manifesto of the Labour party, it is more about renewal of UK in terms of being more industrialised, focused on manufacturing, focused on renewable energy and so on. Essentially, the negotiated grant funding agreement is ring fenced in some manner. What they want is to explore more investment opportunities, if possible. That is not imposed, but if possible, and to explore what else do we need to make the UK steel business more valuable and sustainable. I think that is the broader context.

On employees, it is 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. Those are the kind of conversations that we are having at this point of time. 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. More important, from our perspective, is to ensure that the base EAF project, which is the already approved project, gets on as per plan, and that ordering, detail engineering is something that we are coming very close to. 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, *BoB Capital*

Just a follow up here. You mentioned there is a possibility of increasing the scope of the expansion. 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: ***ED & CFO – Tata Steel Limited***

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 MTPA transition into the Electric Arc Furnace done on time because as that is the base case for sustainability. 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 is the conversation that we are having at this point of time.

Kirtan Mehta, ***BoB Capital***

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 finalisation or Odisha is the only state which has raised such demands in the past?

Koushik Chatterjee: ***ED & CFO – Tata Steel Limited***

No. If you have read the notes in the SEBI note number 8, when the Odisha government did come out with the regulations on levying what is called as ORISED we had gone into the Odisha High Court and the Odisha High Court had quashed the regulation itself as unconstitutional. So, there was no demand existing at this point of time from the Odisha government on us. But because there is an act which had come in, which was quashed by the Odisha government, we had been reporting this as contingent liability since 2005. 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. The bulk of our mining is in Odisha, 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 and therefore we are reporting. We reported this as contingent liability based on the regulation that came into being in Odisha in 2004, which we challenged in the Odisha High Court, which got quashed. That is 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 has been talked about.

Kirtan Mehta, ***BoB Capital***

What was the underlying royalty rate under this particular contingent liability? What was the state demand actually?

Koushik Chatterjee: ED & CFO – ***Tata Steel Limited***

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 quashed under the Odisha High Court order.

Kirtan Mehta, ***BoB Capital***

Thanks for this clear clarification. If I may squeeze in one more question. 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 is remaining? We understand about the continuous annealing line that you just disclosed.

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

Yes, the cold rolling mill has been operating since last year. It has 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 will have the annealed product available, and the galvanising line will come in towards the end of this financial year and that will give us a galvanised 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 galvanised steel that the automotive industry requires now. So that is where it is, so not able to give you the profitability just yet. Because not only are the volumes ramping up, but the quality is also just about ramping up. 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. It is not a top line addition. It is value addition. You will see [inaudible] less HR and more CR.

Operator

The next question is from Amit Dixit of ICICI Securities.

Amit Dixit, ***ICICI Securities***

I have a couple of questions. The first one is on a very broad macro sense. While domestic consumption is growing, there are instances of imports also surging. On the other hand, after the supreme court judgment, technically state governments can levy any sort of cess they want. From an industry perspective, which is growing, there is nothing being done to curb imports. At the same time, states technically have got freedom to levy any kind of duty. What are we thinking? How are we are looking at it? As an integrated player, aren't we at a technical disadvantage here? What is the thought process? How are we working with the government?

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

I think it's a very valid point and that is precisely the point we are making with the government. It would be very ironical if India, with all the iron ore that it has, firstly overtaxes the iron ore, and negates the competitiveness that we as a country should have at the raw material stage. I think that is one thing. We are as it is from an 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. 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 etc. 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. 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. Third point is, when you look at private sector investment in India, the steel industry is one of the leading sectors. It is 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 is competitive. China is not competitive. They lose money at these prices. It is not that they are making money at these prices, in which case you can call them competitive. It is predatory pricing which is detrimental to the future of the industry in India. This point has been made to 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 matter - whether you look at the US, you look at EU or you look at many other countries. This is because China exporting 100 million tons a year is not something the world can live with. China selling steel at less than $500 per ton when coking coal prices are $220 – 230 per ton defies logic. 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 is a very valid point. We are representing to the government at the states and the centre and let's hope that we come to a good long term solution.

