CORPORATE PARTICIPANTS

T V Narendran, CEO & MD – Tata Steel Limited
Koushik Chatterjee, ED & CFO – Tata Steel Limited
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CONFERENCE CALL PARTICIPANTS

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

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, good afternoon, good evening to all participants listening to the call. On behalf of Tata Steel, I'm delighted to welcome you to this call to discuss our results for 2QFY25. I'm sure you've gone through the presentation, which has been uploaded on the website, and have questions, which we'll be happy to take. Before I hand it over and introduce our participants, I would just like to remind you that the entire proceedings are governed by the safe harbour clause on page 2 of the presentation. We have with us our CEO and MD, Mr. T.V. Narendran and our ED and CFO, Mr. Koushik Chatterjee. They will make some opening comments, and then we will take questions, first in audio mode and then in chat mode. Thank you, and over to you, Naren.

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

Thanks, Samita. Good afternoon and good morning to everyone. I'll make a few comments and then pass it on to Koushik for his comments before we open it up for Q&A.

Global operating environment has remained challenging due to subdued economic activity, inflation and sustained geopolitical tensions. US and EU have initiated rate cuts and China has announced stimulus measures. However, elevated steel exports from China have distorted global trade dynamics and weighed on regional prices. China steel exports for September were over 10 million tons, an 8 year high and YTD exports are annualising at more than 100 million tons. In response, various nations including India have initiated antidumping investigations on select steel products. While India's steel demand has continued to remain strong, steel prices have witnessed moderation.

Moving to our performance, Tata Steel India crude steel production rose 5% YoY to around 5.3 million tons for the quarter. Deliveries stood at around 5.1 million tons and were aided by 6% YoY growth in domestic deliveries across business verticals. Automotive & Special products volumes for the quarter were aided by the increase in sale of hi-end products. Our well-established retail brand Tata Tiscon witnessed 20% YoY growth aided by enhanced reach and scale-up of consumer connect programs. During the quarter, our e-commerce portal Aashiyana expanded service offerings and two new construction service centres were launched, taking the total to 35 construction service centres across India. This will aid in scaling our ready-to-use solutions for B2B customers. We remain focused on simplifying our customer's journey and experience in construction. Industrial Product & Projects business witnessed strong growth across value-accretive segments with engineering registering a 28% YoY growth. We also executed a number of orders for railways, including the first one for the Amrit Bharat Express launched by Indian Railways.

We made strategic progress during the quarter, with commissioning of the 5 MTPA blast furnace at Kalinganagar. The blast furnace is operating and already producing about 7,500 tons a day. Kalinganagar expansion is an important milestone in our journey to scale up the high margin India business. The state-of-the-art cold rolling mill is already running. The annealing lines are getting commissioned this month and the galvanising lines will get commissioned in the next couple of quarters, one galvanising line by March and the other by June next year. The new blast furnace, along with the cold rolling mill complex, will boost our production capabilities and aid in strengthening our position as a market leader in the value added steel segments. Further with facilities such as a 6 MTPA pellet plant, our cost profile will also improve.

In the UK, we have safely decommissioned both the blast furnaces at Port Talbot, and this paves the way for green steelmaking project that we are executing. Our planned investment of £1.25 billion will be partly supported by the £500 million grant from the UK government, which has been signed during the last quarter. This investment will aid in preserving steelmaking in the region as well as sustain more than 5,000 jobs in the UK. We remain committed to supporting affected employees and have offered the best ever package of support in Tata Steel UK. The restructuring is going on as we speak, and you will see the benefits of it over the next few quarters.

In Netherlands, subdued demand dynamics have weighed on the prices and thereby, performance. Koushik will elaborate about the same, and we have initiated a number of cost saving measures to offset the weakness in market conditions. The production is back on track after the blast furnace relining.

We are committed to sustainable value creation and are dynamically calibrating our decarbonisation journey to the operating geography. In India, we are committed to responsible growth, and our new blast furnace in Kalinganagar has an eco-friendly design and utilises an evaporative cooling system. For the first time in India, something like this has been used and this is expected to lower specific water and power consumption by approximately 20% compared to conventional designs. Separately, we have set up satellite R&D centres to leverage national and global technology systems and strategic focus areas such as hydrogen and mining [inaudible]. In UK, upon transition to scrap based EAF, the direct CO_2 emissions will reduce by 50 million tons over a decade. Similarly, in Netherlands, we are working on the transition plan with the government in Netherlands. 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 half yearly performance. Our consolidated revenues for the half year were Rs. 1,08,676 crores and EBITDA was Rs. 13,046 crores, which translates to an EBITDA margin of around 12%. EBITDA margin improved by around 300 bps YoY aided by steady performance in India and better profitability in Netherlands compared to the previous year. Moving to the quarter, our performance has been provided on Slide 25 of the presentation. Consolidated revenues stood at Rs. 53,905 crores,

and the EBITDA was Rs. 6,224 crores, which translates to a margin of around 12%. Before I delve into the numbers across geographies, I would like to mention that we have received approvals for the amalgamation of Indian Steel & Wire Products limited (ISWP) and the Standalone financial statements for the quarter reflect the merger and past periods have been restated, as applicable.

Tata Steel Standalone EBITDA for the quarter was Rs. 6,734 crores, which translates to an EBITDA margin of around 21%. On per ton basis, Standalone EBITDA was around Rs. 13,176 per ton. As provided on Slide 31, EBITDA on absolute basis was broadly similar to the previous quarter despite seasonal factors. Higher volumes and improvement in total costs more than offset the drop in realisations.

I would like to elaborate about costs. There has been a decrease in valuation of chrome ore inventory as on 30th September 2024 and this is primarily on account of lower accrual of royalty charges. This has led to a non-cash charge in raw material cost and also a decrease in other expenses which includes royalty related expenses. The above treatment is broadly P&L neutral. Excluding chrome ore effect, material costs declined by around Rs. 600 per ton due to decline in coking coal consumption cost and lower purchases. However, this was partly offset by inventory movement and raw material for startup of the new blast furnace at Kalinganagar. Separately, conversion costs excluding royalty declined by around Rs. 2,000 per ton primarily on account of lower employee benefit expenses, consumables, and rates & taxes. Overall, this led to an improvement in total costs.

Neelachal Ispat Nigam Limited, is part of the consolidated performance, and is producing at rated capacity of ~1 MTPA. Its operating parameters have stabilised resulting in an EBITDA margin of 13%. We are looking forward to growing this asset in the future.

