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May 18, 2025

The Secretary, Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Maharashtra, India.
Scrip Code: **500470**

The Manager, Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.
Maharashtra, India.
Symbol: **TATASTEEL**

Dear Madam, Sir,

Sub: Transcript of 'Tata Steel 4QFY2025 and FY2025 Earnings Discussion'

This has reference to our letter dated May 8, 2025 intimating that post the announcement of Financial Results of Tata Steel Limited ('**Company**') for the quarter and financial year ended March 31, 2025, the Company will host an Earnings Discussion on May 13, 2025.

The Board of Directors of the Company at its meeting held on May 12, 2025 *inter alia* approved the Financial Results of the Company for the quarter and financial year ended March 31, 2025. The Company hosted its Earnings Discussion on May 13, 2025.

In this connection, we enclose herewith the transcript of the 'Tata Steel 4QFY2025 and FY2025 Earnings Discussion'.

The above information is also available on the website of the Company at:
<https://www.tatasteel.com/investors/financial-performance/analyst-call-recording/>

This intimation is being provided in compliance with Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This is for your information and records.

Yours faithfully,

Tata Steel Limited

Parvatheesam Kanchinadham
Company Secretary and Chief Legal Officer

Encl.: as above

TATA STEEL LIMITED

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CORPORATE PARTICIPANTS

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Koushik Chatterjee, ED & CFO – Tata Steel Limited

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

CONFERENCE CALL PARTICIPANTS

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Amit Murarka, Axis Capital

Ashish Jain, Macquarie

Prateek Singh, DAM Capital Advisors

Ritesh Shah, Investec

Satyadeep Jain, Ambit Capital

Sumangal Nevatia, Kotak Securities

PRESENTATION

Operator:

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

Samita Shah: VP CFTRM – Tata Steel Limited

Thank you, Kinshuk. Good afternoon, good morning, and 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 the fourth quarter and full year FY2025. We declared our results yesterday, and there is a detailed presentation along with the SEBI release on our website, which discusses the results. We will walk you through our results and answer any questions you may have. I just want to remind all of you that the entire discussion today will be covered by the Safe harbour clause, which is on page 2 of the presentation. The call today is led by our CEO & MD, Mr. TV Narendran, and our ED & CFO, Mr. Koushik Chatterjee. Thank you very much again for joining us today, I would request Naren to make a few opening comments before we throw the floor open for questions. Thank you.

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

Thanks, Samita, and hello, everyone. I'll make a few comments and then pass it on to Koushik. FY2025 has been an important year for Tata Steel, and it demonstrates our ability to navigate a challenging operating environment and progress on our stated objectives across geographies. For most of the year, steel fundamentals diverged across regions with increasing exports from China weighing on price sentiment. Since January, evolution of US policy and different nations focusing on protecting local industry has led to varied price momentum across India, Europe and UK. At the same time, China continues to struggle with declining steel consumption. Regions like UK which are yet to review their quotas, have struggled a little bit more. As you may be aware, in Europe, they have refined the quotas that are available for imports, which has acted to limit the imports. In India, also, there's a safeguard duty, which has helped us.

Amongst the operating geographies, India remains a structurally attractive market, and we are committed to leadership in chosen segments. Our annual performance has been aided by the commissioning of India's largest blast furnace at Kalinganagar, coupled with initiatives to enhance the cost competitiveness and product mix. We achieved highest ever crude steel production of ~21.7 million tons and deliveries of ~20.9 million tons for the full year. Across our sites, excluding Kalinganagar which is ramping up, we operated close to 100% capacity utilisation. That is an outcome of the way we design our plants, our best-in-class maintenance practices and our superior marketing and sales network, which helps us maximise our deliveries across cycles in the domestic market. Coming to the segments, deliveries to the automotive segment were aided by focus on new product development, especially hi-strength steels and enhanced capabilities on account of the new continuous annealing line at Kalinganagar. We became the first company to localise select automotive product grades i.e. CP780 and through our joint venture JCAPCPL, commenced supply of DP780 grade to aid automotive OEMs in their lightweighting initiatives. We also cater to the growing requirements of high-quality wire rods for the auto industry, and these deliveries were also positively impacted by the successful commissioning of the world's longest Stelmor conveyor line [inaudible] in Jamshedpur. We expect further progress in product mix with the 0.5 MTPA Combi mill, which is being set up in Jamshedpur and will use steel that is made out of the erstwhile Usha Martin plant, which is called Tata Steel Gamharia. The furnace has already been commissioned and trials are underway. Over the next few months, the other facilities will also be commissioned.

Our Branded Products and Retail vertical achieved volumes of around 7 million tons aided by best ever sales of Tata Tiscon, Tata Astrum and Tata Steelium. Tata Tiscon volumes grew by about 19% YoY. It is second year in succession that they've had double-digit growth, and it has reached 2.4 million tons, while our hot-rolled brand, Tata Astrum, and our cold-rolled brand, Tata Steelium, together achieved record sales of 3.8 million tons. Our e-commerce platform, Aashiyana served more than 1 lac unique customers during the year with a gross merchandise value of over Rs. 3,500 crores. Moving to Industrial Products & Projects, Engineering witnessed double digit growth and contributed to construction of around 2,500 kilometres of oil & gas pipelines. Once the Kalinganagar plant was commissioned, we had said that we will focus on oil & gas because that's also a high-end approval based business, just like the automotive business. In line with our focus to grow in chosen segments, we have now also forayed into commercial shipbuilding, supplying grades to various shipbuilders in India, including Mazagon Dock Shipbuilders, Garden Reach Shipbuilders and Cochin Shipyard [inaudible]. Our capacity investments are also progressing well across sites. At Kalinganagar, the 5 MTPA blast furnace continues to ramp up, and the civil work is in progress for the EAF in Ludhiana, which we hope to commission in the next 12 months. Specific to downstream, the Continuous Galvanising Lines are expected to be commissioned in the coming months, while the ramp up is in progress for the 100,000 ton per annum tubular structural mill that we have set up in Jamshedpur.

In UK, we have safely decommissioned both the blast furnaces at Port Talbot and smoothly transitioned to serving customers via downstream processing of purchase substrate. Our annual deliveries stood at 2.5 million tons and were lower on YoY basis. UK steel prices are still 8% below the levels that we saw last year due to import pressures and subdued demand situation. As such, we focused on transforming operations towards a sustainable model, and the shift in the operating model, coupled with our focus on controllable costs, has led to improvement in fixed cost base by about £230 million on an annual basis. Unfortunately, this is not visible yet in the performance due to the market dynamics. With respect to the proposed transition to green steelmaking, we have received planning permission for the EAF and are gearing up for the civil work and construction activity to begin by July. In Netherlands, liquid steel production was near capacity at 6.75 million tons, the highest in many years. This in part has led to a 17% YoY increase in deliveries to 6.25 million tons for the full year. EBITDA remained positive on full year basis and deliveries for the quarter at 1.75 million tons were the highest quarterly volumes in the last six years. We recently launched a cost competitiveness program targeting €500

million savings in FY2026. The transformation is a building block to ensure that Tata Steel Netherlands becomes one of the most efficient and sustainable sites in Europe. We are engaged with the government team to support our integrated decarbonisation and environmental measures projects.