Amit Dixit, *ICICI Securities*

On similar lines, just one clarification, Koushik mentioned that there are no demands from states as such. Now, the retrospective or prospective application of this new judgment does not 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 might see our costs getting escalated? Retrospective of course, does not matter. I am not talking about that Rs. 17,000 odd crores liability. All I'm talking about going ahead, how will our cost increase in the present regime of tax?

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

I think, yes the states have that prerogative and that is what has been now said. Again the question for the government, both at the centre and state is what they want to do. At the centre, it is 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 is 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. So that is one. Secondly, there is bauxite and aluminium, there is iron ore and steel. So, I think this is a larger issue. [inaudible] and obviously it impacts the cost of doing business which is very clear. So, let us wait and see how the next few weeks transpire in terms of what states are doing. Koushik do you want to add?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

Yes, all that the courts have said, as per the current MMDR is concerned we don't see a limitation. If that limitation comes in terms of an equitable distribution of the cess between the state and the centre, then obviously that is the point Naren mentioned that the centre is [inaudible] of the issue on a much wider issue. That is the point that has to be addressed in due course of time, because the limitation is essentially a cap etc. which needs to be put in. So we will see if there is an amendment that comes in due course of time. That's the point, which will derisk this into an issue because the same iron ore can therefore get priced differently in different states and that is not going to help either, or coal, or for that matter, any minerals, because every state is acting different and that kind of defeats the federal structure. That is how the MMDR actually said that the centre sets the policy. States collect the money or gets the money and I think there is a broader discussion that has to happen, and the centre is [inaudible] of it 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, competitively, to get the benefit of the minerals that exist in the country. I think that is important. I would request, if you hear the dissenting judges comment, these are precisely the points that have been highlighted. 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, *ICICI Securities*

Okay, the second question is a 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 buildup at UK operations.

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

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. There is a loss in the UK and then there is the working capital bit in the UK. There is a working capital bit, even in India, because there is pre-monsoon preparation, and preparation for the Kalinganagar startup of the blast furnaces. These are the three elements that we see. Over a period of time, in the next two quarters, we will see a release of same.

Operator

Next question is from Ritesh Shah of Investec.

Ritesh Shah, *Investec*

Sir, a 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 the judgment on a retrospective basis, what is the probability of this contingent liability translating to a cash flow impact?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

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, 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 on whether it's retrospective 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 [inaudible] in the typical manner. So, yes, if, these cases, like in entry tax was kind of aggregated at Supreme Court and the constitutional bench will consider this. Each of this should ideally 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. In our case, there is no demand. It is a contingent liability which we have disclosed. So, that operating bit has to flow in. I think it will take some time to get to that position to understand, in case, it goes to a retrospective judgment.

Ritesh Shah, *Investec*

Sir my second question, what is the net debt number for Tata Steel UK and Tata Steel Netherlands, say 31st March basis or end 1Q? If you could please help on that. 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: *ED & CFO – Tata Steel Limited*

If I were to look at it from a broad perspective UK and Netherlands, each of them have about £600 - 800 million of debt, mostly working capital. These are essentially used for securitisation as well as working capital needs. Netherlands was actually debt-free till about 12 - 15 months back. I see them going back into a debt-free status in the next 18 months. 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 is only in the last 12 months during the BF6 relining that they have got affected. I don't see that to be an issue there. We have about £200 - 300 million of the old acquisition debt sitting 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 which are there in Singapore. 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 - 18 months because that is important and they will not have any material capex on the legacy business, the decarbonisation capex is a separate capex spend that will happen. As far as the UK is concerned, as we mentioned in the earlier part to a question that we would like to see it to be EBITDA profitable and also pare some parts of its debt. Fundamentally, the UK debt is in effect stitched to the India business because we will have to clean the business and make it ready for decarbonisation or post-decarbonisation as we get the £500 million of grant from the UK government.