In Netherlands, the EBITDA generated was about £22 million in 2Q compared to about £43 million in 1Q. The EBITDA on per ton basis declined by about £14 per ton on QoQ basis. EU steel demand has been weighed by subdued economic activity, including the weakness in the industrial output. The PMI is now at about 42. At the same time, steel imports have remained steady, and China dynamics continued to weigh on global steel prices. Given this, the revenue per ton was down by about £43 per ton on QoQ basis. However, this was partly offset by material cost, primarily driven by lower coking coal consumption cost to the tune of $27 per ton and the iron ore consumption cost to the extent of about $14 per ton. Conversion costs were broadly stable. Looking ahead, our liquid steel production numbers in Netherlands will be much higher than previous year because, as Naren mentioned, BF6 is operating [inaudible]. The market conditions though remain challenging with spreads contracting in the near term, and therefore, the efforts are on across the company to improve cost.

In UK, EBITDA loss widened from about £91 million in 1Q to about £147 million in 2Q. EBITDA on a per ton basis declined by about £100 per ton. One of the fundamental reasons is that this is a transition quarter for UK. The revenue per ton was broadly stable, while total cost increased by about £100 per ton. Within cost, raw material consumed plus purchases declined by about £59 per ton given the shutdown of one of the blast furnaces, but this was more than offset by the inventory movement that led to QoQ increase of about £151 per ton. Inventory movement was primarily due to the buildup of stock in 2Q vs. 1Q. Overall, material cost increased by about £100 per ton. This, as I mentioned, has been a transition quarter, where we operated one blast furnace and also purchased slabs and coils. The fixed costs have not declined as yet, because the grant funding agreement and the completion of the union consultation got extended by four months due to the elections. [inaudible] So far, we have been issuing letters post the formal consultation at the [inaudible] individual level to the voluntary redundancy candidates. In the coming quarters, we expect that about £100 per ton of reduction in fixed cost from the current levels that we see.

Moving to the cash flows, we've spent about Rs. 4,800 crores on capital expenditure during the quarter and Rs. 8,585 crores for the half year, mostly in India. We have commissioned our second blast furnace in Kalinganagar, as Naren mentioned, which cost around Rs. 3,900 crores. In the later part of the year, we will be commissioning associated facilities in Kalinganagar expansion, amounting to almost about Rs. 19,000 crores in this current financial year. The work is in progress. It's a completion part. It's not that we are going to spend Rs. 19,000 crores. Associated facilities, include the continuous annealing line, continuous galvanising line, and the air separation unit, to name a few. Separately, we have placed equipment orders for the 0.85 MTPA EAF plant in Ludhiana and have started receiving select orders. During the quarter, we have also had, after pursuing for about three years, an income tax refund. Principal amount of the refund was about Rs. 1,500 crores, which has been adjusted directly in tax assets in the balance sheet. This pertains to the Bhushan merger [inaudible]. While for the half year, you would see a working capital buildup, for the quarter we have actually released about Rs. 850 crores of inventory and Rs. 1,000 crores of debtors, resulting in better cash flows from gross working capital release. Overall, the operating performance at Standalone and Netherlands was offset by UK performance, and coupled with the working capital and dividend payout, led to a marginal QoQ decline in the cash and cash equivalents of about Rs. 485 crores. Our net debt stands at about Rs. 88,817 crores and our group liquidity remains strong at about Rs. 26,000 crores.

As Naren mentioned, we signed the grant funding agreement with the UK government for the £500 million grant support for building the EAF and are progressing on setting up the project. We have signed a contract with Tenova to deliver a state-of-the-art EAF and have completed the public consultation process on the planning application. We expect to commence groundwork at the site by around July 2025. In the interim, we will operate the UK downstream operations by utilising substrate sourced from our own operations and external market. This will help us sustain our significant market presence across the steel end use segments in the UK. We are committed to supporting the affected employees and are providing best ever support package and reskilling. We are also focused on ensuring that we will continue to work on the cost side to take out fixed cost, which is more appropriate to the operating model for the next 3 - 4 years till the EAF comes in. In Netherlands, we are engaged with the government on potential support for the decarbonisation project.

Moving on finally to the ORISED in India. in India, it is unclear in the manner in which the ORISED Act, 2004 may get enacted once the decision of the Hon'ble High Court of Orissa [inaudible] by the Hon'ble Supreme Court, which currently is pending. We are also in the process of filing a curative petition with the Hon'ble Supreme Court and in active discussions with the State Authorities on the way forward. Given the above background, we would not be able to assess any financial impact at this point of time, and we'll consider the same in due course. Presently, there is no legal obligation in respect of the levy related to the ORISED Act, 2004 and accordingly, we have not recognised any provision in standalone or consolidated financial statements. With this, I'll end my comments and open the floor to questions. Thank you so much.

QUESTIONS AND ANSWERS

Operator

We will now begin with Q&A session and the first question is from Satyadeep Jain of Ambit Capital.

Satyadeep Jain, *Ambit Capital*

Just wanted to start off with UK. You mentioned, we're looking at a reduction in fixed cost of £100 per ton in the coming quarters. Can you maybe give some clarity or insight into by when can these fixed costs be taken out? And the trajectory of earnings in UK over the next two quarters. By when can we expect breakeven in EBITDA and cash flow terms in UK?

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

I mentioned £100 per ton of fixed cost take out over the next 2 quarters. It is a broad component. If I were to take one minute to explain. Now we are buying substrate, whether it's supplied from India, Netherlands, external markets, and then doing the conversion and selling to our customers. So, the fixed cost base has to come down [inaudible]. A natural outcome of closing the heavy end is that the maintenance cost comes down, the stores and repairs comes down, the higher end leasing comes down, and of course, the people costs come down. These are broadly the four levers, and these are the areas that we are working on. Between 3Q and 4Q, we will be looking at these levers. This may not be the end of the cost take out, because we will have to continue to do the same. Our sense is that we have extended by four months because of the delay in the grant funding agreement. Of course, the market plays a big impact, but our objective is, during the 3 - 3.5 years of transition, to ensure that we achieve neutral to positive or breakeven. [inaudible] It is more around 1Q or 2Q of next year that we should be able to do that. The cost take out is the primary goal at this point of time in the UK, and there are enough levers to do that. To give a short answer, it's essentially by June of 2025, we should be looking at it. Hopefully, the market also supports us.

