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Ashish Kejriwal, Nuvama
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Satyadeep Jain, Ambit Capital
Sumangal Nevatia, Kotak Securities
Tarang Agrawal, OldBridge Capital
Amit Dixit, ICICI 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 afternoon, good morning, and good evening to those of you joining us from different time zones. Welcome to this call to discuss our results for the fourth quarter and the financial year FY2024. We are joined by Mr. T.V. Narendran, our CEO and Managing Director; and Mr. Koushik Chatterjee, our Executive Director and CFO. I hope you all had a chance to go through our results, which were published yesterday and the presentation, which is up on our website. The entire discussion today will be covered by the safe harbour clause, which is on Page 2 of the presentation. I will now request Naren to make a few opening comments [inaudible]. Thank you, and over to you, Naren.

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

Thanks, Samita. Good morning, good afternoon to all of you. I'm going to make a few comments and then pass it on to Koushik for his comments, and then we'll open it up for the questions.

FY2024 has been a year of progress for Tata Steel despite the operating environment. The global commodity prices, including steel, have been significantly impacted by what's been happening in China. China's economy is yet to fully recover from to its pre-pandemic activity levels and its property sector has been in a prolonged slump. While these factors weighed on the steel demand, production remained broadly stable, leading to elevated exports. As a result, global steel prices have moderated across regions, including India, particularly for flat products and geopolitical tensions have weighed on the sentiment as well.

Despite the overhang of the domestic steel prices, our India performance improved on a YoY basis, aided by growth in volumes and an agile business model that is focused on optimizing the cost profile. We achieved the highest ever crude steel production of 20.8 million tons as well as deliveries of around 19.9 million tons, and the domestic deliveries were up 9% YoY, leveraging the persistent demand in the domestic market. Among the market segments, automotive volumes were aided by higher deliveries of hot-rolled and cold-rolled coils to the automotive OEMs and were up 8% YoY, and the focus on the product mix led to a 6% YoY growth in high-end sales. Our well-established retail brand, Tata Tiscon, witnessed a 15% YoY growth and crossed 2 million tons on an annual basis. We cover more than 8,000 pin codes through a dedicated channel of distributors, dealers, influencers and have an e-commerce platform called Aashiyana to reach out to customers who may even be outside India and want to place orders for steel to be delivered in India. We are looking to shape construction market practices through ready-to-use solutions and have 33 construction centres pan-India that have been started over the last few years. This enables off-site construction and helps us move up the value chain because that's a trend which is there in most markets where you move from on-site to off-site and we are building our capabilities for that, given our experience operating such centers in Southeast Asia in the past.

Our continuous improvement programs to better operating metrices and digitisation continue to have a positive impact. For instance, our coke rate for Tata Steel Standalone operations has declined by 3% YoY. Separately, the 6 MTPA pellet plant at Kalinganagar has significantly reduced our dependence on external purchases. Overall, in India, we continue to focus on market leadership across chosen segments via capacity expansion as well as product mix enrichment. At Kalinganagar, we have initiated stove heating. The second stove has started. We had started heating the first stove a couple of months back and have also started the chimney heating for the coke ovens. The commissioning activities are continuing in a phased manner. Our 2.2 MTPA cold rolling mill was started during the year and this has aided our downstream presence.

As far as UK is concerned, we are committed to a sustainable future, and we have decided to proceed with our proposed restructuring and transition to a greener steel making. We looked carefully at all the options over the last 7 months, in consultation with the union representatives. We will be closing one blast furnace by the end of June. The coke ovens were closed in March, as you may be aware. We were supposed to close them in June, but because of operational reasons, we closed it earlier. By September, we will close the second and the last blast furnace. Our proposal is the most viable and preserves a majority of the jobs in the UK and Tata Steel remains committed to creating a low CO_2 steel business, which will reduce about 50 million tons of CO_2 emissions over a decade in the UK. The proposed plan will safeguard steel supplies in UK and Wales and create economic opportunities for generations to come. In Netherlands, our production was lower in FY2024 due to the reline of the BF6, which took longer than we had planned for, and this weighed on the cost profile. The relining was completed in early February, and operations in the blast furnace are fully ramped up now.

We are committed to responsible growth and sustainability is at the core of our strategy. Our route and pace of decarbonisation is calibrated across geographies. I've already spoken in detail about UK. In Netherlands, we are in discussions with the government for financial and policy support to aid a green and clean steel plant. In India, we are undertaking multiple initiatives, including pilots, to avoid or convert captured carbon emissions. We have undertaken measures to green our energy mix, to reduce our dependence on coal-based power plants and are also focused on nature-based solutions and conserving water. For instance, we have championed bamboo plantation in our leasehold land and communities barren land around Jharia where our underground coal mines are. The collaboration with farmers will generate livelihood opportunities and act as a carbon sink over time. The bamboo can be converted into biochar and replace the pulverized coal which we inject today into our blast furnace, to a certain extent, and this reduces emissions as well. I'm happy to share that our water conservation efforts have led to zero effluent discharge at the Kalinganagar site. With this, we now have 2 sites that have achieved zero effluent discharge, namely Kalinganagar and the Gamharia site, which we acquired from Usha Martin sometime back. We also recently became the first Indian steel company to ship raw materials from Australia using biofuel blend with a Very Low Sulphur Fuel Oil, setting a new benchmark for sustainable shipping practices in India. On that note, thank you once again, and I'll hand over to Koushik.

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

Thank you, Naren. Good morning, good afternoon, and good evening to all those who have joined in this call. Let me give you a deeper sense of the financial performance for the quarter and the full year, following which I will give you an update on Tata Steel UK. and Tata Steel Netherlands in addition to what Naren just commented.

I will begin with the quarterly performance and then move to the full year performance. Our consolidated revenues for the Jan - March'24 quarter stood at about Rs. 58,687 crores, while the EBITDA was Rs. 6,631 crores. Excluding FX impact, the EBITDA margin improved QoQ by around 200 bps to 12% and this was driven by steady performance in India and much better and improved performance in the UK and Netherlands. At Tata Steel Standalone, for the quarter, the EBITDA stood at Rs. 8,190 crores, which translates to an EBITDA per ton of about Rs. 15,107. Excluding FX gain of Rs. 15 crores, the EBITDA was Rs. 8,176 crore, which translates to a margin of about 22%. As provided on Slide 36, lower steel realisations due to market conditions and higher material costs, primarily due to the inventory drawdown were partly offset by improvement in conversion cost. The fourth quarter is seasonally strong and typically witnesses inventory drawdown, which translates into a charge in our standalone financials. Despite the slight moderation in EBITDA margin, we are close to the last 10 years average range of about 20% to 25%.