I am happy to share that Tata Steel has been recognised by worldsteel as a Sustainability Champion for the eighth year in a row. With that, I hand over to Koushik for his comments. Thank you.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Thank you, Naren, Good afternoon, good evening to all those who have joined in. I will cover three themes: firstly, the performance; secondly, our cost transformation program across geographies, what we have done so far and what we are targeting in the next 12 - 18 months. Thirdly, an update on decarbonisation strategy and actions in UK and Netherlands. Let me start with our production performance for the quarter and the year FY2025. While you would have seen the production filings, I wanted to highlight that for the full year in India, we have increased our production from Tata Steel Kalinganagar by 1 million tons. For the India business, our production increased by about 0.9 million tons, taking into account the shutdown that we have taken for our G - blast furnace relining, which is currently on, and we hope to complete it by July 2025. In Netherlands, crude steel production for the year was 6.75 million tons, which is almost at full capacity. As you know, in the UK, our business model has changed, and we are now operating as a finishing facility with purchased substrate, including from India, Netherlands and external sources.

Moving to the financial performance for the quarter and full year, our consolidated performance for the quarter has been provided in slide 23 of the presentation. Consolidated revenues for the Jan to March quarter stood at about Rs. 56,218 crores, up 5% QoQ primarily driven by seasonally strong volumes in India and Netherlands. Steel realisations improved in India by around Rs. 600 per ton, but revenue per ton was down by about £53 per ton in UK and €79 per ton in Netherlands on QoQ basis. Consolidated EBITDA for the quarter was about Rs. 6,762 crores, which translates to a margin of 12%, up by about 100 basis points QoQ. India EBITDA margin was higher at 21% and translated to Rs. 7,418 crores, and Netherlands was about Rs. 125 crores, which was partly offset by the EBITDA loss in Tata Steel UK. Tata Steel Standalone EBITDA for the quarter was Rs. 7,105 crores, which translates to around Rs. 12,700 per ton. As I mentioned during the 3QFY25 earnings call, there was a non - cash credit of Rs. 1,413 crores or Rs. 2,670 per ton. Excluding this, standalone EBITDA has actually improved by close to Rs. 1,000 per ton on QoQ basis. I want to make a special mention about the NINL performance. It has consistently improved across the quarters and recorded an increase in EBITDA of 9% QoQ to Rs. 323 crores, which is a margin of about 23%. The most heartening part in NINL is that it has achieved Rs. 1,000 crore EBITDA in the year, reflecting an EBITDA margin of 19% and cashflow of Rs. 1,000 crores even in these challenging market conditions. NINL will remain as one of Tata Steel's most promising growth prospects in the coming years as we are working on its expansion plans. At our overseas operations, efforts towards cost reduction, operational KPI improvements and product mix optimisation are showing visible benefits despite spreads moving to a multi-year low. In Netherlands, fourth quarter EBITDA improved to €14 million and coupled with working capital release of ~€300 million, led to free cashflow over €200 million. In UK, our fixed cost improved by £69 per ton QoQ, but this was more than offset by the drop in the revenue per ton and the higher substrate prices leading to an EBITDA loss of £80 million in 4Q. UK underlying EBITDA loss in 4Q has trended down vs. 3Q. When I speak about our cost transformation program in a short while, I will cover further efforts in UK. Our consolidated operating cashflow after interest & adjustments for the quarter stood at Rs. 7,700 crores, aided by EBITDA performance and sharp focus on working capital that ensured a cash release of Rs. 4,300 crores.

Let me now move to the full year performance, which has been provided in slide 25 of the presentation. There are four big headlines I would like to highlight - Firstly, in spite of our multi-year low in steel prices and reduced steel raw material spreads, our consolidated EBITDA for the year was Rs. 25,802 crores vs. Rs. 23,402 crores in FY2024, which is a growth of 10% YoY. This reflects 200 basis point increase in consolidated EBITDA vs. FY2024. Secondly, the structural cost takeout across all entities of Tata Steel during FY2025 was about Rs. 6,600 crores focusing on fixed cost takeout, efficiencies in manufacturing, procurement, raw material optimisation with leaner coal blends and fixed overheads. This is a companywide program, and I'll talk shortly on what we aim to do in the next 12 - 18 months. Thirdly, and even more important, is to demonstrate the cashflow orientation of the entire company. Our operating cash flows after interest & adjustments for the year increased by 37% YoY from Rs. 12,941 crores to Rs. 17,700 crores despite challenging market conditions. Fourthly, our Netherlands operations marked a significant turnaround in EBITDA during the year from a -ve EBITDA of €426 million in FY2024 to generation of €90 million in FY2025, an improvement of more than €500 million. If I consider the operating turnaround at the FY2024 prices and spreads, it would actually be a €900 million turnaround. While there is lots to do, the direction of the movement is very clear, and we will continue on this path.

India EBITDA for the full year stood at Rs. 29,285 crores with Standalone EBITDA of Rs. 28,217 crores. Standalone EBITDA stood at Rs. 13,500 per ton. The EBITDA performance was aided by a 5% increase in volumes, lower raw material and operating costs and special actions that I talked earlier. Total costs improved by more than Rs. 5,700 per ton. Our UK operations too are progressing as per stated plan, while the full year EBITDA was -ve £385 million. It is a tale of two halves with EBITDA in second half improving by £90 million vs. the first half. The closure of the heavy end steelmaking by September 2024 and concerted efforts to optimise costs led to reduction in fixed costs by around £160 million in the second half and £230 million for the full year.

Now let me provide some details on our cost transformation program. The structural cost takeouts in FY2025, as I mentioned earlier, were about Rs. 6,600 crores vs. FY2024. Looking ahead to FY2026, our focus continues to be on controllable factors, and we are targeting further cost takeouts of almost Rs. 11,500 crores, roughly about \$1.3 billion across geographies by focusing on controllable costs. Let me outline some specifics. Firstly, in India, we intend to deliver savings of Rs. 4,000 crores by focusing on operating KPIs, employee productivity, supply chain optimisation, coupled with investment in projects with low payback period. There is a specific focus on conversion cost, and our aim is to optimise conversion costs by about Rs. 1,000 - 1,200 per ton. We have identified a pipeline of low capex, high IRR projects totalling less than Rs. 500 crores, that will improve operational cost and be completed in a short span of time. In the UK, we intend to continue progressing on achieving a lean structure by further reduction in fixed costs of 29% YoY of around £220 million. Key levers range from optimising the cost of substrate and upgradation of IT infrastructure to reduce corporate overheads and rationalisation of downstream operations to improve the profitability. Our total fixed cost in FY2024 was about £995 million, which reduced to about £762 million in FY2025, and we target to bring it to around £540 million in the next financial year. In Netherlands, we intend to achieve savings of around £500 million, and the program encompasses multiple areas such as volume maximisation, product mix, repair and maintenance, employee productivity and others. We are also in discussions with the unions on the transformation project.