Ritesh Shah, *Investec*

Just a related question. UK, we have indicated $1.2 billion of capex. So, the government grant is around $500 million. 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 million. I wanted to understand the end use of this $2.1 billion. Partly, understand it was ABJA refinancing. Wanted a breakup over there and wanted to understand is there a further cash flow ask from UK which will have to be funded through the India operations.

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

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 will continue as only when we wind down the second blast furnace, we expect to get into positive territory. There is also a transition on the working capital side, buying iron ore, buying coal, and then winding it down and instead buying slabs and coils. So that's a transition point that will happen. Post that, in our view, by the fourth quarter of this financial year, we get to a stable working capital position. The spikes and troughs will hopefully get into a more stable situation. The loss funding also would get off, but there is a restructuring that is going to happen. And that restructuring, including the redundancies, 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. We don't intend having more debt on Tata Steel UK. It will be spent over four years, but it will be spent from a Tata Steel point of view. This is broadly the flow in which the capital will go over the next couple of years as far as UK is concerned.

Ritesh Shah, *Investec*

And breakup of $2.1 billion, I think $875 million has already moved. Balance is ABJA or UK? How should we look at it?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

ABJA is in two parts. There was a $1.25 billion. 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. 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. There is the element, as far as ABJA is concerned, and there is some debt in Singapore which is also going to be repaid of about $750 million.

Operator

Next question is from Indrajit Agarwal of CLSA.

Indrajit Agarwal, *CLSA*

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: *CEO & MD – Tata Steel Limited*

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 4 - 5 years. We are at 6.8 million rate in 1Q. 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, due to the Ukraine situation. Many of those things have corrected, some of it you are seeing, but you will see that happening. I think we have now reached the lower levels of electricity and gas prices, and CO_2 prices also, which had gone to about €80 - 85, are now around €60 - 65. We would think by 3Q or 4Q, you will see a more stable cost. I mean, it will trend down. There are also many initiatives that we are taking over the next 2 - 3 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 sometimes negates some of the cost takeouts that we have been doing. But to answer your question, yes, conversion costs should keep trending down as we run through some of these initiatives.

Indrajit Agarwal, *CLSA*

My second question is, given that we have better visibility on KPO-2 commissioning, any kind of volume expectation that we can see in FY26 from KPO-2?

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

FY2026 should be close to a full year. I think that is what we see once the blast furnace stabilises. The steel mill shop also would have done its expansion. We will 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 is 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 Agarwal, *CLSA*

Lastly, can you give me the capex and working capital buildup number for the quarter?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

As I mentioned, capex was about Rs. 3,770 crores. 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 of around Rs. 5,400 crores which had a large proportion in India and in the UK.

Operator

Next question is from Satyadeep Jain of Ambit Capital.

Satyadeep Jain, *Ambit Capital*

Couple of questions. One, on the contingent liability, I just wanted to clarify. You mentioned when you are 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 are mining from that state. Is that correct?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

It is on the production, average of last two years production at the IBM prices.

Satyadeep Jain, *Ambit Capital*

Would there be something for chrome ore and other minerals like dolomite also?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

Yes. Anything in Odisha is what is disclosed there. There is a small amount in Jharkhand, which, because Jharkhand at that time had not notified their act, though they had passed it. If you're not notified, it's not an act. Odisha had notified, but the high court had quashed it down. So that's the basis on which we have done the calculation. This calculation changes every quarter. Over the last 20 years now, have been doing this revision to disclose. If you look at our annual reports for the last 20 years, you will see this number going up.

Satyadeep Jain, *Ambit Capital*

You are 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: *ED & CFO – Tata Steel Limited*

Yeah. They have not distinguished between different minerals. It is the same rate.