In Tata Steel Netherlands, EBITDA loss was reduced from a -ve £117 million in the third quarter to -ve £27 million in the fourth quarter. The completion of the reline of BF6 in early February has led to improved volumes and thereby positively impacted the inventory changes and fixed cost absorption in the fourth quarter. We are currently operating at a rate of 7 MTPA of crude steel post completion of the reline of BF 6. As shown in Slide 38, the drop in revenue per ton of about £32 per ton was more than offset by the improvement in the cost profile. Material costs improved by £32 per ton, while conversion costs improved by about £71 per ton QoQ.

At Tata Steel UK, the EBITDA loss reduced from -ve £159 million in the third quarter to around -ve £34 million in the fourth quarter. As shown in Slide 39, the revenue per ton was down by about £12 per ton but this was offset by improvements in total costs leading to better margins. Improvement in total costs was primarily driven by lower emission right costs, lower bulk gas related expenses and credit on R&D spends in the prior quarters. The early closure of the coke ovens will weigh on the raw material costs in the near term as we purchase coke and also the bulk gas balance till we close both the furnaces. I'll speak about that transition in a bit later. Overall, the consolidated operating cash flows for the quarter were around Rs. 7,394 crores aided by operational performance as well as favourable working capital management to the tune of almost Rs. 2,000 crores during the quarter.

Let me now give you a snapshot for the full financial year i.e. FY2023 - 24. As mentioned in Slide 31, our consolidated revenues in FY2024 were Rs. 2,29,171 crores, and EBITDA was Rs. 23,402 crores, which translate to an EBITDA margin of around 10%. The India EBITDA margin was higher at 22%, but this was offset by the operating losses in the UK and Netherlands due to operational issues, much of which Naren has alluded to. For FY2024, Tata Steel standalone EBITDA was Rs. 31,000 crores, which translates to an EBITDA per ton of Rs. 15,573. Excluding FX gain of about Rs. 433 crores, EBITDA was about Rs. 30,571 crores and EBITDA margin at 22% has witnessed a YoY improvement of about 400 bps. Lower steel realisations were more than offset by the decline in the costs. On a per ton basis, the material cost improved by about Rs. 6,000 per ton due to lower coking coal consumption cost and reduction in purchase of pellets. With the commissioning of the 6 MTPA pellet plant at Kalinganagar, we have gradually brought down the external pellet purchase at Kalinganagar and Meramandali sites. At Tata Steel Netherlands, there was an EBITDA loss of £368 million vs. an EBITDA profit of £600 million in FY2023. This was primarily caused by the delay in the ramp-up of the cold rolling mill and the relining of BF6, which weighed on the product mix as well as the cost profile. The revenue per ton declined by about £158 per ton, while conversion costs increased by about £21 per ton. Material costs were broadly stable. Lower raw material costs were offset by change in the inventories. At Tata Steel UK, the EBITDA loss expanded from £125 million in

FY2023 to £364 million in FY2024. The revenue per ton was down by about £143 per ton, while material costs improved by about £50 per ton and conversion cost improved by about £6 per ton. Material costs were primarily aided by lower coking coal and iron ore consumption cost. With the structural steps that we are undertaking, including the closure of the heavy end assets, this will reverse, especially in the second half of the financial year.

Overall, our consolidated operating cash flows for the full year were around Rs. 20,300 crores, aided by a strong India performance as well as favourable working capital movement to the tune of about Rs. 3,300 crores. There was a cumulative working capital release of about Rs. 3,800 crores in India and in Netherlands. Of the generated cash flow, we spent about Rs. 18,207 crores on capital expenditure, which is broadly in line with the guidance provided for the full year and is higher by about 29% compared to the FY2023 spend. We have been prioritizing growth in India and majority of the spend was for the 5 MTPA expansion at Kalinganagar and the other downstream operations in India. Separately, we have utilized some of our cash balances in Netherlands to fund the relining of the BF6, and this in part has led to the decline in the cash and cash equivalent from Rs. 17,000 crores in FY2023 to Rs. 9,532 crores at the end of FY2024. As a result, while our gross debt increased by about Rs. 2,189 crores to Rs. 87,082 crores, the net debt actually increased by Rs. 9,700 crores to Rs. 77,550 crores. The group liquidity remains very strong at about Rs. 31,700 crores.

Looking ahead, we are focused on financial stewardship to enable returns across the cycle. In the next financial year, we will be spending approximately Rs. 16,000 crores of capital expenditure. Most of this will be spent on the completion of the Kalinganagar expansion and [inaudible] part will be on the UK decarbonisation program. We will continue to prioritize capex for India growth and triangulate spend with deleveraging to ensure that the balance sheet remains strong and flexible. We are actively pursuing options to deleverage based on the cash flow generations. We are exploring lean financing options and continue to provide comprehensive sustainability disclosures as a responsible corporate.

An update on the ongoing restructuring and transformation in the UK. Let me start with the restructuring. As you are aware, we have been engaged in discussions with multi-trade union representative body and its advisors since the announcement of the agreement on terms with the UK Government in September 2023. As part of the consultation, we have carefully considered the multi union proposal for continuity of a blast furnace through the transition to the electric arc furnace. Further, we have also explained to the UK Steel Committee representatives who visited the site that building a new electric arc furnace while continuing to operate the existing steel melting shop is high-risk, complex, and will delay the transition by two years. Tata Steel and the unions’ advisers reached a common conclusion that the multi union plan would involve significant additional cost of at least £1.6 billion. Therefore, the national consultation between Tata Steel UK and its unions on the asset closure plan has concluded at the end of April.