Satyadeep Jain, ***Ambit Capital***

Second question would be on cash flows. We've seen significant buildup in working capital in the last six months. Net debt has increased almost Rs. 10,000 crores. Just wanted to understand, when you look at working capital buildup in UK, I would assume that it's the other entities within Tata Steel that are giving raw materials. So why is working capital at the consolidated level going up because of inventory buildup in UK? Further, when you look at how much inventory has been built up in UK, what kind of working capital release can we see? Tied to debt and cash flow would be when do you start incurring capex on Netherlands decarbonisation. Basically, what kind of net debt levels are we looking at in the next 12 months or so?

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

If I were to deconstruct that question, first is that the working capital level increase did not happen only in UK. We were also building up inventory levels in India for coal. I'm talking about 2Q. In 1Q, we had a significant amount of creditors to be paid off because of the BF6 payment for the reline, which extended. When your creditors go down, you see a net working capital increase because your creditors are being paid off. So, you see double impact of that. In the UK, the stock release has also happened in terms of raw materials, the iron ore, coal that was there. We have released it. The slabs stock buildup was happening to be ready for the closure. Second is that we were also running blast furnace for as much as we could and building up the stock, so that the supply chain buffer is there for the next couple of months. If you look at it, 2 - 2.5 million tons of slabs and coil imports coming in are not small volumes. The system takes time to normalise. That's why I say this is a transition quarter and possibly the next quarter. I think once the Kalinganagar ramp - up happens, which is already on its path, and we commission more of the downstream allied and associated facilities, we will see stabilisation of that working capital. So that is certainly going to happen. The working capital buildup is not always because of the debtors and inventory or finished goods, it also happens because of the movement in the creditors. We just need to take that into account, because the creditors have also got to be paid out. It is a function of both. In fact, our number of days of gross working capital has been very tight as far as India is concerned. And it will continue to go down in Netherlands and stay stable in the UK. I think as you see this quarter, we have released about Rs. 850 crores on account of inventory and about Rs. 1,000 crores of debtors. So Rs.1,800 crores have come down in this quarter. You referred to the half year number, which is what you would see in the SEBI release. But for the quarter, there's about an Rs. 1,800 crores of gross

working capital release and taking into account the creditors, it is still a positive of about Rs. 400 crores. I think that's the trajectory on which we will move.

Your second part of the question is about the Netherlands capex. We don't see Netherlands decarbonisation capex coming in the next 6 - 12 months from today. We are in negotiations with the Netherlands government and there is a process by which the grant numbers will be decided by the government based on our application, where the negotiation is on also with the European Commission on stated issues. All this will take some months to finalise. Once that gets finalised, then the question will be on the ground, the permitting process, the detailed engineering process etc. I don't see Netherlands capex coming into play in the next 12 months. UK capex will start happening, but, typically, in this kind of project, the first 18 - 24 months of spends are not very significant. It's in the last 12 - 16 months that the spend actually starts picking up. 2025 - 26 will be mostly completion payments of Kalinganagar, because as I mentioned that there's almost Rs. 19,000 crores of capex which will get completed over the next few months. So those payments will come and then it will be more sustained. Next year will be light on capex compared to the last two years. But sustenance capex has to be spent, improvement capex have to be spent, but the aggregate of all that will be much lower. UK will start spending, but we will also get 40% grant on a quarterly basis. The net spending in the UK will also be not so significant.

Satyadeep Jain, *Ambit Capital*

Just want to get summary. Tata Steel historically had this $1 billion deleveraging target. Now it's become releveraging in the last 12 months or so. When we look at all the capex requirements and maybe working capital, would you say this is peak debt? What could be potential deleveraging and is further deleveraging possible from here?

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

[inaudible]. It is also the target. If you look at the gross debt numbers in 2022, when we undertook almost about $4 billion of deleveraging, it was about [inaudible]. For a growing company, I think that will be the level at which we would be comfortable from a debt perspective, between Rs. 75,000 - 80,000 crores. The underlying indication of the next year being a capex-light year and a year in which we will have higher production numbers from India, and the benefits on cost takeouts, both in UK and Netherlands, we would certainly want to resume the long-term targets that we have of $1 billion [inaudible]. That's certainly something that we are planning at this point of time.

Operator

The next question is from Sumangal Nevatia of Kotak Securities.

Sumangal Nevatia, *Kotak Securities*

Sir, my first question is on UK. Now we are saying that the cost takeout would be gradual over the next 3 - 4 quarters. Just want to understand how will the P&L of UK look? I mean, should we expect losses of Rs. 1,000 - 1,500 crores to continue with a declining trend? Maybe if you can give some more colour for the next 2 - 3 quarters?

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

If we were in good market conditions, we would certainly have been in a much better position. I think that we are somewhat peaking in terms of the losses in this quarter. Our target is to take out more and more cost. Actually, other than the people cost, all the other fixed cost takeouts are being pushed. In people cost, there is a certain process and that process is essentially in terms of individual consultation. If a person is identified as redundant or will have to move towards or has

volunteered to take redundancy, there is a process of engaging with that person over multiple rounds and it takes time. That's why four months I mentioned was important, because four months is a lot of time to engage with people. We see that a significant tranche of people will move out by end of March and there will be [inaudible] left who would possibly go off in June and some more maybe after that. We have signed up with the government that 5,000 people will continue. Our aim is to essentially come as close to that. Today, the number is much higher, because we are coming down from a base level of 8,000+. We are expecting the level of losses to come down over the next three quarters. Our target is to ensure that we are neutral as far as EBITDA is concerned and cashflow neutral by June 2025.

Sumangal Nevatia, *Kotak Securities*

Koushik, in that assumption, are we expecting market to improve? Or in the current state of the market also, we are confident that we would be breaking even at the EBITDA level and cash level?

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

Yes, my assumption is on the current market situation. The only thing is, I would assume that the market would not be worse off than where we are today. I'm also basing the assumption that it is actually the internal levers on fixed cost which is the most important issue.

Sumangal Nevatia, *Kotak Securities*

Next question is on Netherlands. Now that our plant is stabilised, how do we see the spreads or, say, EBITDA per ton shaping up in the next few quarters? We used to say $80 – 100 per ton as through cycle margins. How far are we from that level in the current market situation?

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

The through-cycle margins were not €80 - 100 per ton. I would say, through-cycle margins were more around €60 - 80 per ton. Peak levels would be €120 - 140 per ton. What has happened in Netherlands is there are some structural regulatory costs, which has also started coming in, carbon is still much higher than the historical level. When we spoke of €60 – 80 per ton, the carbon prices used to be more around €18, €20 - 25 per ton. Just now I think it's more around €60 – 65 per ton. So that's one impact, but that's not the only impact. There also, we are looking at a significant fixed cost takeout and not just next two quarters, but it will continue, because we need to take out a lot more fixed cost, improve the efficiencies. The operating efficiencies, there are in certain areas, including the maintenance costs, etc. My point would be that the goalpost hasn't shifted. We still want to get to that $60 - 80 per ton. If you look at market conditions, the spreads are really declining in this quarter compared to first quarter. It is also showing up in the third quarter. The other thing which happens is the fact that the contract prices gets settled in this quarter and next quarter for the next one year. If the base levels are low, then the contract prices does get affected. We certainly see the next two quarters to be volatile as far as Europe is concerned. We are focusing more internally than externally. The target of that €60 per ton continues to be the same.