Satyadeep Jain, *Ambit Capital*

You mentioned Jharkhand. Just wanted to understand, because was under the impression that even Bihar and then Jharkhand also had similar act. You are saying they did not notify it before this was struck down by the high court?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

If you look at this issue, there are states where the act has been passed and depending on petitioners, have been quashed. There have been states in which the acts has been passed and not notified. There have been states in which the acts have been passed, notified, and states have been collecting. So there is a mix of this between, say, Uttar Pradesh, Chhattisgarh, Andhra Pradesh. [inaudible] It is not just a notice, in fact, Odisha is one place where the high court has actually quashed the act. There are other cases, some states are collecting, some states have not notified, some states have not demanded. There is 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. If you do bring a limitation in the Central act, they will be capped.

Satyadeep Jain, *Ambit Capital*

That limitation use could be possibly brought up by amendment in MMDR act?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

That is correct. That is the point that Naren explained earlier, that that is the point that the Centre also understands. Mind you, a ton of coal or a ton of iron in this current construct can be different in different states. It will have different cost, based on the royalty that each states in their best understanding imposes. You can have a ton of iron ore differently in Odisha, 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 Centre. And that is the point that as an industry, as a mining industry, everybody has requested the Centre to look at.

Satyadeep Jain, *Ambit Capital*

The second question is on UK. I think in the earlier remarks you mentioned that you are looking at, maybe considering the government is considering a wider scope, possibly looking at downstream. Just wanted to understand, is there 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%, would you go ahead. How would you evaluate these proposals?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

Effectively, if you look at it, they have not said prescribed what you need to have. They basically want to say that the steel industry in the UK, which has been 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, etc. That is an open discussion that we are having, 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 8-10 MTPA. How do we tap that for domestic value addition? 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. [inaudible], unless we become a merchant DRI player and use some for captive and outside. 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 separate to the base investment proposal on which the government and us have agreed upon in September 2023 and that needs to proceed accordingly. If you are saying I have more money to give you as grant and if you can put it in something else, we said that we will take the opportunity, do an investment case, and see what kind of investments make sense and come back to you. We will come back to you and then you can decide whether you can give it or not. Linked to that, you also have to understand it is public tax money, what kind of employment potential is there for each of these investments. If all these converge together, there will be something. 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 permission done so that we can implement. So that is the base understanding and there is 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 is where we stand.

Satyadeep Jain, *Ambit Capital*

When you look at from what I understood for a 3 million ton conversion, when you are bringing slab and converting it to HRC for that kind of configuration, I thought maybe 1,000 employees is enough, but you would have 5,000 employees. Is that fair? When you look at the slab that you are going to get, does Tata Steel India, is there a benchmark? Are you already exporting slab in the markets, and would UK buy slabs at the same price? How would that pricing for slab import for UK work out?

Koushik Chatterjee: *ED & CFO – Tata Steel Limited*

We have a significant amount of downstream. In the UK we have colour coated, we have automotive lines, we have packaging lines and we have cold rolling mills. So that is the reason why you see a higher number than 1,000. If it was only a hot strip mill in Port Talbot, which is bringing in the slabs, converting it and producing hot rolled coil, your number is more. In fact, your number will be higher than what we would need. So that is not the point. 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 of 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 is how it works internationally also when the slabs are sold and that is the model that we will have. We look at both system as well as individually and that's how it should make money.

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

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 will be able to produce 8 million tons. But the hot strip mill in Kalinganagar is a 6 - 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 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 a million tons close to that is coming from Netherlands and rest, we are buying from the merchant market both slabs and hot rolled coils.

Operator

Next question is from Amit Murarka of Axis Capital.

Amit Murarka, *Axis Capital*

Good afternoon. Thanks for the opportunity. Earlier in the call, you mentioned that you are working on setting up a 5 MTPA plant at NINL. 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 FY30, our older leases, are going into expiry? Will that impact the decision on the brownfield expansions, or you think that you will still go ahead, irrespective of that?

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

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 is for sure. 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 NINL, we don't carry forward some of the legacy costs that we have, let's say, in Jamshedpur. Also, the productivity levels, the configuration of the plant will help us run larger volumes with fewer people. There are a lot of other benefits that we will accrue from this expansion. The long term profitability will obviously be kept in mind as we plan these expansions. We will obviously do it only if it is value accretive, which we think it will be.