Under the proposed restructuring program, Port Talbot's two blast furnaces, i.e. BF#5 and BF#4, would close by the end of June and latest by the end of September 2024. Following the closure of BF#4, the remaining heavy end assets would also wind down and the continuing annealing and processing line, the CAPL, would be closed in the month of March 2025. Tata Steel UK has also agreed that it will continue to operate the hot strip mill through the proposed transition period and in the future. Planning for the cession of the blast furnace for the planned dates of June and September is currently on track. The details of the cession and the isolation plans to enable a safe shutdown have been prepared. Decommissioning managers have been onboarded and discussions with the local bodies and regulators are ongoing on safety and hazard-related aspects. In short, we are on time as far as BF5 shutdown at the end of June is concerned.

A couple of points on ensuring a safe and smooth transition for our operations. Tata Steel UK has already secured most of the slab and the hot rolled coil substrate required during the transition, to ensure a seamless service to its downstream business and customers. It has agreed the details with the Associated British Ports to expand the slab handling and stockholding capacity in the South Wales ports and is also in advanced discussions to have the rail movement capacity ready for onward transportation of substrates to the appropriate sites. I also want to mention that we are progressing on the EAF project as per plan. We are at the advanced stage of engineering and expect to place equipment orders by September 2024. Based on the current permitting timelines, we will begin construction on the EAF project by August 2025. We have also formally signed the connection offer with the electricity system operator in the UK for the new high-voltage connection in Port Talbot. The new infrastructure will be made available to us as per plan, ensuring that we can commission the EAF on schedule in 2027.

I would also like to give you a brief update on the discussions in relation to the decarbonisation plans for Tata Steel Netherlands. We need to arrive at a solution which has the support of all stakeholders and especially the Netherlands government. In November 2023, we had submitted a plan to the Ministry of Economic Affairs, whereby we will replace one of the two blast furnaces with the Direct Reduced Iron plant as well as an Electric Arc Furnace. On 28th March, after reports from two independent advisory groups appointed by the government, the cabinet confirmed that the government is willing to support this together with certain other measures, which will improve the environment and health impact of our IJmuiden plant. The parliament has given the mandate to the government to negotiate the same with the company. In May, the negotiations with the government have started with an idea to finalise terms of support along with the commitments under a detailed framework during the course of the next 6 months or so.

Now I would like to spend a little bit of time on our sustainability disclosures. We are actively involved in development of national and global standards and in the previous year, have published the BRSR report and the Climate Change report aligned with the recommendation of the TCFD. Further, Tata Steel has committed to the UN SDGs since their launch. We have prioritized 15 out of 17 UN SDGs after an intensive and multipronged approach that considered National and Regional context, company contribution and opportunity to create the larger impact. A total of 68 targets have been prioritised across 15 goals, and they are linked to business KPIs and the annual plan.

The Tata Steel Foundation, which anchors our social impact program, has been incubated as an institution which converges resources, talent, and social capital necessary to implement a bottom-up, population level impact on complex societal challenges. It has the know-how and the models to replicate our strong impact footprint in newer locations in the country, including Maharashtra, West Bengal, and Punjab, along with Eastern India, which is our focus geography. In FY2024, our programs impacted the lives of more than 4 million people from vulnerable sections of the society, while enabling steady progress on prioritised SDGs. The company focuses on signature themes, which are large scale, have proven changes in the society and address the core development gaps in India while being replicable even at a global platform. Some of them include the MANSI program, which is the Maternal & Newborn Survival Initiative, which [inaudible] about 50 blocks of Jharkhand and has led to stabilization of more than 80% of identified severely acute malnourished newborn children. Our work on community-based education in a district saturation mode has led to 440 panchayats, including all panchayats of Keonjhar in Orissa, declaring themselves as child labour free zones in FY2024. This is complemented by Masti ki Pathshala, which is working with 3,800 children today to create an urban agglomeration free of worse forms of child labour. Our programs on advancement of tribal languages now cover 40,600 learners in 702 centres of 10 languages of the tribals and tribes of Eastern India and has fostered around 40 original literary and academic properties in these languages during the year. An equal emphasis is laid on regional change models enabling lasting betterment in the well-being of communities, prioritizing those who are excluded and proximate. These include climate resilient agricultural programs where we worked with more than 90,000 farmers with visible impact on their incomes. Our health and wellness initiatives have led to reduction in incidence of malaria per 1,000 population, aided in recovery of tuberculosis patients and identified high-risk cases, especially in women and children to treat appropriately. Water is a basic amenity and more than 47,000+ lives have been touched via our water conservation activities. We have created nearly 166 million cubic feet of water storage in and around 1,450 acres of land that has been treated in the last 3 years. [inaudible] runs with a mandate of designing and delivering program, which brings irreversible intersectional and transformational change while also leveraging the strong programs, extensive understanding of communities and management skills to partner with like-minded partners and organizations through collaboration.

Going forward, Tata Steel will remain the anchor funder and provider of necessary system support, while Tata Steel Foundation will leverage private and public capital as a force multiplier of impact at a much larger scale. Overall, our initiatives are wide-ranging and aligned to our operations and CSR activities to make a better tomorrow. With this, I'll end my comments and open the floor for questions. Thank you so much.

QUESTIONS AND ANSWERS

Operator

The first question is from Satyadeep Jain of Ambit.

Satyadeep Jain, *Ambit Capital*

The first question is on the UK transition. Just wanted to understand, in the notes to accounts, you mentioned the current agreement with the UK government is nonbinding. You still need to sign the Gross Funding Arrangement and have the final investment decision. The UK is heading into elections in July, and you have indicated you want to shut down the blast furnace in June. So how does the signing of the investment impact your plans? And would you still go ahead with the closure even if the gross funding agreement and final investment decision is not made by then?

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

Yes. Satyadeep, so while the GFA term sheet was nonbinding, we are at an advanced stage as far as the grant funding agreement is concerned. That is something that is being finalized between the UK government and us. And as I said, it will run its own course in terms of getting signed in the next few weeks or so. The elections are a political event, which does not affect the company's plan on moving ahead with the project. This transition is very critical and very important. As I mentioned in my commentary, we are on course as far as the planning for the decommissioning of the heavy end is concerned. The first i.e., the BF#5 will be taken down by the end of June. The coke ovens have already been wound down earlier than planned because of operational issues. Therefore, we are on course as far as our plan for the decommissioning of the heavy end is concerned. We have also done an extensive 7-month consultation, both informally and formally with the UK Steel Committee, which is the multi-trade union platform and we have concluded on the consultation at the national level. That is something which is an important bit, which is what we announced some time earlier. Therefore, it is on execution phase as far as the project is concerned. This year, we plan to spend our initial part of the capital in terms of the site preparation and the other engineering costs, as I mentioned in my commentary.