Sumangal Nevatia, *Kotak Securities*

Now that we've commissioned KPO-II almost we've still not started the next phase of expansion. Do we think we are slower than desired in taking up growth projects in India?

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

The work is already going on. Our approach to capital projects is now more about doing all the detailed engineering and getting the environment clearances ahead of going to the Board for approvals, because that gives us more certainty in the execution, often we take the Board approval and then take longer than planned on environment clearances. On 29th November, we have the public hearing for expanding NINL to 10 MTPA. Once we have the EC on that, we can progress as fast as we want. While we have not announced the project, because we will do that after the Board approval, but the work is already going on. The Board has already approved expenses to be incurred for all this preliminary work. Immediately after this, the focus will be on NINL expansion, which will take it from 1 to 5 MTPA and after that, we have the Kalinganagar option from 8 to 13 MTPA, and the Angul plant option from 5 to 7 MTPA. So again, some of the engineering work is progressing on those two as well. Immediately after the Kalinganagar expansion, there are two facilities coming on stream. One is the Ludhiana steel plant, which is 0.85 MTPA steel plant, which should be ready by 2026 and the work is going on in full steam. In Jamshedpur, we're also setting up a 0.5 MTPA mill to service what is going to be downstream of the Usha Martin steel business that we had acquired i.e., the Gamharia steel plant. The mill is more to cater to the hi-end forging quality requirements of the passenger car vehicles and the two-wheelers. We are already servicing commercial vehicles. We think the pace is just right for the current market conditions.

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 the forex movement in this quarter. If I look at the adjusted EBITDA vs. reported EBITDA, there is a significant gap, although the USD-INR movement was not that stark. So just wanted to get your view on why there is so much gap between adjusted and reported EBITDA. I know it's very difficult to quantify but some of the factors that led to the movement would be very helpful.

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

Amit, it's not the INR-USD, but USD-EUR which is driving the consolidated level impact and that has been volatile, and that has actually translated into such a large amount.

Amit Dixit, ***ICICI Securities***

The second point is on KPO-II. How is the ramp-up going on? What were the incremental volumes in this quarter, if any? How do we expect this to be in 3Q and 4Q of this financial year?

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

As far as Kalinganagar is concerned, the blast furnace, as we mentioned, is the largest in India. Steady state production should be 15,000 tons per day. We are already at 7,500 tons per day [inaudible]. There is a ramp-up we have planned and as per the plan, next step is to take it to 10,000 tons and so on and so forth. By 4Q of this year, we will be running at 15,000 tons per day. So that's the plan. This year, we will have about 1.1 million tons additional volume coming out of Kalinganagar. Next year, it will be closer to 3.5 - 4 million tons, and the year after will be the full 5 million tons. The reason 3.5 - 4 million tons next year is because the third caster in the steel melt shop will be commissioned by September next year. It's a step-by-step volume growth. The other facilities being commissioned this quarter are the coke ovens. The cold

rolling mill was commissioned earlier, but the annealing line is being commissioned this quarter. In the next two quarters, the two galvanising lines will also be commissioned. The volumes are as per the guidance I've just given you, but the ramp-up is going on well. Of course, in any big steel plant, when you ramp up, you hit different bottlenecks at different points in time. Just now the bottleneck is oxygen supply, which we are sorting out. I think that's where it is, largely on track as we had planned.

Amit Dixit, *ICICI Securities*

You mentioned that in standalone statements, the other operating cost benefit was to the extent of Rs. 2,000 per ton. How much of it would be recurring because some of it is due to rates & taxes that might not recur in the next quarter?

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

Beyond the rates & taxes, you are right it will keep going up and down. Fundamentally, we are undertaking a significant cost takeout program, which focuses on the stores, repairs, and maintenance. Now we have five sites, so we are optimising across sites. We are working on our purchase of stores, spares, consumption patterns, predictability on maintenance, what gets done internally and externally. Then there is rework of many of our additional processing costs, which is done externally, conversion costs etc. There is a menu cost takeouts that we are working on in India, fundamentally to look at reduction in costs. I would say that this cost takeout is going to sustain after some time. This trend will continue, and we are rebasing and structurally addressing the cost. That is the only thing that you can do at this point of time when the markets are so challenging. We will continue that direction of travel and apart from the rates & taxes, the other structural costs will continue to remain.

Operator

Next question is from Ritesh Shah of Investec.

Ritesh Shah, *Investec*

A couple of questions. You indicated we'll go from 7,500 to 15,000 tons per day. What is the cost benefit that we can see on operating leverage for the India operations with KPO-II going full throttle?

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

The Kalinganagar plant is going to be producing 8 MTPA with 4,000 - 4,500 people. That is one big leverage. In terms of labour productivity, it will be comparable to the best in the world. Secondly, the coke rates for these large blast furnaces, will be much better than many of our smaller blast furnaces, let's say, in Jamshedpur. Thirdly, in Kalinganagar itself, the conversion cost will come down and Kalinganagar will become the most competitive site for us across Tata Steel, because today, Kalinganagar carries a lot of costs at the 3 MTPA level, which will get distributed over 8 MTPA, because the infrastructure was built for 8 MTPA. With this blast furnace coming in, we see at least Rs. 3,000 - 4,000 per ton of benefit coming out of Kalinganagar. On a consolidated basis, we'll have to calculate to see how it translates at the Tata Steel India level. We can come back to you on that.

Ritesh Shah, *Investec*

Sir, you indicated in FY2026, focus will be on higher production and lower capex. You also indicated that we would strive for a $1 billion deleveraging target. To my understanding, it would be back in FY2027. Is it possible to give guidance for

FY2026 for UK and Netherlands separately? You already indicated for KPO-II. When we say lower capex, is it possible to break it up for, say, India, Netherlands, and UK? I'm just trying to understand the debt profile and how we're looking at it?