The second point is from a priority point of view, NINL will get the first priority because we are more ready there than on the engineering work and everything else. Kalinganagar, 8 to 13 MTPA will maybe be six months after that in terms of getting all the approvals. Meramandali plant going from 5 to 6.5 MTPA. So, 6.5 MTPA there, 13 MTPA in Kalinganagar and 5 MTPA in NINL is clearly visible and that is what we will move towards. So that brings us to close to 25. And then you have 11 MTPA plus 1 MTPA in Jamshedpur because you have the Usha Martin business. So that brings us to around 36 MTPA. Then you have the EAF in Lithuania. If that is a good operating model, we can very quickly add other EAFs and other rolling mills in the west and south where there is scrap. That is broadly the roadmap for 40 MTPA. We can grow beyond that. Like I said, NINL can go from 5 MTPA to 10 MTPA, Kalinganagar can go from 13 MTPA to 16 MTPA, and the Angul plant can go from 6.5 MTPA to 10 MTPA. So, we have enough headroom in each of these locations to grow beyond the 40 million tons that we have already described.

Amit Murarka, *Axis Capital*

Earlier, the target was 40 MTPA by 2030. It seems like now you are giving a range of 35 – 40 MTPA. Is it fair to say that by FY30 we will be closer to 35 MTPA now and probably go to 40 beyond FY30?

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

What I've told you is already almost 37 MTPA. 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. Setting up an EAF actually takes a couple of years. It is only 100 acres of land, and you can set it up and the whole approach to that is to do a replica of what we are already doing in Ludhiana rather than start the engineering and do various things. I think there is an opportunity for us to do that. Again, we will take a call depending on our priorities and we have the options. I think that is 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 steel imports coming in. The advantage with brownfield is that you can pace yourself. We will pace ourselves very appropriately.

Amit Murarka, *Axis Capital*

Tied to that, if, let's say you have to go ahead with Tata Steel Netherlands DRI capex. Will it be possible then to parallelly run those expansions in India? How do you think about the balance sheet constraints?

Koushik Chatterjee: ED & CFO *- Tata Steel Limited*

So i think in the TSN decarbonisation, that is why the conversation with the government becomes more critical, [inaudible] 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 do that as we go forward and that is the base assumption that we have looked at - which is why I think there was an earlier question to which Naren mentioned on the conversion cost that we are 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 is not a magic switch, it will carry on for many years. I think it is something that we are undertaking almost like a project to be the best in the Western European 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 will 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. We will keep giving you updates as we go along. I think fundamentally Netherlands, we should be able to ring fence Netherlands capex, which will be larger than UK because it has got a DRI included. That is the basis if we get best case scenario, everything, we will be able to ring fence.

Operator

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

Samita Shah: *VP CFTRM – Tata Steel Limited*

We have a question on Sukinda which essentially says that post surrendering the chrome ore mine, why do you still have inventory revaluation and what is the impact on EBITDA? Technically we have not yet returned the mine but if you just want to comment on that maybe, Koushik, in terms of overall impact.

Koushik Chatterjee: ED & CFO *- Tata Steel Limited*

The surrender process is a fairly engaged process. So, when we announced that we want to surrender, that came post the board approval. Then there are stages in which it goes to different agencies which look at the proposals and then recommend 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. 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: *VP CFTRM – Tata Steel Limited*

Thank you. There are a bunch of questions on TSN decarbonisation which also think we have answered, and I think maybe just a question which we can look about is on timelines of the decarbonisation capex. What is our timeline and where we start implementing it from next year. So maybe you just comment on that.