Satyadeep Jain, *Ambit Capital*

Just want to make sure I understood correctly. Even if the GFA and final investment decision is not made by June and no matter what happens, you'll still go ahead and close the blast furnace in June, right?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Yes. The grant funding agreement, it is not a contingent issue. Grant funding agreement is, as I said, is in an advanced state of finalisation. It will get done. As far as decommissioning is concerned, that is as per plan that we have announced.

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

If I can supplement what Koushik said, closure of the blast furnace and the winding down of the heavy end was something that we have been talking about for quite some time given the financial performance of the UK business. The grant funding agreement and the agreement with the UK government is to invest in a new facility. We had anyway said earlier also that the current operating model is not workable for us in the UK because of the bleed, and the bleed has increased. Both coming together is ideal, so that we can build the electric arc furnace as we want to. But given the losses that we have, closure is going to happen anyway.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

As also the physical condition of the assets because you can't run a blast furnace without a coke oven for long. We are very clear as far as the heavy end wind down is concerned.

Satyadeep Jain, ***Ambit Capital***

Secondly, on the equity infusion into T S Global Holdings. I understand it's about $2 billion, maybe $1 billion is for the capital contribution for UK transition. Regarding the remaining, what was the need for India business to come to the rescue to finance the debt that is coming due in the UK business? Tata Steel Europe has the ability to do that on its own balance sheet. Just want to understand the rationale for this resolution, Board approval for this equity infusion?

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

When you look at Tata Steel, I think you look at Tata Steel consolidated. When you look at Tata Steel consolidated, the entire debt is Tata Steel consolidated debt. There are assets inside and outside. The debt which we are talking about is actually a Tata Steel debt in foreign currency in Singapore. The whole announcement, I think we had an inkling that it will be read wrongly. The fact is this is largely for refinancing of our scheduled loans that are coming up during the year. And there is some part of it which will go to the UK for funding its operating cost in the first half. Thereafter, we expect UK, apart from the restructuring cost, to get into a state where from an operating point of view, it will not need capital. But large part of this funding is actually for repayment of debt.

Satyadeep Jain, ***Ambit Capital***

This repayment of debt is for the foreign currency loan that you mentioned is at TS Global Holdings?

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

That's correct. That's correct.

Satyadeep Jain, ***Ambit Capital***

Would it have been possible for Tata Steel to provide letter of comfort, again, as the company had done in the past to be able to refinance the debt instead of equity infusion?

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

You have to look at holistically. From a tax point of view also, we are looking at the India balance sheet to be the one which is most tax efficient. From both a tax point of view as well as from the entity, which will have the most leverage will effectively be the Tata Steel India business. We don't want to keep debt outside and go through the fluctuations. I think both UK and Netherlands will be cash self-sufficient, and UK post the project will be a cash self-sufficient entity. That's our strategy, that's our vision to drive. But this debt that is there, which was a debt from Tata Steel, was done in Singapore for different reasons. As you know, there were withholding tax issues, etc. It is actually a Tata Steel debt, and that's why it is happening like that. There is no use giving letter of comfort and raising debt overseas and then meeting the debt servicing requirements from India.

Operator

The next question is from Ashish Kejriwal of Nuvama.

Ashish Kejriwal, *Nuvama*

Sir, I have 2 questions. One, because we are on the verge of commissioning our KPO Phase 2, is it possible for you to give any volume guidance for it? Last time we gave 0.7 million tons, and what is the status right now? Coupled with that, how much capex is still left in this phase for this?

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

The guidance on Kalinganagar is 1.7 million tons now for this year. But the overall guidance is 1.4 million tons because we have one of the blast furnaces in Jamshedpur being taken down for relining i.e. the G blast furnace in January. We will lose some volume there, which will offset some of this 1.7 million tons. The overall guidance for the year is1.4 million tons. But the Kalinganagar specific guidance is 1.7 million tons. And next year, we will obviously ramp up.

Ashish Kejriwal, *Nuvama*

And what about the capex, how much we have already done and what's remaining for the entire capex?

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

Yes, last year, we spent about Rs. 5,000 - 6,000 crores. This year, we'll be spending another Rs. 5,500 crores roughly.

Ashish Kejriwal, *Nuvama:*

So total Capex for this Kalinganagar project is to be around Rs. 25,000 crores or less than that?

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

Rs. 27,000 crores, including downstream and upstream, which is the mining, etc.

Ashish Kejriwal, *Nuvama*

No, no, I'm talking about the total project cost for KPO Phase 2?

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

Yes. When I take the KPO Phase 2, we have to take the downstream, including the cold rolling and the galvanising line, etc. Further, we have to take the mining because we are expanding on our mining capacity to service that. [inaudible] We have to spend money to get the iron ore capacity. All taken together. It is not a slicing of just the steel assets. The steel assets plus the downstream assets plus the upstream assets and the infrastructure required is about Rs. 27,000 crores.

Samita Shah: *VP CFTRM – Tata Steel Limited*

Before we move to the next question, Naren, do you want to just clarify on the volume guidance from a consolidated basis in the intercompany sales?

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

Yes. So, on a consolidated basis, you will see that the Netherlands production obviously increases with both the blast furnaces operating. Last year, in the Netherlands, sales were higher than production because we had slab stocks. The sales impact of Netherlands additional volume will be less than the production impact of Netherlands additional volume. Since the UK heavy end is being closed by September, both India and Netherlands will be supporting the UK operations by supplying slabs and hot rolled coils. So, there will be some incremental volume of production, which will flow to UK to make up for the second half of the year. The net volume guidance, which I gave is for India and on a consolidated basis around 1.4 million tons.

Ashish Kejriwal, *Nuvama*

That's very helpful. Sir, secondly, in terms of European operations i.e. the UK and in Netherlands, What would be our estimated cash outflow because of this restructuring because we have not done it yet. So that's one. And second, do we think that UK operation can start making breakeven in FY2026?