Let me now touch upon capital allocation before moving to decarbonisation update. Of the generated cashflows in FY2025, we spent about Rs. 15,671 crores on capex. Our net debt stands at about Rs. 82,579 crores, which has come down from Rs. 88,870 crores in September 2024, by about Rs. 6,200 crores in the last six months. We plan to spend about Rs. 15,000 crores of capex in the next financial year, and of this close to 75% is [inaudible] in India, including the last part of Tata Steel Kalinganagar spend on the third caster and related facilities. The EAF project in Ludhiana is being focused and there

are several smaller projects, which are also meant for asset reliability and performance efficiency. Our work on engineering for the next phase of expansion in NINL is ongoing and the regulatory clearance process on environment are also underway. Our capital allocation will continue to be prioritised towards capacity growth and downstream facilities in structurally attractive Indian markets. In UK and Europe, the focus is largely on decarbonisation with material support from the government. As you are aware, we have secured £500 million support from the UK government for the transition to scrap - based electric arc manufacturing. We have now got the planning approvals, identified the technology providers, and the design engineering work is almost complete. We have spent about £35 million on the project in FY2025, and we will commence site activities in the next few months. In Netherlands, we are in intense discussions with the Netherlands government to secure funding and policy support to enable the decarbonisation and environmental project. The Dutch government has completed the pre-notification filing with the European Commission regarding the project and all stakeholders are working on various subjects relating to the project. The Dutch government has updated its parliament, confirming talks with us and the European Commission relating to the project.

I would now like to walk you through an accounting change that we have made in the standalone financial statements in order to have a clearer view of the underlying business performance going forward. The valuation of investments in subsidiaries is tested against the present value of the future cash flows over the long term. For this, it is necessary to take a view on the business landscape in the decade beyond 2030. Tata Steel UK has transitioned its business model to a downstream only play and is undertaking an investment to build the EAF in Port Talbot by FY2027-28 end. Tata Steel Netherlands is in discussions with the government for the project to replace one of the two blast furnaces and coke ovens with a DRI - EAF combination by around 2030. The primary drivers of the profitability for future businesses will, therefore, change from traditional steel price to iron ore and coal basket spread to the following: it will be influenced by the Carbon Border Adjustment Mechanism, infrastructure and availability of clean fuel and the carbon capture options, local availability and pricing of scrap, willingness and ability of customers to pay additional premium for low CO₂ steel and circularity and other regulatory costs, including fixed network costs for electricity, hydrogen and natural gas. These factors, which will be the primary drivers of the business in Europe, are all currently evolving with significant changes in market regulations being implemented. There are multiple risks and opportunities with relation to how they will play out over the next few years, impacting the current value of the business at this point of time. The company has, therefore, concluded that carrying these investments in UK and Netherlands at historical cost less impairment under Ind AS 27 is no longer appropriate. Tata Steel has, therefore, voluntarily changed its accounting policy to carry the equity investment in subsidiaries at fair value under Ind AS 109. This also addresses the reliability issues that Ind AS 8 talks about. The move to fair valuation more accurately reflects the underlying value of the business, including the potential upside in valuation in the coming years, as the uncertainty over the regulatory and market factor reduces. Having opted to account these investments at fair value under Ind AS 109, the company has also opted to route the fair value changes between accounting periods through the other comprehensive income. This allows the company to keep the movements in fair value of the long-term strategic assets distinct from the underlying financial performance of the company's regular business activities. Based on the fair value assessment, Tata Steel has recognised an adjustment in the fair value in the investment in subsidiaries only in the Standalone financial statements through OCI of around Rs. 24,829 crores in the quarter and Rs. 23,606 crores in the year ended 31st March 2025, respectively. This is a non-cash adjustment, and there is no impact on the consolidated financial statements. The losses sustained by Tata Steel UK and recently by Tata Steel Netherlands in the last few years have already been reflected in the consolidated financial statements. As a result of the change in the accounting policy, there will be greater consistency between the consolidated and the standalone financial statements. As of 31st March 2025, the standalone net worth stands at Rs. 1,23,544 crores, whereas the consolidated net worth is at Rs. 87,770 crores.

Finally, with relation to the US - UK trade deal, steel & aluminium tariffs on UK origin goods are now eliminated. This is a positive, although with limited impact on Tata Steel UK, which exports mostly packaging products of a small quantity. There is a larger positive indirect impact for our customers through the automotive tariffs, which have been reduced to 10% for defined quota of vehicles. The automotive sector in UK is also likely to be positively impacted with UK - India trade deal. After closure of the blast furnaces in the UK, Tata Steel UK is now servicing its customers on basis of imported slabs and HRC, especially from India, after processing them at local downstream facilities. We expect no material change or impact on our supply chain from the trade deals. With this, I'll end my comments and open the floor for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

We will now begin the Q&A session, and the first question is from Prateek Singh of DAM Capital.

Prateek Singh, DAM Capital Advisors

I wanted to get a sense of how prices have moved currently vs. the last quarter, both in Europe and in India?

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

In India, we are guiding that prices this quarter will be about Rs. 3,000 per ton higher than what it was last quarter. In Europe, it's about €20 – 30 per ton higher than last quarter.

Prateek Singh, DAM Capital Advisors

Given we have long-term contracts, how should we see it? Prices in the spot market have gone about \$150 per ton over the last 2 - 3 months. Would you be seeing the full impact 2 - 3 quarters down the line? Or is it futile to track those prices and prices will change at the year end?

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

I don't think it has gone up in spot markets by that much. Having said that, I think more to your specific question, we have our annual contracts, which are normally negotiated in November - December. They are typically the packaging and automotive contracts. These typically are much higher than the spot prices. So when you go up and down also in those contracts, it may be up and down compared to the previous contract, but typically higher than the spot prices. The spot price impact maybe about 30 - 40% of the volume in Netherlands and a similar level, maybe slightly higher in UK. So that's where the spot impact comes in, which is more the monthly prices on what we supply to engineering or what we supply to some of the other segments. If you look at steel prices, it has fluctuated in a \$50 per ton range. If you look at China, if you look at Southeast Asia, it's gone up and down in the \$50 per ton range over the last few months. What has helped is actually the coking coal price is going down, which has helped spreads more than steel price itself moving up too much.

Prateek Singh, DAM Capital Advisors

My second question is a medium-term question. What is your view on Jamshedpur given the legacy cost issues and a bit of operational disadvantage we have given smaller blast furnaces there? Is there a medium-term plan here?

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

We do have some legacy costs in Jamshedpur, but a lot of work is going on to address that. Having said that, if you distribute some of the costs which we incur in Jamshedpur over the other side, the gap is not as much as it may seem because, for instance, all the R&D facilities are located in Jamshedpur. Procurement facilities are largely located in Jamshedpur. There are some of those costs which Jamshedpur bears more than the others. The advantage, as you said, in Kalinganagar is you have bigger facilities, two blast furnaces, making 8 MTPA, one steel melt shop making 8 MTPA. You start with productivity advantage; you also start with the younger workforce. These are the advantages Kalinganagar has over Jamshedpur. So, when I look at a cost on HRC basis, the gap is now reducing between Jamshedpur and the other sites because of many of the actions that we have taken over the years. But this work continues. Also, we should keep in mind that we have almost 1,000 people retiring from Tata Steel amongst the unionised workers in Jamshedpur every year, between Jamshedpur and the raw material location, that also helps us bring down the legacy cost because since 2007, the rate structure in Tata Steel is very different from what it was before that.

Operator

The next question is from Ritesh Shah of Investec

Ritesh Shah, Investec

I think we have taken an approval of infusing another \$2.5 billion into Europe. Any specific reason for the same given we already are on a route where we have funding from the government in UK. And Netherlands, you have a transformation program in place. If you could please help us understand that?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

This is similar to what we did last year. It is not new investment. It is rebalancing the debt between overseas debt and India debt. Effectively, that makes a lot of sense because, a) to reduce currency fluctuation; b) to get post tax cost down. We are effectively looking at debt that sits in various parts of the overseas entities, including in UK [inaudible] to be more from an India perspective because they are anyways serviced currently out of India. Therefore, it is a rebalancing exercise, no new investment. Only a small sliver of that investment will be the investment that is going on in the UK, which is relating to the EAF projects which is 40% shared by the government and 60% is on our account. But that number this year is not going to be significant. Fundamentally, the principle is to onshore more of the debt.