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

As every year, we give that guidance when we get past the third quarter is when our planning numbers are in place. I think the direction of travel is what I mentioned. Specifically, I would be able to give it to you more in January or February. Fundamentally, there are some moving parts as far as Netherlands and UK is concerned. We need to stabilise that, push that, and ensure that we are doing that. As far as lower capex is concerned, it's because, we are doing the engineering work for the NINL expansion, but fundamentally closing and completing TSK Phase II, there's only one part that will remain, which will happen in August or so, which is the caster 3. Other than that, most of the facilities would be commissioned. We may not get to the full capacity in FY2026 out of KPO, but a significant proportion of the capacity. So, 4 out of 5 million tons, we should be able to get there.

Ritesh Shah, *Investec*

Regarding decarbonisation capex in Netherlands, we had proposed to the government, based on consultation and what's publicly available, we were looking to replace BF7 as well as coking gas plant two by 2030. We had indicated a timeline over here. Now when we say that we don't see any capex coming for, say, next 12 months, what is it that has changed from a regulatory standpoint?

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

When I say that the capex is not there, during the first 18 months, we spend on engineering work, the site preparation work, the permitting part, etc., which is happening even in the UK. If you look at UK, when we signed or when we are saying July 2026, we will start work on the ground. All this time before that is on permitting, etc. I think that is the lead time that is required. What we call here as environment clearance is a permitting time there. It's the same kind of stuff. What I said is that it's not that the work will not start, but the spend is not significant at this point of time for the next 12 months. We have to comply with the 2030 guidelines anyway and the build period is typically 3.5 years. So, if you factor that in, you will see that this is broadly in line [inaudible].

Ritesh Shah, *Investec*

I presume, I think you will indicate that we have not finalised the configuration for Tata Steel Netherlands. But hypothetically, if we had to go for, say, only an EAF or a hydrogen-based DRI, what are the broader parameters in the marketplace from a capex intensity standpoint one can look at, from an industry standpoint, not specific to Tata Steel Netherlands? I'm just trying to understand what the potential capex outgo can be pertaining to decarbonisation.

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

It's not that we have not identified the configuration. We have actually submitted our application to the government. It is a DRI-EAF combination. In UK, it was an EAF combination and because we have a pellet plant in Netherlands, the mix of Netherlands is different. So, we've submitted that. Hydrogen is not a fuel which is available in the price or quantity at this point. Europe is building up the hydrogen infrastructure at this point. EU themselves want companies to commit to the tapping in or conversion from natural gas to hydrogen over the next 15 years. In designing it, we are enabling the conversion to use hydrogen when it is available. Naren, do you want to add something?

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

I think the other reason we are building a DRI or proposing to build a DRI plant in Netherlands is gas availability. The way it has been configured is the DRI plant that we build in Netherlands will use gas and as and when hydrogen is available in plenty and competitively, you can always switch from gas to hydrogen. That's a call that will be taken based on the economics of it. That's also part of the discussion with the government because the price at which hydrogen is available is important to make the choice. The configuration is all fixed, and that's part of the proposal to the government.

Ritesh Shah, ***Investec***

Capex intensity indicative, if possible?

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

We would do that surely. In UK, we have done a turnover contract. When we get into that stage, it is much easier to give that intensity. As far as the EAF is concerned, it will be of the similar number as UK, which is about £1.2 billion and the DRI of similar configuration is about £1 - 1.2 billion. However, it is an asset where this is an existing plant. In UK, we shut down the heavy end, whereas here, we are going to continue to run the blast furnace and build next to it. The infrastructure requirement or the ability to actually build around a running plant will have its impact on the infra and the enabling facilities, which is what is being determined as part of the detailed engineering.

Operator

Next question is from Tarang Agarwal of OldBridge Capital.

Tarang Agrawal, ***OldBridge Capital***

How much of Rs. 27,000 crores of KPO-II has been spent till 30th September '24?

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

Rs. 18,000 - 20,000 crores, but it also includes the iron ore circuit, etc. If you take all of that, we have another Rs. 7,000 crores to spend. A lot of it is also spent after the commissioning as part of performance guarantee, retention money etc.

Tarang Agrawal, ***OldBridge Capital***

The second question is on the cash burn in 1H in Europe. Overall, how should we look at cash flows for Europe in FY2025? A subsequent one, when do we expect the cash payouts for the settlement with the Port Talbot Employee Union?

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

That will happen over next three quarters. Some of them will be there in 3Q, but mostly 4Q and 1Q of next year [inaudible].

Tarang Agrawal, ***OldBridge Capital***

Europe overall cash burn in 1H and overall, for FY2025, current estimates?

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

I think it would be more appropriate to talk about it when we finish 3Q, because there are certain transition cashflows that we are also building up, including the redundancies, because when you do voluntary redundancies, you can't be precise,

because we want to complete the redundancy process over the next two quarters. It will depend on if we can complete that with the VR. Otherwise, there will be a compulsory redundancy training program. That is a big thing as far as UK is concerned. As far as Netherlands is concerned, the operating cash flows in 3Q will be negative, but will come back, because the spreads are at about €200 per ton at this point of time. At €200 per ton, the operating costs and fixed cost numbers are significantly higher. We will have to look at 3Q. 4Q, we expect the turnaround to happen. In the meanwhile, we are tightening up the working capital. One other thing which helps is the lower level of iron ore and coal cost. We see, at best, a neutral cashflow as far as Netherlands is concerned, by the second half.

Operator

Next question is from Kirtan Mehta of BOB Capital.

Kirtan Mehta, *BOB Capital*

In terms of the India operations, we have started generating a very significant EBITDA margin in the range of Rs. 12,000 - 15,000 per ton. This is coming because of our advantage of iron ore security, value-added products, improving retail presence. Is it possible to bifurcate our EBITDA margin into sort of commodity component and additional uplift that we get from each component on a quarterly basis? Would be very helpful to understand how the volatility is getting reduced and what is our relative competitive advantage to our peers.

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

We'll do some work on that. I don't think we can share that with you just yet. Internally, we do track it very differently. Like you said, there's an iron ore advantage, which is less visible when iron ore prices are low and more visible when iron ore prices are high. If you look at iron ore prices at $100 per ton, the difference is not so much but when the iron ore price is $150 - 200 per ton, it's more. So that is one part of it. The other part is, if you look at Tata Steel's sales, typically, 85 - 95% of our sales is in the domestic market, largely because we have a very strong franchise. Even though we have incremental volumes, everything is sold in the domestic market. Today, in fact, most of the exports that you see is what is going to the UK. The third thing is our downstream, we have a significant presence in tubes, wires, etc., which gives us an advantage.