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

FY2026, certainly. FY2024-25, second half of the year, if you look at the underlying business, taking out restructuring, it should certainly be EBITDA positive, and we are looking at making it cash neutral in the second half. It will not reflect in the full year being EBITDA neutral. But in the FY2025-26, we will certainly look at the full year being EBITDA positive.

Ashish Kejriwal, *Nuvama*

What about this restructuring cash out flow?

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

The restructuring cash outflow has got multiple components. One component is the redundancy. The second component is contract termination, then there are closure costs. All taken together, the redundancy is not going to happen on one day. It is phased, as we close in June and September. There are notice periods and terms that we are in agreement with or the proposition that we have for the employees, especially on the voluntary side. What we had guided when we announced the redundancy program was that we are targeting about 2,600 people to go over an 18-month period. That's the phasing that we will have. Even the cash will also go in the similar manner. We will have a significant part of the closure cost, contract termination etc. during the financial year FY2025, and the redundancy will be phased over an 18-month period. The total cost of that is somewhere in the zone of £250 - 280 million only on these issues, which includes redundancy, contract cost and part of the closure cost. The voluntary redundancy is a way in which we start the redundancy process for people who take the voluntary redundancy. The phasing also depends on which people take it and thereafter, moves to a compulsory redundancy stage at a later point in time.

Ashish Kejriwal, *Nuvama*

And lastly, can you give capex guidance for FY2025 for India and Europe separately?

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

I thought I gave that. I said Rs. 16,000 crores.

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

75% of that would be in India, just to give you a sense.

Operator

The next question is from Sumangal Nevatia of Kotak Securities.

Sumangal Nevatia, ***Kotak Securities***

My first question is on the fourth quarter earnings for the Europe entity. It has been somewhat of a surprise than what we were building in. I just want to understand, is there any one-off gains with respect to carbon credit or anything which has benefited in the fourth quarter?

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

UK has had a £51 million benefit of the carbon credits.

Sumangal Nevatia, ***Kotak Securities***

I just wanted to understand when we are just running the hot strip mill, I mean, on a steady-state basis, will we be able to cover the cost of the remaining 5,000-odd employees? I mean, if you could just explain some unit economics as to how we can be EBITDA positive during the construction period over next 3 years?

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

These 5,000 employees are spread over all the downstream units. The hot strip mill only has a very few people there. Most of the 5,000 is actually in commercial functions, downstream units because we have a tubes business, a packaging business, other cold-rolled, galvanised, etc. As the cost of the hot-rolled coil or the slab that we supply will be lower than the cost at which we were producing it in the UK, we expect it to be EBITDA positive when we do this. I think that's the math. Koushik, if you want to add.

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

Yes. Just so I think the same math. I think there is 2.7 million tons of downstream. The hot strip mill is now becoming the starting point of the manufacturing process rather than from the blast furnace. So that is why we are going to get a lot of slabs into the UK from India as well as Netherlands and elsewhere. Then the number in the hot strip mill is only 400. It is actually more beyond that. Therefore, what we expect is a conversion cost, as Naren mentioned. We were losing money because the cost of producing the slab in Port Talbot is higher than purchase of the slab. Therefore, there is a spread that comes in, apart from the downstream spread that gets added to it

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

This matches with the fact that Netherlands has a slab surplus. And India is going to be slab surplus for some time because when the Kalinganagar expansion happens, we will have 1.5 million tons of slabs extra available, which we will later value add when we invest in more facilities.

Sumangal Nevatia, Kotak Securities

My last question is on the spreads. For India, Netherlands, UK, if you could share how are we seeing prices and net realisations moving in the coming quarters? And how about the raw material price movements?

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

For India, the guidance is roughly Rs. 300 - 350 per ton improvement in realisations on 1Q compared to 4Q because in 4Q you saw prices sliding between January and March, and then prices have started going up since April. On an average to average basis, this is what we expect on realisations in India. In UK, it is going to be flat. In Netherlands, we are seeing an improvement of about £90 per ton because of the mix and things like that. The product mix keeps improving because our cold rolling mill had issues last year and all that is back on track. In terms of cost, consumption-wise, coking coal in India will be about $10 per ton lower on a consumption basis. In Netherlands, it's going to be about $24 per ton higher because of the inventory that we have there. In UK, there's no coking coal involved because the coke ovens are closed, but Iron ore will be about $10 per ton lower in UK and about $10 per ton higher in Netherlands.

Sumangal Nevatia, Kotak Securities

Do we expect UK to be in losses at least for the next 1 or 2 quarters and some sort of a breakeven for Netherlands?

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

Netherlands will be EBITDA positive starting 1Q. It has been EBITDA negative for the last few quarters. UK will be EBITDA positive, as Koushik said earlier, from 3Q.

Sumangal Nevatia, Kotak Securities

One last question on Netherlands. You mentioned in the opening remarks that the discussions with the government have started on the potential subsidy. In how many years is the end of life? When do we expect the transition? Is it similar to the UK? [inaudible]

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

Sumangal, in this case, it is not an end-of-life issue. It is more a regulatory issue because by 2030, there is a regulation to bring down the CO_2 emission in Netherlands as part of that 55% reduction rule in the EU. It is less to do with end of life of assets. It is more to do with the reduction in CO_2 as also to take care of the other environmental concerns and health concerns. The engagement with the Netherlands government is to move towards accelerating the decarbonisation and moving towards a lower CO_2 to comply with the 2030 regulation as also the fact that the free allowances of CO_2 actually will keep coming down as per the EU regulation. As the free allowances keeps coming down, if we continue our blast furnaces with the CO_2 prices north of €80 per ton, the cost of operating the same assets will become significantly higher. This is a transition more on decarbonisation rather than end of life.

Sumangal Nevatia*, Kotak Securities*

And that will involve the entire 7 MTPA capacity or in phases?

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

Yes, it will be in phases. The first phase will help in covering for the compliance of 2030 and the second phase will follow thereafter. The CO_2 allowances will go down to zero post 2032. I think the first phase is to take one of the blast furnaces and convert it into an electric arc furnace. We then look at the second blast furnace, whether it will be an electric arc furnace or another new technology by that time, is what we have to evaluate from a technoeconomic perspective. But as of now, the focus of the conversation on Phase 1.