Koushik Chatterjee: ED & CFO *- Tata Steel Limited*

At this point of time, as I said that we are discussing with the government and by the next six months we should have a definitive term sheet in place, six to eight months before the end of this financial year, if the discussions go right. After that, obviously, in both the UK and Netherlands [inaudible] in some ways what is called as a Planning Permission, almost like an Environment Clearance in India. So, there is a planning permission period which is a long lead item. We will obviously have to get into a what we call as the detail engineering process to understand and fix the capex numbers and the timeline. The end is known and that it has to be done before 2030, because in 2030, the emission norms reduction kick in. After that we will have to comply with that requirement. So, just now it is actually the engineering capex 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. In parallel, the technology is finalised, the retail engineering, the technology suppliers agreement, even the other infrastructure requirements, whether it is power etc., those kind of stuff gets in place and then the spend. On the TSN decarbonisation, I think it is about a year behind TSUK decarbonisation project. So, we will see the UK decarbonisation project starting to spend serious money in about 12 months because June 2025 is when we will get the accelerated planning permission and then the construction period starts. As far as Netherlands is concerned, it is about a year later.

Samita Shah: *VP CFTRM – Tata Steel Limited*

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: ED & CFO *- Tata Steel Limited*

Good question. There are quotas that are in place for imports on hot rolled coil, not on slabs. We have a mix of slabs and hot rolled coil. We have been working with the Trade Regulatory Authority to take out those quotas and these quotas are going to get suspended. We have been requesting for a bespoke arrangement [inaudible] so that we can give it now without any tariff implications. The whole idea is, and the government has been receptive, the regulatory authorities have been receptive only because of the fact that we are the only flat product producer of steel in the UK. There is no other competition which gets affected because of the way in which the tariffs are placed. The tariff will be structured in a manner which facilitates the import of slabs into the UK.

Samita Shah: *VP CFTRM – Tata Steel Limited*

Thank you. There are some questions in terms of the funding. There is a question on dollar bond outstanding 2028, do you have any plans to take it up earlier? Related question about all the equity injections which are happening in the various subsidies, how is that being funded?

Koushik Chatterjee: ED & CFO *- Tata Steel Limited*

One of the principles, as far as dollar bonds is concerned, I think we will run till course. There is buying back dollars [inaudible] the bonds are costlier and more complex. 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. That is a broader theme than if you have been tracking the deleveraging over the last four years or so. You will find that happening and that is important because we have 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 optimise on the cash flows across the Tata Steel consolidated financials.

Samita Shah: *VP CFTRM – Tata Steel Limited*

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

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

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 have been moving cargoes on ship and on road, using greener options than we have today. So that is an initiative which will continue to be taken across Tata Steel sites because we move a lot of material around. If you are moving about 30 - 32 million tons of steel, you are moving typically about 90 million tons of various inputs. So, there is a lot of opportunity when you look at it from a scope 3 kind of carbon footprint point of view. Those are 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 is easy to electrify and use options, but long distance is still an issue.

Samita Shah: *VP CFTRM – Tata Steel Limited*

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: *CEO & MD – Tata Steel Limited*

The board approved timeline is two years from March 2024. That is March 2026. We are hopeful to have the plant up and running well before that. We will give you a more specific guidance next year and it should not take long to ramp up. It is an EAF with a rolling mill and it is a state of the art plant. Once we start some of these, it is not like starting up a blast furnace or something else. It should be much simpler to start up and ramp up to full capacity. Of course, the volume impact will largely come not in FY26, but maybe in FY27 because that is when the plant would be ramped up.

Samita Shah: *VP CFTRM – Tata Steel Limited*

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

Koushik Chatterjee: ED & CFO *- Tata Steel Limited*

This is actually not a new funding. This is when we acquired NINL, we had Tata Steel Long Products (TSLP) in between. Therefore, we had to move through Tata Steel long products some part and some part directly, because in TSLP we used to hold almost 74% so we could not equitise the company at that point of time to do this acquisition. So, we had this NCPRS, then once TSLP got merged with Tata Steel then we are holding it directly and now there is an opportunity to equitise 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. On a net basis, it is basically a conversion of NCPRS into equity if you look at it in substance.

Samita Shah: *VP CFTRM – Tata Steel Limited*

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: *CEO & MD – Tata Steel Limited*
Thank you.

Koushik Chatterjee: ED & CFO *- Tata Steel Limited*

Thank you very much.