Regarding our retail presence, now we sell almost 200,000 tons per month of steel, Tata Tiscon, to the retail segment through our network of dealers and distributors. We have over 12,000 dealers across the country. These are the advantages that we have, and of course, our 50% market share with the auto segment, which will increase further with the cold rolling mill coming in, because we are a bit short on cold rolled and galvanised products for auto. With our 2.2 MTPA cold rolling mill in Kalinganagar, that will get enhanced. The other approval-based businesses, we sell to oil and gas, which again is growing thanks to Kalinganagar. We'll see what the best way is to capture this in a manner that is helpful.

Kirtan Mehta, *BOB Capital*

The second question was about the CRM complex. You have now given a detailed guidance in terms of the ramp-up of KPO-II. Would it also be possible to give similar guidance on CRM, both on volumes as well as the margin potential that we can achieve and how do we ramp-up to the full margin potential of the CRM?

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

The cold rolling mill itself has been operating for the last few months. That is going on as per plan. There's no issue there. The annealing line is getting commissioned this month and that means you can then have the annealed product. Otherwise, you had what was called the full hard CR, which we were using in other facilities of Tata Steel or selling. We will have one

galvanising line coming in March and the other one by June and that will help us in the mix as well. One is a volume ramp-up, which we can give you more specific guidance on each of these. The quality ramp-up is more a question of the approvals by customers. Typically, with auto customers, it's a new facility, even if you're an approved supplier, you need to go through an approval process and that will go on. You'll probably get the best product mix out of the plant maybe in another 1.5 - 2 years, because that's when it takes to get all the approvals in place. The fact that customers are waiting for us to ramp-up these facilities suggest to us that we will get the approvals as fast as possible, and we have the experience to make those kind of quality products. We can come back more specifically on ramp-up of the cold rolling mill.

Kirtan Mehta, *BOB Capital*

What would be the full potential of CRM facility in terms of the EBITDA generation?

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

Typically, when you look at it in the long term, for base CR grades, you look at $100 per ton difference between CR and HR. As you go up the product mix, you get better value for two reasons. You will obviously get a better price when you make these very hi-end products. Secondly, as you know, the auto contracts are typically six months. You have stability and so, that gap looks better in a falling market, because the auto price is fixed and the commodity price drops. In a rising market, that margin may get squeezed. That's why the true benefit will vary. I would say $100 – 200 per ton is typically the range that you would look at within which to play. Of course, there is conversion cost in that, so you can take out 50% of that [inaudible] conversion cost, but this is just broad level numbers.

Operator

Next question is from Amit Murarka of Axis Capital.

Amit Murarka, *Axis Capital*

My first question is on the guidance that you usually provide for the next quarter. What is the guidance on coking coal cost and also the realisations?

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

In India, we are saying that the net realisations would be about Rs. 2,000 per ton lower in 3Q compared to 2Q. This is largely because in 2Q, July prices were quite high and then dropped till September. In October, steel prices started going up, but we don't expect prices in December to be the same as what it was in July. On an average basis, it will be about Rs. 2,000 per ton lower. This is also because of the fact that a lot of the auto contracts now are on the new terms. In the first half, we had the benefit of the 1st of April prices. Overall, these are the reasons why the guidance in India is Rs. 2,000 per ton lower on QoQ basis. Coal prices are expected to be about $20 per ton lower consumption wise for 3Q compared to 2Q. As far as Europe is concerned, I think the guidance [inaudible] for UK in 3Q is about £55 per ton lower, and for Netherlands, about £70 per ton lower QoQ. In terms of coking coal, Netherlands will be about $10 per ton lower and Iron ore will be again about $10 per ton lower QoQ. For UK, these numbers don't matter because we are no longer using iron ore and coal. It's more the substrate that goes out of Netherlands and India.

Amit Murarka, *Axis Capital*

That's helpful. Also, about the reasons for the lower other expenses, sorry, I didn't capture it too well. What did you really mention on that? And how much of that is one-off?

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

Lower other expenses, I'll have to get back to you, but there are not too many one-off, but I can get back to you separately.

Amit Murarka, ***Axis Capital***

In 2Q, your other expenses seem to have dropped, even though volume is similar. So at least if you could just help understand that, maybe even later is okay.

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

Yes.

Amit Murarka, ***Axis Capital***

On the cash outflow for the TSUK restructuring as of now, any guidance that you can provide for 2H?

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

I think the restructuring cost, we had budgeted about £250 million as a total restructuring cost, of which about £150 - 160 million was on account of the redundancies. That spend has not happened. The contract termination, etc has been spent. So, I think it is more that and the people component of it, which is due, which is what I just said, that it will flow out slowly between 3Q, 4QFY25 and 1Q of next year as we get into the people numbers.

Operator

Next question is from Ashish Jain of Macquarie.

Ashish Jain, ***Macquarie***

Koushik, just to first confirm this number - the £150 million redundancy related is what we are currently factoring as a cash outlay in the next two to three quarters in UK?

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

Yes.

Ashish Jain, ***Macquarie***

Is there high visibility for that? Or do we think there would be like meaningful upside risk to this number?

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

No, it will be between £150 - 160 million. That's the number that we are looking at over three quarters, because that's effectively determined on the number of people who will either take VR or CR.

Ashish Jain, ***Macquarie***

Secondly, based upon the numbers you spoke about in terms of KPO-II outlay for the capex. So, let's say, roughly $900 million is pending for KPO, and we will have some capex for UK as well. Am I right in thinking that next year, the capex would decline quite substantially versus what we have been doing in the last 2 - 3 years? Or could there be new projects which we could take up in that time frame itself?

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

So, that's what I mentioned that next year, compared to the last two years, we expect the capex cycle to slow before we start again in the year after, because honestly, once you complete KPO-II, there is no big start as far as capex is concerned. There is a lot of enabling work, like the NINL engineering work that is happening, etc. but it will not spend so much in the next 12 months. In UK also, the site work starts in June'26. It will not be a significant pickup anyway, as it is 60% of the capex, not 100% of the capex on us. So, on a quarterly basis, it will be much lower.

Ashish Jain, ***Macquarie***

My last question, the comments which Narendran sir made earlier that KPO-II cost would come down by Rs. 4,000 - 5,000 per ton once it is fully ramped up. If I also factor the commissioning of pellet plant, the product mix which will improve with everything ramped up, should we think that India business EBITDA per ton can improve easily by Rs. 1,500 - 2,000 per ton in the next, say, 24 months or so? Or that's very aggressive?

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

Firstly, I said Rs. 3,000 - 4,000 per ton but anyway, Samita please respond.