Operator

Next question is from Tarang Agrawal of OldBridge Capital.

Tarang Agrawal, ***OldBridge Capital***

What is the cost differential between India and Port Talbot, the slab cost differential? Cost of production?

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

What we've guided in the past is that post EAF, the cost in Port Talbot will reduce by about $150 a ton. That's why we say going forward, Port Talbot will be positive contribution.

The India business, as you know, is one of the lowest cost producers of steel in the world, and you can see that from the EBITDA margins even today. There is a significant cost advantage in India, but it is not that you can service customers that you want in the UK for an extended period of time importing slabs and coils from elsewhere. I think that is why it is good as a temporary solution. There are also limitations on how much you can import into the country. There are exemptions that we will seek, etc. It makes sense now, but eventually, when the EAF comes, we will be in a better cost position for local production and local supplies, and that is why we are moving as we have proposed.

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

Just to add to that, the entire sales will be on an arm's length basis, so totally market price driven. It is not that we are going to be transferring at cost. Between intercompany, it will be completely at market price. As you know, we don't give segmental profitability. So, it is really hard for us to give you what specific slab sales are. But it will be entirely at market price. There are related party guidelines in place, the transfer pricing will be completely market price driven.

Tarang Agrawal, ***OldBridge Capital***

Sir, business has been constrained by capacity in India. Is it affecting your current relationship with customers? Do you feel like you are losing market share because we've just not had enough material in the Indian market?

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

I think the Indian market obviously has been growing, and we have also been growing. As you know, we have doubled our capacity in the last few years. So having said that, the point is not so much the absolute volume. I think what is important is the product mix. For instance, the cold rolling mill in Kalinganagar has helped address the gap. We were short of some of the very high-end cold-rolled and galvanised steel that we needed to supply to our auto customers. That is getting addressed through the cold rolling mill that we are setting up. I think we are focusing more on specific segments. The Kalinganagar project itself is helping us make significant inroads into the oil and gas industry, which we were not able to service from Jamshedpur. We are more focused on our market share on an overall basis being much higher or rather market share in the targeted segments being much higher than our overall market share. We like to be at least 1.5 - 2 times our overall market share in the chosen segments. In the auto industry, we have a 50% market share. Our overall market share may be 20%. We may be a lower market share in some of the other segments who are just price buyers. We focus on segments where approvals are required, quality is important, service is important and try and see that we get the highest market share in those segments. That has been the philosophy of our growth. We will continue to do that. Obviously, sometimes, we build equity ahead of the supply and that puts pressure on us to grow, and we will continue to do that.

Tarang Agrawal, *OldBridge Capital*

Sir, through cycle profitability of the Netherlands business historically has been anywhere between €60 - 80, right? Is that number is a reasonable number to work with?

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

It's slightly ahead. Actually, it's around €100. If you look at it, it's between €80 - 120, so you can take €100. That's our basic assumption on getting profitability across cycles if you take 10-year average, including the upturns and downturns.

Tarang Agrawal, *OldBridge Capital*

Okay. Just 2 more pointed questions, sir. What was Netherlands free cash flow for FY2024? And for the group, if you could give me the blended cost of debt?

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

The Netherlands free cash flow was -ve because [inaudible] we had about €700 million of cash sitting on the company. With the €362 million of negative EBITDA, plus the BF6 relining capex, that was the cash which got used up, and we have ended the year with almost zero cash.

Tarang Agrawal, *OldBridge Capital*

But there would have also been a working capital release, right?

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

Yes, there it is a working capital release. There are below EBITDA costs also, which were affected. There is a net release on working capital, but there has also been, for example, the start-up cost to restart the blast furnace 6 and so on.

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

I think to emphasize the point, last year was the first year when Netherlands has been negative EBITDA, negative cash.

Operator

Next question is from Kirtan Mehta of BoB Capital.

Kirtan Mehta, *BoB Capital*

In terms of the equity infusion, we have proposed $2.1 billion to retire some of the overseas debt. What is our total overseas debt available? And will we also have to infuse further equity overseas to continue with this strategy? What would be the total debt we envisage when we complete the UK restructuring because even capex is likely to be supported by the India entity as has been previously said?

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

When we say that it is the overseas equity injected, the form of the equity is not necessarily equity. The form of the equity could be debt too. What we are basically saying is that we are looking at the equity injection into the entity because we could have simply given a debt to that entity. Then every quarter, we would have translation gains and losses to account for. So what we have changed our approach is basically to fund it through equity or put the funding mechanism as an equity rather than just give intercompany debt. We have seen it in the previous years that it is much more efficient to do it this way than to look at it from a [inaudible] perspective. In Singapore, we have overseas debt or foreign currency debt. There is €400-odd million of debt which was the original Corus acquisition debt. We have reduced it from almost €1.9 billion to €400 million over the years. There is about a little more than €0.5 billion working capital debt between Netherlands and the UK, which we believe that once the Netherlands becomes cash flow positive at the end of this year and next year, it will deal with its own debt and working capital debt requirements. In UK we will equitize part of it, which is part of this amount that we are talking about, which will be about £300 million roughly of that injection that we are going to do, and the balance part will continue for its own working capital requirements.

Kirtan Mehta, ***BoB Capital***

Does this mean that we may not need to inject further equity into this overseas business for further debt support?

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

Not for debt support, but for the project in the UK, we will fund it from India.

Kirtan Mehta, ***BoB Capital***

£750 million funding could be potentially additional funding, which will go?

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

£750 million plus the restructuring costs.

Kirtan Mehta, ***BoB Capital***

Right. Second question was about the TSK rollout. We have indicated 1.7 million ton as the production target for the year. Could you also sort of run us through the key project milestones that we are envisaging for start-up of various units through the year? Will we be reaching 5 million ton capacity by end of the year?