Ritesh Shah, Investec

My second question is on the cost takeout. In the prior call, we had indicated for Tata Steel Netherlands around €500 million. In this presentation, we have given a number of Rs. 4,500 crores. Is it the same number? Or is it a top up?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

It is the same number.

Ritesh Shah, Investec

Okay. Specifically for UK, again, we have given a number of around Rs. 3,000 crores. This effectively implies 36% of the cost base ex raw material, which effectively could translate to nearly \$100 [inaudible]. What are the underlying variables that we are looking at over here? Is this an exit rate that you are looking for FY2026?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

It is indeed the exit rate, but it is the total cost takeout. As I mentioned in my comments that we have a total fixed cost of £995 million when we were running on an integrated basis. We reduced it to £760 million this year, and our intent is to further reduce the cost to about £540 million. If I give you a sense of the itemised part, this is all fixed cost. Therefore, like the maintenance, hire and leasing, some part of it is the employment, and then there are other operating charges. These are the ones which will be going down significantly compared to FY2024. We stepped down in FY2025 and expect to go down even more in FY2026. This is the year end number that I'm talking about.

Ritesh Shah, Investec

Specifically on cost take out. Historically, we have given disclosure for Indian operations. Likewise, if you look at Tata Steel Europe, we had indicated cost transformation programs in year FY2020, FY2021, and FY2024. I think the cumulative number is almost like £700 million plus. However, when we look at the implied cost, ex raw material, ex power & fuel, we don't see the stickiness of the cost savings, be it for Tata Steel Europe. How to better understand or appreciate the stuff that you're doing?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Let's take Europe first. So in Europe, the cost takeouts where there is also an offsetting factor. When, for example, the Ukraine War began, the gas prices changed very significantly. The inflation numbers were very high. So we had inflation as far as employment cost is concerned and the inflation impact on the conversion cost was very clearly reflected, which did not get compensated by any price increases in steel post 2022 - 23. That has been one of the most important elements. In India, [inaudible] is actually an anti-inflationary KPI improvement process. So, when we look at individual physical KPIs, we were always looking at improving the KPIs and monetising or giving the monetary value on standard cost basis. While that continues and that has actually become much larger, we are now also tracking absolute costs. Absolute cost takeouts have actually been supplemented on top of it to make it more accountable so that you can trace it from your financial statements. That's how we are looking at it.

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

Let me put it this way. When we look at improvement, we look at KPIs and are the KPIs improving. If that KPI has improved, how much is the cost savings, and that is what is normally reported in Shikhar and any of our [inaudible] programs. But let's say, if the coal price in one year is \$200 per ton and the coal price in another year is \$300 per ton, even if you've improved your coke rate by 10 - 15 kilos, that improvement, which is there gets wiped out by the increased coal price and the coke rate. A lower coke rate at a higher coke price offsets you know, what you had at a higher coke rate and a lower price. So just to give you an example of that. Secondly, in Europe, one thing which has gone up over the years is the CO₂ costs, which used to be maybe five years back, €14 – 15, which went up to €80 - 90, and now it's down to about €70. There are some elements of costs which have gone up. There are many KPIs where we have improved, particularly in

India. In Europe, I think we are still early in this journey, particularly Netherlands, and we are running with it just now because traditionally, Netherlands has always been EBITDA and cash positive, only in the last couple of years when things went south, did we really pin in on some of these things. In UK, of course, it's been an ongoing activity. Even if I take the Netherlands and UK numbers, while Netherlands has shown an improvement in EBITDA from maybe €430 million or something negative EBITDA to about €80 - 90 million positive EBITDA. If the prices were the same as last year, it would have been actually €500 million positive. Because of the price drop, you've actually seen negation of some of the improvement. Similarly, in the UK, a lot of this cost takeout is not visible because again, the prices have dropped and wiped out whatever this £200 - 300 million cost take out that we take. I think your point is how do we reconcile this better. Maybe we'll discuss [inaudible] to see how when we present it, we can separate out the improvements from the external factors, which kind of distort some of these improvements.

Operator

The next question is from Satyadeep Jain of Ambit Capital.

Satyadeep Jain, *Ambit Capital*

This question basically comes from the fact that Tata Steel has been around for decades. Now these anti-inflationary cost takeout that you are talking about, which are different from the earlier ones. What has led you to now look at these cost savings that the company had not seen before? Is it the prolonged downturn that is making steelmakers like yourself look at some takeouts? If that's the case, what is unique about the takeouts you are doing? If the entire industry, including the Chinese also look at improving coke rate because of the downturn, then everybody's cost goes down, then who's the beneficiaries? I wanted to understand what is unique to what Tata Steel is doing, what others might not be able to replicate? And why now? Why couldn't you do it earlier?

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

Firstly, in our kind of business, which is cyclical, you always have to be the last man standing. Cost takeout will go on forever. Ten years later, also, you'll be talking of cost takeout because you'll always have to dig deeper to see how you take out costs. When you compare with the Chinese, the challenge we are facing, is that the Chinese are able to sell steel at 3 - 4% EBITDA margin or negative EBITDA margin and continue to grow. They still have money to invest in growth. It's not a model, which is market driven. There are supports, which are sometimes not visible. That has been our submission to the government. It's not about competitiveness. It's about what the cost structure is and how do these businesses survive with such low margins and still continue to grow where the cashflow is only there to invest to grow. We have to do what we have to do to keep improving the situation. For us, it's about that. The India business because of our backward integration, we continue to be one of the lowest cost producers of steel in the world. The Russians are the only ones who are maybe slightly better from a cost point of view compared to the Indian steelmakers because the rouble is where it is, and Russia has its own iron ore and coal. Globally, if you look at the Indian steel industry, not just at Tata Steel, we are favourably positioned as a country to make steel, and Tata Steel is certainly one of the most favourably positioned. In Europe, the cost structures are higher. Prices are also higher. Typically, prices in Europe are \$100 per ton higher than in India because of the fact that there are limitations on how much you can sell into Europe. Everyone's cost structure in Europe is there. In Europe, the effort is always to be the last man standing in Europe. You cannot be the last man standing in the world out of a European operation. But you can try to be the last man standing in Europe, and which is what our Dutch business traditionally used to be apart from the problems we've had in the last couple of years. To go back to your