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

As you know, we don't really give a guidance in terms of overall number. I think Naren was giving you directionally the kind of numbers. Obviously, it depends on a whole lot of other factors.

Ashish Jain, ***Macquarie***

I'm not looking for a guidance. I mean, I know the dynamic business nature. I'm just saying about Rs. 3,000 - 4,000 per ton on let's say 8 MTPA capacity, which is 30% of India capacity, that itself is like roughly Rs. 1,200 - 1,300 per ton, just from that simple math. Then pellet plant, product mix improvement. If I put all that together, Rs. 1,500 per ton looks a fair safe assumption. That's the reason I just want to confirm this.

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

Not far.

Ashish Jain, ***Macquarie***

Koushik, that clarification on other expenses even I was looking for that. I think you referred to some one-off in 1Q in India business, at least I thought so.

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

I think it's the water tax, Koushik.

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

Yes, there is a Rs. 400 crores non-cash which is there on account of settlement of water charges with the government of Jharkhand. Tata Steel Jamshedpur draws water from the river for a century and there was a charge that kept on increasing for a long period of time by the government of Jharkhand. There is an element which went to litigation because the rate at

which it was increasing was significant. That got settled because of a high court order to ask us to commercially settle it. We have been providing it on the basis of the notified order price or the cost per gallon of water drawn. Now that it's got settled, that is in excess. So that will be rebasing itself and that will not happen again. But there are other administrative and contract costs, which are also there, which are more sustainable in the future.

Operator

Next question is from Indrajit Agarwal of CLSA.

Indrajit Agarwal, *CLSA*

Can you talk a little bit about the current market environment in India in terms of how you are seeing demand post festive season? Are we seeing any pickup? I understand current domestic prices are at a discount to import parity. What discussions are you having with the government? What kind of pricing outlook for the market do you see in the next 6 - 12 months?

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

Indrajit, the demand side is reasonably strong. The first six months were weaker than we thought, because construction activity was a bit slower. I think this was partly due to monsoons and partly because government expenditure was a bit less, maybe because of elections and things like that. We've been told that the second half will be much better, and that's good for construction, which is good for steel, because 60% of the steel goes there. Automotive started the year well, has struggled a bit in the last couple of months. In automotive, motorcycles, which have struggled for the last 2 – 3 years, have started picking up well over the last few months, which suggests that rural demand is back. The urban demand is what has struggled a bit more. In automotive, commercial vehicles will pick up once construction activity picks up. Passenger vehicles, the expectation is it should start picking up. There are areas where there's a little bit of concern. Other government related areas are railways, which is strong, spending is strong. Oil and gas will also pick up. We expect second half to be better. Of course, if India's GDP grows at 7%, steel consumption in India should grow at 8 - 9%. So, that's our expectation.

Our concern is more about unfairly priced imports. China is exporting 100 million tons of steel. Most other countries have already taken action. Our submission to the government is to take action. I think government is looking at it because, obviously, China is selling steel at these prices and not making money at these prices. They shouldn't export that problem to us. I think that's where it is. That's a conversation going on. Otherwise, I think demand, we are quite optimistic about. Pricing, we'll wait and see what happens. I also think that China is taking action. They are expected to cut production by about 4%, which is 40 million tons. If that continues for another 2 – 3 years, then some of the surplus which is finding its way to global markets will come down, because China has also stopped approving any new projects on steel, even if it is for replacing capacity. I think there are actions being taken in China and now with the US presidential election, I think China will be even more concerned about its trade options, and I am sure it will take some action to reduce some of these excesses. That's the way we see it. So, more positive on demand, pricing let's wait and see. I think we've hit the lowest that we did maybe in September, October. Since then, prices have gone up. We are more optimistic about long product prices because that is less impacted by China exports, because China mainly exports flat products. Longs consumption is more dependent on construction. We are more positive about longs prices than flat prices, but flat prices also seem to be picking up now.

Indrajit Agarwal, *CLSA*

From the troughs of say, Aug – Sep, have we taken any price increase so far?

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

Yes, we have. In both long and flat, we've taken price increases in October. But like I said earlier, when you look QoQ, the July prices were quite high. Prices dropped significantly in August - September. Even if you get some price increases in October, November, and December, I don't think we will reach July prices by December. That's why I'm saying that the guidance for this quarter is lower than the last quarter. Second thing is the auto contracts, which are at a higher price in 1H and some of the adjustments will play out in this quarter. That's the reason NR guidance is lower QoQ. But if you look at the international prices, this quarter is higher than last quarter, because it had hit $450 per ton levels. Now it is in the $480 – 520 per ton levels.

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*

I think there are some questions on our overall guidance in terms of volumes for the year. You did mention about Kalinganagar, but at a consolidated level, what do the volumes look like for the year?

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

I think at the consolidated level, we are in the region of 1 - 1.4 million tons for a couple of reasons. We have a blast furnace relining coming up in Jamshedpur, which was due to go down in 4Q. We are trying to see how we can fine tune those dates to make up for shortfalls elsewhere. This last quarter, we lost some volumes in Jamshedpur because there was a significant power outage in Jamshedpur. I mean, Tata Steel was more the victim than the cause of it, but we had a problem there. We lost some production there. So overall, we are seeing 1 - 1.4 million tons on a consolidated basis.

Samita Shah: *VP CFTRM – Tata Steel Limited*

There are some questions on broader markets. I think in terms of overall market conditions in India and the kind of pricing we are seeing and the margin regime, does this incentivise greenfield investments in India, because the ROCE of integrated players is coming down? Some comments on what does this pricing regime really do to our future investments or broader investments in the sector?

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

I think this is a point we've been making to the government. I think the private sector investment, in some sense, in India, the recovery of it is being led by the steel industry. Of course, there is electronics, because of the electronics PLI schemes, etc. But I think largely, steel between Tata Steel and all the other steel makers have committed or announced significant capacity expansion plans. If steel prices stay at $450 - 500 per ton levels, it will be difficult for any steel company to support very significant expansion. You can keep expanding, but it will not be as value accretive as one would expect it to be. I think a good place for steel prices is between $550 - 650 per ton, which is where it will be when China exports come down to about 50 - 60 million tons. That's where we are pushing hard to say that we need some sort of comfort there and which is what other countries are doing. To answer your question, if steel prices stay at today's level, it will be very difficult to

expand in the tens of millions of tons that everyone is talking about. It will be more muted for sure. The cash flows won't support that kind of growth. If it goes back to where it was even two years back, like I said, closer to $550 - 600 per ton, then there's a justification for those kinds of investments. We have the advantage of having all the options open. Like I described, Neelachal, of course, we need to take it forward, simply because we are short on long products. We need more long products in our mix. Because we have three sites now, we can expand anywhere, which we didn't have earlier. Ten years back, we had only Jamshedpur, so all expansions had to happen sequentially. Now that you have a Kalinganagar and Neelachal and Angul site, if the markets are good, the cash flows are great, we can start expansion in all three sites at the same time. The growth need not be sequential, and that's a big difference for us.