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

Yes. So, the most critical one is the blast furnace to start by September, the physical completion by June and the commissioning to happen over the next 3 months after that. In September, start-up of the blast furnace is the critical milestone, I would say, because we have the continuous annealing line also coming up, the coke plant also coming up during the year. Samita can give you the specific months for each of these. We have the third caster of the steel mill shop coming up later as the blast furnace ramps up. The plan is to have it run to full capacity next year so that you get the additional 5 million tons. If you look at 1.7 million tons in 6 months, you're already coming close. I don't remember the exact March number, but we will be coming close to weighted capacities, but we can give you more specific inputs on that.

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

You asked for the overseas debt numbers. The foreign currency bonds of Tata Steel are about Rs. 16,600 crores. In Tata Steel Europe, between the original long-term debt, working capital debt etc., it's about Rs. 14,000 crores. There are some credit lines in our procurement and trading entities. This is broadly the numbers that you can take on board.

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***

Thank you, Kinshuk. I'll take the questions on Europe first, and then we'll move to the questions on India. I think the questions are about our investments in both UK and Netherlands and why we are continuing to invest in these businesses. And what is the RoCE, which we see from these businesses?

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

If you look at it from also a strategic point of view, both Netherlands and UK are models where the decarbonisation transitions are happening faster. If you look at it from an RoCE point of view, I think our expected RoCE is in the region of 12% to 15% across cycles. Fundamentally, with the CBAM coming in, on account of green premium and as well as CBAM, there will be time in the next decade and beyond when the pricing in Europe will certainly factor in [inaudible] because all the exports that has been going into the EU as well as to UK will be much more costly whereas the domestic advantage in the European geography will significantly be higher. There is, I think, a strong business case for the decarbonisation, both in the UK and Netherlands. When I talk about 12% to 15%, I said these are on mid-cycle long-term assumptions. I think there is a way in which the industry is also shifting. In Netherlands, there will be a substantial part, unlike in the UK, where internal capital will also be used to fund this transition. It is a combination of internal funding, project funding and government support. Behind all of this will be Tata Steel. In the UK, we have agreed for a £500 million grant from the government and the £750 million from Tata Steel over the next 4 years.

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

I think to supplement what Koushik said, in India, while it's all about growth and being able to build capacity to keep pace with the growth, in Europe - it's not about growth. On the supply side, there will certainly be significant restructuring in Europe because not everyone will be able to transition into making green steel and hence, there will be restructuring there. We expect the demand-supply balance to be better in Europe as this transition happens.

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

Thank you. I will just move now to some questions on the merger. What were the benefits of the merger of the Indian companies, which we went through in FY2024?

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

So there are 3 - 4 buckets. Between the taking out of central cost efficiency, optimisation on procurement, and raw material supply chain benefits, I think we are looking at a total benefit of around Rs. 282 crores this year. Plus, if you take everything into account, I think the total benefits will be close to Rs. 400 crores.

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

There is some confusion actually on the volume guidance. How does that actually work through from a consolidated basis? I would just request you, Naren, if you can just clarify the same.

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

In UK, the production volume will be lower this year than last year because, in the second half of the year, we are not going to be producing steel in UK. In Netherlands, you will see higher production this year than last year because last year, we were operating with one blast furnace for most of the year. This year, we will operate two blast furnaces. That is from a production point of view. However, when you look at sales, in Netherlands, we sold more than we produced last year because we had high cost slabs in stock, which we used to produce and sell. About 0.6 million tons of slabs and hot-rolled coil is going to go from Netherlands to UK to support UK in the second half of the year and about 1.1 million tons of steel is going to go from India to UK to support UK in the second half of the year. Totally about 1.7 million tons of steel produced in Netherlands or India in slab or coil form will go to the UK, and most of it will get reflected in the UK sales. Some of them will be, of course, inventory. This is going to be ongoing beyond this financial year. Overall, if you look at a full year from next year point of view, 2.7 - 2.8 million tons of steel need to be supplied from Netherlands, India, or anybody else because we are also looking at supplementing what we can't supply out of Netherlands and India by sourcing steel from other steel companies who are willing to sell slabs or coils into the UK.

Overall, on a consolidated basis, the guidance is 1.4 million tons more, largely because of what's happening in India, where the Kalinganagar operation is going to produce 1.7 million more than it did last year. In Neelachal, we expect about 0.2 million tons. So that's 1.9 million. And there is 0.5 million tons, which we will lose because the G blast furnace in Jamshedpur is going to go down in January. That's broadly the number. Hence, we are seeing on a consolidated basis, volume guidance is for 1.4 million tons more, which nets off all these, going from Netherlands to UK and India to UK, etc.

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

There are some questions on demand and our expansion journey to 40 million tons. What is the plan? Also, a question on Kalinganagar Phase 2, do you expect it have a better margin profile than the blended EBITDA per ton currently?

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

Yes. Overall, the demand is expected to grow, in our view, at 8 - 10% a year. So that's why we are bullish about growing in India. Kalinganagar, to answer your question, yes, today, when we look at the different sites, the Kalinganagar margins are probably the best for us simply because we don't have any of the legacy costs that we would have in Jamshedpur or even in Meramandali, which we only acquired 3 - 4 years back. So, there are some legacy inefficiencies, which we are trying to fix, structural inefficiencies, if I were to put it that way. The Kalinganagar plant is a plant which we built from scratch, very efficiently laid out, very efficiently designed, and very well run. Hence, the EBITDA margins in our Kalinganagar plant amongst our sites is the best. As we grow in Kalinganagar, it is good for Tata Steel. As we grow in India, it is good for Tata Steel. That's one part which I want to say.

Regarding our plans for 40 million tons, the good news for us is we now have this land that is required to go to 40 MTPA, if not more, because the Kalinganagar plant, which is going to be from 3 MTPA to 8 MTPA, next phase will be from 8 MTPA to 13 MTPA and from 13 MTPA, you can take it to 16 MTPA. In Neelachal, we are at 1 MTPA. We are running full out already. First phase is to take it to about 4.8 - 5 MTPA, and the next phase is to take it to about 9.5 MTPA. We currently working on Neelachal, taking it to 5 million tons. We have started work on Kalinganagar, if you were to take it from 8 MTPA to 13 MTPA. We are already doing some work in the Meramandali plant to take it from 5 MTPA to 7 MTPA. Beyond 7 MTPA, we can go up to 10 MTPA. But these days, since there is a lot of requirement on green cover in all our sites, like in Meramandali, we need to acquire a little bit more land to give the 33% green cover that is required. While we have more than 2,000 acres of land, we do need to acquire a little bit more. We are seeing Meramandali at 7 MTPA, Kalinganagar clearly at 8 MTPA and going to 13 MTPA. That means between these 2, we are at 20 MTPA. Neelachal going from 1 MTPA to 5 MTPA. So that's a 25 MTPA. Jamshedpur is already at 11 MTPA. That is 36 MTPA. We have the EAF coming up in Ludhiana in the next 2 years. That will take us to 37 MTPA.