question, if I look at it, UK has always been doing this through restructuring, we've taken out costs, we've sold some of the assets, and we continue to restructure. But the steel industry has gone through cycles, particularly in the last 6 - 7 years with China exporting 100 million tons. We've gone through cycles, which you've not seen in the past. What was done in the past is never enough, we need to do more. In India, when we acquired these new assets, whether it's Bhushan, whether it's Neelachal, we've had a lot to do to take out costs. While Jamshedpur does what it has to do, if I look at it on a consolidated basis, in each of these whether it's Usha Martin plant that we acquired, the Bhushan plant that we have acquired, Neelachal plant [inaudible]. The Neelachal plant alone, we've taken out almost Rs. 30,000 of cost per ton. That's why Neelachal today, a plant which was shut down because it was not financially viable, is today making Rs. 1,000 crores EBITDA and Rs. 1,000 crores cashflows. When you acquire new assets, you obviously have to do a lot of work on cost takeouts, which is what we are doing in India. When you build new assets, you can build it more cost efficiently like we built in Kalinganagar. There will always be something new to do. Today, technology allows us to see costs in far more detail than before. The analytics that we are doing, the AI that we have in our systems. For instance, on maintenance, we have moved from preventive to predictive to prescriptive maintenance. Then the asset utilisation improves. You have far more insights because you have far more data than you had even five years back. You can plan your cost takeouts very differently. You can optimise on your blends of coal very differently than you could five years back because we have a lot more data. Using technology, using the learnings from the past, learnings from different assets, this is something that we are constantly pushing ourselves. Everyone else also does that. Obviously, if you can do it better than the others, you continue to be the last man standing. Our objective in India, our assets should be one of the last man standing in the world. In Europe, it should be the last man standing in Europe. In UK, as Koushik said, and which we said before, when we closed the blast furnace and moved to an EAF, we have said that structurally, our cost improves by at least £150 per ton. Instead of importing iron ore and coal and making steel there, you're using locally available scrap. You're reducing the fixed costs like we've described by £400 million. In the next down cycle, UK will be in a much better position. Otherwise, typically when steel prices drop, the first place in our portfolio to lose money is UK. Second place to lose money is Netherlands. [inaudible] India, as you know, even in the last two years, EBITDA margin is 20% plus. Within our assets also, we try to see how we can, in the geographies that we are in, be the last man standing or last person standing. In the Indian context, we have the potential to be the last man standing in the world, and that's what we always aspire to.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Just to add, Satyadeep, to what Naren articulated, the cost takeout in Tata Steel India started in 1995 and never stopped. All that we are saying is we are upping the game to make it more structural and make it larger in size. [inaudible] it started in 1995 and never stopped. I think we are just being cognizant of the fact that uncertainties of the market need us to step up the game, whether it is unique or not, that is for others to say, but for our own sake, we need to do that. In Netherlands also, with the uncertainties in the market, higher regulatory costs, CO₂ costs in particular, it requires a structural change. There also, while it has been efficient itself, but post BF6 reline, it is actually Netherlands 2.0. We are looking at a different cost structure, a different way of making and delivering steel. And in UK, it's completely structural change. We need to ensure that we have to be ready for FY2027 - 28. [inaudible] We are pursuing the goal of ensuring, on an underlying basis, Tata Steel UK becomes EBITDA positive and sustaining from a cashflow point of view. So, these are the drivers which are pushing us to ensure that we relook at it in a very different context.

Satyadeep Jain, Ambit Capital

I get the point. We are trying to figure out if everybody is trying to be the last man standing, challenge is one year later everybody looks at cost, but EBITDA doesn't change. That the fundamental reality in commodity business?

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

I want to add a little bit to that. One is the cost side, which we described. The other side is on revenue. That's why the product mix is important. Like you said, in cost, the opportunity is not infinite. It's finite. Whereas on the other side, you have a lot more you can do. Let's say, we say we look at the high-end markets, the approval-based markets, we look at our branded and distribution business, we look at downstream businesses, so on and so forth. There is a lever on the revenue side to supplement the lever on the cost side. Both are important.

Satyadeep Jain, Ambit Capital

Last question from my side, just putting you on the spot, let's say, one year down the line, everything remains the same. Prices are the same, raw material prices, coal, power, should we be looking €100 per ton EBITDA for Netherlands given cost takeout. You were talking about €500 million, which is about €70 per ton and the cost savings. Everything remaining the same, you are saying we should be looking at €100 per ton EBITDA for Netherlands?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

€70 - 80 per ton is what we are seeing in Netherlands, we will move towards. Eventually, yes, we should be aiming towards €100 per ton but €70 - 80 per ton is what we have basically said we should be chasing. In UK, all things remaining same, just through the cost takeouts etc. we should be EBITDA neutral or EBITDA positive, which if the steel prices have not dropped so much in the last few quarters, we would have already achieved. I think that is where we are.

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

That's correct.

Operator

Next question is from Amit Dixit of ICICI Securities.

Amit Dixit, ICICI Securities

Could you please tell us the volume guidance for India and consolidated for FY2026?

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

The volume guidance is roughly 1.5 million tons of additional deliveries. Most of it is in India because UK will be flat, Netherlands will be slightly higher. In India, basically, we'll have about 2 million tons extra out of Kalinganagar, but we have the H blast furnace reline due in Jamshedpur. This year, we had G blast furnace relining. So, net - net, the volume increase guidance is 1.5 million tons.

Amit Dixit, ICICI Securities

Are there any additional volumes from Ludhiana?

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

Not yet. We are hoping to commission the plant by the end of this financial year, but nothing material. You will see the volume impact next year. You will see the complete Kalinganagar volume impact next year. This year, we will finish Kalinganagar at close to 7 million tons; 6.8 million tons of steel and 7.5 million tons of hot metal. By next year, we will have a ramp-up because the steel melt shop will be complete. The third caster and everything else will come by September and next year, you will start seeing the additional volume coming out of Ludhiana as well.

Amit Dixit, ICICI Securities

In terms of cost, again, our Jamshedpur and India operation is, I would say, one of the most efficient operations, not only in India, but the world. Just wanted to understand the Rs. 4,000 crores that we have targeted for the year. Is there any tangible scope to reduce the cost further? If so, what are the broad buckets? Is it procurement? Is it supplier optimisation? Considering that you achieved Rs. 4,000 crores of saving, and as you said, it is a continuous process, will there be further targets for Jamshedpur or India operations to reduce cost?

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

So I think I'll let Koushik give you more details. Broadly, this is not just Jamshedpur. This is India operations. When we say Rs. 4,000 crores, there is a lot which we are doing through, for instance, optimisation of our contracts because we have multiple sites now. Each site used to have its own contracting for maintenance, services, etc. We are doing a lot of work on vendor development so that we are not dependent more and more on proprietary items. It can be sourced from elsewhere. There are a lot of these kind of initiatives, which will benefit all four sites, and there are smaller sites like Ludhiana which will come into play. Jamshedpur will continue to benefit from the reduction in wage bill because most of the older workers are in Jamshedpur, and when they retire, there is a benefit. These are conversion costs. They are not linked to raw materials. You may change a blend of coal that you buy and get cost benefit but this Rs. 4,000 crores is not hoping that coal prices drop and things like that. It is more on the conversion side.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Amit, just to give you slightly additional flavor on this. One, this Rs. 4,000 crores is based on multiple areas. Stores, repairs, maintenance, fixed cost. In fact, we have taken Rs. 533 odd crores of exceptional charge, which is last quarter we had about 1,100 people leaving the company. There is a people reduction cost. There is a store, spares, repairs cost reduction. The model in how we procure has changed. As Naren mentioned in one of the answers, we are using a lot more digital and analytics to figure out which model works better in terms of procurement. We are doing a lot more with our vendors and our OEM suppliers. There are multiple areas, and it is now across all sites. It is in Kalinganagar, Meramandali, Jamshedpur and across mines and collieries. It is a full [inaudible] of it, and we are targeting that on a monthly basis [inaudible]. This journey is unlikely to spend and kind of get over. What happens is the first year, which was the last year, we could deep dive in and get some which are very apparent. This year, we are going to work the pieces to ensure that we get to the next level. As we go in the future, there are opportunities which are investment led. So you take this, low capex & high IRR or low payback period investments, which gives almost back in six months' time etc. Now there are times and opportunities when these come up because when we have multiple shutdowns, we can do this kind of stuff. I think that is the theme in which we are working. We will continue to work these work streams going forward too. This is not just a one year target. We have now remodelled our improvement programs. The same is happening in Netherlands also. We are also doing cross learning between India, UK and Netherlands. There are some areas where we are looking at vendors,

we are looking at procurement. So, it is cross-functional, cross-site and cross-entity now. It is a lot of hard work, but I think there is a big price to chase for.