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

Thank you. There are a few questions on the European market as well. There are some comments that the European auto giants are going through a lot of turbulence. How does that affect our business in Netherlands? In light of these changes, are we recalibrating our strategy for investing in Europe?

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

Two - three things are happening in Europe. The largest economy in Europe, Germany is struggling. Germany has had the advantage of low energy prices and strong export markets and a lot of workers from Poland and places like that, which have changed. A lot of Polish workers have gone back to Poland. Energy prices are high, export markets, particularly China has not been great. We are seeing the impact of all that in Germany and also the closure, which Volkswagen has announced. There is that disruption going on. We are watching that space. We have a product mix which is rich in Netherlands. Hence, the quality of consumption in the European market is important for us. You are also seeing supply side restructuring in Europe. You are seeing that some of our peers are having their own challenges in Europe. Not everyone in Europe will be able to make this transition, because it depends on support from the government, the financial strength of the companies, product mix and the markets they serve. It's going to be a period of some disruption, both on the market side and on the supply side. Structurally, we are well positioned because we are on the coast. We have traditionally been a very competitive plant. We are watching the space. Of course, the investments in Netherlands will depend a lot on the support we get from the Dutch government, same as the investments in UK were dependent on the support we got from the UK government. That's a conversation we are having with the Dutch government. Let's see where that goes. While we have submitted our proposal, let's see what the extent of support is, and then we'll take a call.

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

There is a question on capex guidance for FY2026 and FY2027. I think Koushik has already directionally mentioned it will be lower. We will give you specific guidance in the first quarter of next year. There is a question on the tax rate. Koushik, maybe you'd like to take it. It says essentially that the PBT is around Rs. 2,164 crores, whereas the current tax is Rs. 1,142 crores, which is 53%. So why is it not the corporate tax rate of 25%?

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

You shouldn't see it from a QoQ basis. On a yearly basis, effective tax rate is at the marginal tax of 25%. During each quarter, there are deferred tax adjustments, that create deferred tax assets. Our effective tax rate is at 25%.

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

There is a broader question again on the markets in terms of competing with Chinese players in the export markets. What is our strategy? How do we actually do that?

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

Firstly, traditionally, Tata Steel's exports have typically been about 10% of its production. For the next couple of years, most of our volumes of exports will go to UK, because UK is taking at least 1 million tons of steel from Tata Steel India and another 600,000 - 700,000 tons from Netherlands. In the international markets, like I said, at these prices, the Chinese steel companies are not making money, and we don't want to export at prices at which we lose money. That's why, on the earlier question of expansion, there's no point expanding if you have to export a lot into markets which are priced like this, right? It's not just about the return on capital in the domestic markets, you have to look at how much are you exporting and what's the return on capital on that. Hence, the next six months will be crucial to see what happens in China. Will they go back to that 50 - 60 million tons export level, and that's where it is. On a cost basis, we are more competitive than the Chinese, because even at today's prices, Tata Steel's domestic business is at 20% EBITDA margin. I don't think there's any Chinese company making even 5% EBITDA margin. It's not about cost, it's about the price at which we are willing to sell at, which is why we look at it from that perspective. We are one of the lowest cost producers of steel in the world. That allows us to make money even at these prices in India.

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

Samita, one clarification is, I think the numbers on tax, what I just saw is, I think the person who is asking the question has seen the consolidated profits, which is why he is saying 50%, because in consolidation, the tax is actually being paid out of India. In India, if you look at it, the PBT is Rs. 4,700 crores and the tax is Rs. 1,100 crores. Because in Europe and UK, we don't have any tax payable, and there were in losses in any case.

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

Thank you. There's a question on the sales mix between long and flat. Naren, maybe you want to give it just on an annual basis, because quarter wise is less relevant.

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

If you look at Tata Steel today in India, we are producing about 21 MTPA. Capacity - wise, after the Kalinganagar expansion, we will be at 26 MTPA. In that 26 MTPA, we are about 5 MTPA of long and the balance is flat. 5 - 6 MTPA is long, because we have about 3 - 3.5 MTPA in Jamshedpur, another 1 MTPA in the Gamharia plant, which is the Usha Martin plant that we acquired, and another 1 MTPA in Neelachal, which we acquired. So that's the 5 - 5.5 MTPA of long. The Ludhiana plant will come up by March 2026. So that will add another 800,000 tons. Hence, the next expansion that we have planned is Neelachal, which will take it from 1 MTPA to 5 MTPA. If you look at India at 30 - 31 MTPA, you will have longs at maybe 8 - 9 MTPA for us and flats at 20 - 21 MTPA.

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

There is a question on our gas requirements regarding Kalinganagar expansion. What are the requirements? What are the kind of arrangements you have in place?

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

We don't need any gas because we are expanding in Kalinganagar using blast furnaces. We use coking coal. The gases that we generate from our operations is used within the operations. We don't need to buy natural gas of any significant volume from anywhere. We are not dependent on gas as an input cost for Kalinganagar.

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

I think they probably are referring to oxygen.

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

Oxygen is an important part of a steelmakers cost. I think if I remember right, it is maybe about Rs. 2,000 per ton or something like that. It is an important part of the cost. There, we typically work with global leaders. We outsource the oxygen production. We bid out the capacity. They build it for us, run it for us, and we have a contract with them, where the oxygen price is also dependent on the energy prices. Typically, the electricity cost is a pass through. So that's a contract we have in all our steel plants. Linde is the supplier for Kalinganagar.

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

We'll have the last question which we will take. There are two questions, but they're both relating to the same issue. One is the jump in other income. The second question is, in the segmental EBIT, other trade related operations, there's a significant jump. Can you please clarify?

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

This is on account of foreign exchange translation. There is a loan which we have, which is a EUR USD loan and the difference when the currency moves, that is what gets reflected. In the segmental allocation, it comes under trade related operations. That's what's driving bulk of the increase, and that's the same which is featuring in our other income as well. With that, I think we've answered all the questions. Thank you to all our viewers and the participants for all your questions. We look forward to connecting with you again next quarter. Thank you and have a good day.

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

Thank you.

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

Thank you very much.