Our plan is if this EAF operating model works well, we can very quickly set up EAFs in the west and south to leverage the scrap available in those markets. It will be a low carbon footprint operation where you recycle scrap and you're close to the customer. You don't emit a lot of CO_2 in delivering steel to customers. For us, 40 MTPA is very much visible. In fact, more than 40 MTPA is visible because Kalinganagar, like I said, can add another 3 MTPA more and Meramandali can add another 3 MTPA more when Kalinganagar goes to 16 MTPA and Meramandali goes to 10 MTPA. That means with the existing sites, and of course, Neelachal can add another 5 MTPA, I've only said Neelachal 5 MTPA. Which means beyond the 40 MTPA, we have another 10 MTPA, which we can add in our existing sites.

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

I think that should provide them the clarity. There is also a question about Chinese steel entering India via Vietnam. And if you're seeing that in the marketplace and our views on that?

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

That is a concern we have as a steel industry that countries with whom we have FTAs are being used as a conduit to supply steel into India. Earlier, the issue was more with Japan and Korea. Now we are seeing with some of the Southeast Asian countries. That's why, as an industry, we are looking at this space and also working with the government. Our fundamental point to the government is as far as private sector capex is concerned, the steel industry is leading the way with investments, and we need to make sure that this momentum is not derailed because of somebody selling steel which is unfairly priced to take care of problems that they may be having in their domestic markets.

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

Thank you. There are some questions on financing now. There is a question on what the blended cost of debt for the group is today.

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

It's more around 8.5%.

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

Yes. 8.5%, just to clarify, would be on the Standalone. At a Consolidated level, it will be more around 7%. Yes. Just for all the listeners, as you know, we have gone through extensive rate hikes globally of about 450 basis points and about 250 basis points in India. Our interest rate has actually grown a fraction of that. There are some questions which I don't think are accurate, but I will just raise them here. It says the company still relies on Tata Sons for funds and raises funds through debt backed by the parent.

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

We have no debt, which is backed by Tata Sons, just to clarify.

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

The second question is if the company is planning to raise funds, why are you distributing dividends instead of repaying debt?

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

I think from a company strategy perspective, we have been consistent as far as our dividend payouts are concerned. Consistent dividend payout is an important part of our financial architecture. That is what we are doing. We don't go overboard, neither do we starve. We just want to maintain. This is also a reflection of the confidence of the Board about the future of the company. That is something that with Kalinganagar coming in, turnaround of the UK, the ramping up of Netherlands to a profitable operations, gives enough confidence to the Board to continue to pay the dividends on a consistent basis.

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

Thank you. There's a question on deleveraging and debt repayments. What is the plan for debt repayment? And do you expect to deleverage in FY2025?

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

For FY2025, as I said earlier, it is a transition year because we are going to allocate capital on multiple fronts. First priority is to close the completion of the Kalinganagar expansion. Second is to start putting funds into the electric arc furnace project in Ludhiana. Third is to complete the restructuring in Tata Steel UK and start spending the money as far as the EAF project is concerned. These priorities are very clear. Our assumption at this point is, if the market is at the bottom of the cycle that we are seeing today, then our first target is to ensure that we are cash flow neutral. If the market provides more momentum in the months ahead, every opportunity will be taken to reduce the leverage beyond the prioritised capital expenditure.

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

We are forecasting that our net debt-to-EBITDA will be below 2.5 by the end of the year.

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

That is the overall framework, but I'm just saying from a specific point of view, any opportunity that comes to the company and which we have, deleveraging is going to be a continuing strategy of the company. I don't see that to be seasonal or tactical in any form.

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

On Sukinda mine surrender, Can you explain why you are surrendering the mine? What are the implications of this for Tata Steel?

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

Sure. Sukinda mine was something we have been running for a very long time. It has reached a stage where there's only that much you could do through open cast mining. We knew that to run it further, you needed to do underground mining. When it was put up for auction, our conversations with the state government were that even if we win it, we will have to, obviously, in 2 - 3 years, start the work on underground mining and that would mean that the production will stop or reduce. Then we will do the underground mining and get the capacity back. The state government was aligned with us on that. On that basis, we participated in the auction. But there were some changes in the regulations during the auction time as well as after that. And as a consequence, the penalties on the MDPA, which is a minimum that you need to produce to comply with the regulations, the penalty increased and also the flexibility that we were supposed to get because we had to go underground was not given to us after that. Though the fact that we needed to go underground, and we could not mine at that level on an open cast basis was validated by the Indian Bureau of Mines as well. It reached a stalemate where we did not get the clearance that we needed, particularly from the centre because the state and the centre had different points of view on this. The solution suggested was then to return the mine, surrender it, so that we are not liable for the penalties, which would have otherwise come on us. That's why we decided to surrender the mine and what is reflected as a one time of about Rs. 500 crores is the cost of that surrender. That is better than running the mine as it is today, with significant penalties, if you can't produce at a certain level, which we could not produce for technical reasons. It is more to solve a potentially lingering problem and move on.

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

Samita, there is a chat question I saw, which I think we need to give clarification. It says that the government funding will not be there until the start of the proposed plant in the UK, and therefore, how much will be the inflow. I want to clarify here that once our spending is done, the grant funding will reset every quarter, which is whatever we spend in a quarter, the reimbursement of 40% of that as part of the grant will be given to us in the following quarter. It is not that Tata Steel will fund the entire £1.25 billion, and then the government gives us the grant. It is as per milestones that have been agreed and as per the process, every quarter, when we complete the spend, we submit the reports, get validated and get reimbursed.

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

Thank you, everybody. With this, we will end the call and look forward to connecting with all of you again next quarter.

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

Thank you.

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

Thank you.