Operator

Next question is from Ashish Jain, Macquarie.

Ashish Jain, *Macquarie*

Sir, my first question is on infusion of \$2.5 billion. You gave some of the drivers of that infusion. Should we think that this is the final number given Netherlands will hopefully become self-sufficient from a cashflow point of view, UK cashflows should improve. From a 3 - 5 year perspective, is this final support from India balance sheet to European operations?

I also have a question on cost. If I look at our EBITDA for this year, on a consolidated level it is Rs. 25,000 crores, by and large. If I look at the last two years, each year, we have spoken about roughly Rs. 6,000 - odd crores of cost savings. Should we think that if not for these cost savings our EBITDA would have been like Rs. 12,000 crores? Is this cost really translating one-on-one in P&L and cashflows as well or is there a slightly different way to think about the historical cost savings? My last question is about Rs. 4,000 crores of saving in India. It translates to roughly Rs. 2,000 per ton of EBITDA. Again, does it reset India base case or worst case EBITDA per ton assuming last year was the worst case EBITDA at around Rs. 12,000 - Rs. 13,000 is the [inaudible] EBITDA? Is that the way one should think about it?

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

So if I look at reversing your order of the questions, First is, if you look at India, we have often said that in down cycle, we've been around 20 - 22% EBITDA margin, in medium cycle, we've typically been at 25 - 28% and in up cycle close to 38 - 40%. Your question is about whether it resets. I think we are looking at the cost side, not linking it to the revenue side because the revenue will come. As TSK ramps up, our downstream facilities ramp up, our revenue per ton will increase even on a mid-cycle basis. Often when we look at EBITDA, it clouds our mind that we are good in 22 - 28%. It often takes away the fact that in the cost side, we need to drive it on an individual basis. Honestly, in a historical way, certain costs have increased because of different reasons. When we acquired Bhushan, we had to do a lot more maintenance work compared to the plan. It took a few years. Now we are in a different state. We are bringing in more digital and analytics. Our maintenance standards will be different compared to the past. Then when we are looking at procurement, we had non - standardised procurement because each site was doing it differently based on its need. Now we are saying that we are in a steady state. We can look at standardisation of procurement. We are looking at questioning that if spares are available in one of the other sites, then why are we not using it on a consolidated basis, why do it independently. These are all practices. We have been a growing company. We've grown through acquisitions, and we're growing organically. When we have to settle on a rhythm, then it takes a bit of time. There comes a time when you can look at it when you reset the rhythm rather than reset only the cost structure. That's exactly what we've been doing for the last 12 months. This journey will continue. The rhythm will change because we'll continue to grow, NINL will continue to become bigger, etc. That is effectively how we are looking at the cost part of the game. We're using a lot more analytics to get this cost down. This is helping us in a huge manner in recent times.

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

I just want to add one more point. Maybe 8 - 10 years back, we used to look at \$600 per ton as the all-weather steel price and Rs. 14,000 as the all-weather EBITDA per ton. Today, if we cross \$500 per ton, we are happy. But we have not changed the EBITDA per ton of Rs. 14,000 per ton, that we always chase. The average steel price at which we are expected to survive or do well or deliver 20% EBITDA margin has come down. So that 20 - 22% EBITDA margin and Rs. 14,000 EBITDA per ton is being delivered, though the steel price has been dropping and today is between \$450 - 500 per ton. I'm talking of the HRC price in Southeast Asia. That's the range and that's why we have to constantly look at cost because those prices are defined by who is willing to sell at what price. Particularly with China coming in a big way since 2015, we have to contend with that.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

On the \$2.5 billion, to answer your question looking forward, the Netherlands will be very soon be debt-free on a net debt basis because they are now generating enough cashflows. They had always historically been debt-free. When we went into relining BF6, we were sitting on €600-700 million of cash. That was an outlier year, and its effect went through next two years. In the last 6 - 8 months, we are in a much better position despite a very difficult market. Netherlands, as far as underlying conditions are concerned, will be free of debt. It may have some working capital debt, but it will have its own cash. We are not sending money to Netherlands at this point in time. When we sign up to the negotiations with the Dutch government, we will see how the financing stacks up. As far as UK is concerned, we have debt, which we want to take out through this infusion. There will be small debt. When UK becomes, on an underlying basis, self-sustaining, hopefully, we don't have to give any further debt. As far as capex is concerned, we're committed to about £750 million. That has not started yet in a meaningful way. That spend will happen in the future over the next three years. Other than that, we have overseas foreign currency bonds, which is in Singapore, which will also have to be repaid. Some of it is next year, and then in 2028, it finishes everything. Only for those specific requirements, which is anyway part of our Tata Steel obligation and consolidated debt. Other than that, most important for you to take note of is the fact that what we are working towards underlying cashflows of overseas businesses not requiring any funding support. That's our target. That's what we are close to as far as Netherlands is concerned. In fact, Netherlands never needed money, even when they were not performing well. They had taken short-term money, which they have repaid to us. The whole question is sorting the UK bit. When it becomes sustainable, we don't need to put in money. The overseas debt, whatever we have, other than Netherlands, we will onshore it, especially in Singapore, which is a Tata Steel foreign currency debt.

Ashish Jain, Macquarie

Will this \$2.5 billion be incremental investment from India or some of it is already there and in the form of debt or something and will be converted to equity?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

It will be financed basically.

Samita Shah: VP CFTRM – Tata Steel Limited

Koushik, if I can just interrupt you. Maybe you want to explain that because the money is going as equity, I think people are interpreting it as equity.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Not equity. I said that in the beginning that it is not an equity investment, it's rebalancing of debt. We are not putting new money in for new investments or new assets or even for any other purposes, it's essentially putting in money to take that debt out and putting it under the India balance sheet.

Ashish Jain, Macquarie

From the standalone balance sheet point of view, is it further money investment in the entity?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Yes, but that's how you have to account for it anyway.

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

There are questions regarding the impact of recent tariffs in China and the US on steel markets overall. Additionally, whether we are seeing benefits from the safeguard duty. Are these benefits fully reflected in the guidance provided for the next quarter, or is there more to anticipate? Could you elaborate on that?

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

The guidance that I gave is based on things as they stand today on the safeguard duty, which is already there in India and what we've experienced so far in this quarter and what we think we'll experience in the next six weeks. The US, China, at a broader level, helps, because it tempers down the market and the concerns of volatility, the inflationary pressures, also what the high tariffs do to the Chinese economy. If the US and China can come to some understanding and trade flows both ways, and the Chinese economy is not hit more than required, then we are in a better place because obviously, China needs to take care of the construction industry, if it has to make a positive difference to steel and if they are distracted by many other issues, then that's a challenge. So, we are a bit concerned about the 10 million tons of exports, which continues out of China in March and April that happened and we are expecting that, that number should come down. If the US and China reach a deal on tariffs, we have a better chance of that number coming down. One of the reasons why this kind of volume has happened without much coming into India is also because a lot of Chinese exports are now going to Middle East and Africa, which were not the markets pulling a lot of steel earlier. That is reducing some pressure on Southeast Asia and India as far as Chinese exports are concerned. As far as US tariffs are concerned, UK – US understanding will help us. We sell about 70,000 - 80,000 tons of steel from UK to the US. We sell about 700,000 tons of steel from Netherlands to the US. That will depend on the EU - US trade deal whenever that happens. Some of the steel that we send from Netherlands to US is not made in the US. That's how we are able to pass on some of the tariff impact to our customers because they need to import, and they can't buy locally. So that's the situation as it is, and we hope that the EU and US will come to a deal soon. Regarding the medium to long-term impact in the US, we are seeing that the EU is increasingly investing domestically to build industry, defence, and infrastructure, which is more positive for the steel industry in the medium to long-term.

Samita Shah: VP CFTRM – Tata Steel Limited

The next question is about Tata Tiscon specifically. For all the audience, we don't give guidance on specific realisations for any product categories, so we won't be commenting on that. The question people are asking is about the individual house builder segment, which has seen a lot of traction over the last few years, as you have explained. Can you give us some sense of the industry dynamics here and Tata Tiscon's positioning and realisation? As I said, we will not comment on realisations, but maybe you could give a broad sense of the dynamics?

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

Tata Tiscon has just celebrated 25 years since its launch because we identified this as a segment where people are willing to pay a premium to reduce the risk of purchase. It's an individual buying 3 - 4 tons of steel to build a house. In semi-urban and rural India, people build homes rather than buy homes. It's a very personal journey, with people putting their life's investments into building their house. We saw an opportunity to tell them to be careful about the steel they buy and that they can trust us. It has worked well. Today, it's a 2,00,000 tons per month business. It started as a 6,000 tons per year business. Generally, the same steel sold to a large construction company is about Rs. 5,000 - 6,000 per ton less because the large company will just go by the test certificate and not pay much of a premium for the product. They will pay a premium for the service. It's been a good story. We have a network of about 80 - 90 distributors, covering all the districts in India. We have about 5,000 - 6,000 dealers. We are doing about Rs. 3,500 crores of GMV, 90% of it is Tata Tiscon. People are ordering Tata Tiscon from the US, Canada, and the Middle East, and we deliver within 48 - 72 hours to any location in India. We are getting a lot of orders from overseas for delivery in India. We are still only at 14% market share in the retail business. It's a very fragmented business. We have been limited by our supply, but acquiring Neelachal has given us another 1 million tons, so we are looking at how we can keep expanding this business. We are also looking at different operating models because this has really taken off well. In the last two years, we've grown in double digits. Once the Ludhiana plant comes online, we'll get another 1 million tons, all of which will be sold as Tata Tiscon. The model in Ludhiana is to sell all the steel within 200 - 300 kilometres of Ludhiana to avoid spending [inaudible] moving Tata Tiscon from Jamshedpur to Ludhiana. We save on transportation costs and collect scrap in that neighbourhood to sell steel in that neighbourhood. If that model works, we will set up similar plants in other parts of India where there is scrap. It's a good business for us. It's a Rs.10,000 crore brand and growing at 20%.

Samita Shah: VP CFTRM – Tata Steel Limited

The next question, and I'm just reminding our audience again that we do not give guidance on specific product categories or sites. The question is on long products versus flat products, focusing on margins and realisations. How do the broader dynamics differ between long products and flat products? The idea is to see which is more profitable.

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

So, it goes through cycles. Traditionally, flat products tend to fetch higher prices, and you have segments like automotive and oil and gas, which are more approval-based businesses. Bigger steel companies tend to gravitate towards flat products. But the flip side is flat products is higher fixed cost business. So, in a down cycle, people are just trying to cover variable costs and contribute to fixed [inaudible]. The second big shift in flat products globally is that when China used to export a lot of steel 10 - 15 years ago, it was mainly long products. Today, it is all flat products because the Chinese steel industry has switched from longs to flats, and flat products travel better than long. So, you see HRC going all over the world. Rebars don't travel so much or wire rods maybe a little bit more. So, that dynamics is changing. But if you look at

India, its largely a local business, and 50% of the long product supplies comes from the secondary sector, whose cost structures and drivers are different. In the last 2 - 3 years, when thermal coal prices were much lower, with thermal coal to coking coal at 1:3, secondary producers were more competitive. As the ratio narrowed, primary producers became more competitive. Currently, long product prices are higher in India than flat product prices on a commercial grade basis because most of the 100 million tons of steel China is exporting are flat products, which has depressed international flat product prices. All flat products produced in India are being sold in India, depressing flat product prices. From a return on invested capital point of view, long products are better because you can set up a long product plant for less money. If you're getting better EBITDA for that, then you are better off. But over the long term, bigger companies tend to gravitate towards flat products.

Samita Shah: VP CFTRM – Tata Steel Limited

Another question, which is slightly more long-term in nature: Do we see India risking or becoming an overcapacity steel market in the next 5 - 6 years given the expansion plans which everybody has announced?

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

Honestly, I don't think so because it's not easy to build steel plants in India. It takes time, assuming you have land. If you are going to start a greenfield site, it takes even longer time. India will never be able to build capacity as fast as China did. At its peak, China was building 50 million tons of capacity per year. India does not have the capacity to build because our processes take much longer, the approval processes, acquiring land, the public hearing, everything takes much longer. The ability to build plants is also limited. So, if India continues at a GDP growth of 6%, 7%, 8%, and as a developing economy focusing on infrastructure, steel consumption grows at a higher rate of 8%, 9%, 10%, think India will struggle to build 15 - 20 million tons of capacity every year, forget 50 million tons. So I do believe that we will have a better balance. India will never be a big threat in international markets as a big exporter like China because whatever capacity we build in India will be just about enough for India.

Samita Shah: VP CFTRM – Tata Steel Limited

What is our guidance for coking coal and iron ore consumption for 1QFY26.

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

For coking coal, the guidance is that it will be about \$10 per ton lower on a consumption basis, though the coking coal prices have gone up in the last few weeks but on a consumption basis, will be \$10 per ton better, both in Europe and India. Iron ore is relevant only for Europe, specifically for Netherlands, because we've shut the blast furnaces in the UK. Iron ore is expected to be about \$10 per ton higher in Netherlands consumption.

Samita Shah: VP CFTRM – Tata Steel Limited

Now there are a bunch of questions on the developments around the BPSL judgment. The first question is whether the Tata Steel Bhushan resolution plan is at risk of the same risks. What are the differences, and do we run the same risks?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

There is no litigation on this matter as far as Tata Steel Bhushan is concerned. We've gone through two rounds. First, when the acquisition, we've done this as guided by the CoC within the timeline of the IBC. And subsequently, we have also gone through the full process of merging the business within Tata Steel. So there is nothing on a similar basis.

Samita Shah: VP CFTRM – Tata Steel Limited

The second question is if this asset comes up again on the block, would Tata Steel be interested in acquiring it.

Koushik Chatterjee: ED & CFO - Tata Steel Limited

We would rather not answer that question because it is related to a different company, and it's not fair to answer.

Samita Shah: VP CFTRM – Tata Steel Limited

What are our deleveraging targets? Is there a plan to deleverage for the next year?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

We've always said that our target remains to continue deleveraging while investing in growth projects. In September 2024, at the peak of the downturn, we were at about Rs. 88,000 crores consolidated net debt. Now, we are at about Rs. 82,570 crores. We've reduced more than Rs. 6,000 crores of debt across entities and geographies in the last six months. We will continue this pathway into FY2026. And we want to just ensure that the - in fact, somebody asked that question, why certainly the cost initiatives? Well, this is one part of also using the cash flows for deleveraging.

Samita Shah: VP CFTRM – Tata Steel Limited

There is a question on why our interest costs have gone up. I would like to remind the audience that global interest rates have increased by almost 400 basis points. But I think there is a broader question regarding our interest costs and their direction.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

The net finance cost for FY2024 was ~Rs. 6,700 crores, and the net finance cost for FY2025 is ~Rs. 6,300 crores. So, I didn't see any increase in interest costs. But there is one point that I would like to say that when we are doing more and more onshoring, you would find that the headline cost increasing, but the effective post-tax cost going down. So it may not show in the P&L, but effectively from a net post-tax basis [inaudible].

Samita Shah: VP CFTRM – Tata Steel Limited

There are still many people lined up for the audio questions. We will take a couple. Back to you.

Operator

Next question is from Amit Murarka of Axis Capital.

Amit Murarka, Axis Capital

I just wanted to get a sense now on expansion plans, I believe FY2026 capex guided is Rs. 15,000 crores, which I understand doesn't include any planned new expansion projects in India. Where do we stand on the NINL and KPO3 and such expansions, particularly in the context of 35 - 40 MTPA capacity target we had given for FY2030.

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

The capex here is largely focused on raw materials and on Kalinganagar completion. It includes the Ludhiana plant, which is ~0.8 MTPA, but we hope to push it to 1 MTPA. If you look at it from a growth point of view, after Kalinganagar this year, we have some downstream expansions. We have the 0.5 MTPA Combi mill, which will convert some of the billets that we are making in the erstwhile Usha Martin facility into special bars for the automotive industry. In terms of major expansion projects, the next one, which will go to our Board is the Neelachal one. We have already gone through the public hearing. Now the way we look at expansion projects as we go to the Board only after we get all the regulatory approvals. Earlier, it used to be the other way around, you get the Board approval and then get the regulatory approvals, so which used to bring a lot more uncertainty into the schedules, whereas we've already done the public hearing and have applied for an environment clearance, to go up to 9.5 MTPA for Neelachal. That will be first. We are then working on the Kalinganagar next phase as well as Bhushan expansion from 5 MTPA to 6.5 MTPA. These are the two projects which will follow the Neelachal one, but the one, which is most ready is the Neelachal one, which during this year, we will go to the Board.

Amit Murarka, Axis Capital

Is it fair to say that it looks more like 30 MTPA by FY2030 rather than the earlier 35 - 40 MTPA that we were expecting?

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

What we expect to have by FY2030 is all these projects at different stages. Hopefully, we start the Neelachal project now. At least the first phase will finish, and we can start the other two, which will be at different degrees of finishing in FY2030 - 31. Yes, we will not have completed capacity by FY30.

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Fundamentally, when we look at what we used to do earlier is to announce projects, then do the design, engineering and the regulatory approval and then do the project construction. I think when we will announce projects now, we will be ready to start construction. There is a different phasing that we have done. We've tweaked it to make it more certain and make it more focused on the completion timeline. So, the preparatory work post-announcement has been changed to pre-announcement and then straight away into the execution stage.

Operator

Next question is from Sumangal Nevatia of Kotak Securities.

Sumangal Nevatia, Kotak Securities

First question is on the Europe operations. Is it possible to share and explain what is the impact of reduction in carbon allowances in FY2026? What would be the likely cost impact of that?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

So as far as UK is concerned, it's now zero. There is no impact of CO₂ in UK. There is a certain amount of free allowances UK will get and that is good enough for the downstream entities to compensate for it. In fact, what we see today is from FY2025-26, there will be no impact of CO₂ as far as UK is concerned till the start of FY2027-28, when the next phase of the EAF starts, and that will be of different nature. As far as Netherlands is concerned, there is a deficit that happened until last year. It will gradually converge, but there is an increased cost on account of carbon, and that is happening because of the fact that the allowances are reducing, and there is also a CO₂ levy that has been coming in as far as the Netherlands is concerned. So, it is close to about €80 million a year.

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

This carbon allowances will reduce along with CBAM, right?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

Next year onwards, what happens is that on a longer term or a medium term, when the CBAM comes, it will neutralise the cost because arithmetically, the cost of the steel prices will reflect CBAM, which will cover up for the cost of the carbon.

Sumangal Nevatia, Kotak Securities

Understood. I have one question on the entire cost savings topic. So how is it expected to phase in FY2026? Is it more of a gradual thing or back-ended? As Naren mentioned, EBITDA of €70 - 80 per ton for Europe, given the Rs. 4,000 crore number for India, keeping the spreads aside, can we expect Rs. 1,500 - 2,000 increase in the EBITDA on a per ton basis?

Koushik Chatterjee: ED & CFO – Tata Steel Limited

First of all, as far as Netherlands is concerned, that project has just kicked off, as I mentioned in my commentary. One of the important parts of that is also the productivity gains. The productivity gains involves the process of consultation with the works council, etc. So, in Netherlands, while some part has been realised and many of the non-productivity work streams are moving forward, it is more a second quarter plus onwards, but it is not so secular because it is something that will happen more around the 3Q - 4Q. As far as India is concerned, we started this project last year. As I said, we've taken out Rs. 1,800 crores of cost plus Rs. 900 crores on coal optimisation. That is a lot more secular in India, but it is more from June onwards. After June, we should see the results in the financial statements. I think your last question was whether you can see the improvement on a per ton basis. The answer is yes, ceteris paribus, everything else remains the same.

Sumangal Nevatia, Kotak Securities

Just one last clarification. Given that today, there's a continuous pressure on Chinese steel prices, our calculations are suggesting domestic prices are at Rs. 2,000 - 3,000 premium. So, are we sensing a peak in steel prices and some pressure going forward? I understand Rs. 3,000 is what we are expecting in 1Q. On a spot basis, what are your thoughts?

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

Obviously, this gap is there now because Chinese prices again dropped. It's been fluctuating, like I said, in a \$50 range. But imports are still not coming in a big way yet because people are concerned about the dollar. The dollar has been also all over the place. And also the risk in, you book today, and it comes in after two, three months, you don't know the price

then. You have a monsoon season coming and do you want to import cargo coming in during monsoons. I don't see imports flooding in just yet. Of course, when we went to the government with a safeguard request, the original request from the Indian Steel Association was 25%, the government said 12% because it wanted to keep all other stakeholders' interest in mind. If we, again, see a flood of Chinese imports, we will certainly go back to the government and see what can be done because the private sector investment in India, in some sense, is being led by the steel industry. We are seeing Rs. 15,000 crore capex, peers are also putting in big capex. The industry needs to be financially healthy to be able to put in this kind of money and new capacities. I think that's a submission to the government.

Operator

That was the last question for today. I would now like to hand the conference back to Ms. Samita Shah for closing comment. Over to you, ma'am.

Samita Shah: *VP CFTRM – Tata Steel Limited*

Thank you, everyone, for your participation and your questions. We hope we were able to address your queries. Look forward to connecting again next quarter. Thank you.

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

Thank you.

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

Thank you.