CORPORATE PARTICIPANTS

T V Narendran, CEO & MD - Tata Steel Limited

Koushik Chatterjee, ED & CFO - Tata Steel Limited

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

CONFERENCE CALL PARTICIPANTS

Ashish Kejriwal, Nuvama
Vibhav Zutshi, JP Morgan
Rahul Gupta, Morgan Stanley
Sumangal Nevatia, Kotak Securities
Vikash Singh, ICICI Securities
Ritesh Shah, Investec
Parthiv Jhonsa, Anand Rathi

PRESENTATION

Operator

Ladies and gentlemen, good day and welcome to the Tata Steel earnings call. Please note that this meeting is being recorded. 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***

Thanks, Shohom. Good afternoon, everyone. Wishing you all a very happy Diwali and thank you for joining us today on this call to discuss our results for the second quarter of FY2027. We have with us Mr. T. V. Narendran, CEO and Managing Director, and Mr. Koushik Chatterjee, ED and CFO. The results have been sent to the stock exchanges, as well as a presentation that gives you a little bit of the background. We will answer any questions you may have on this call. I would just like to remind all our participants that the entire proceedings of this call will be governed by the Safe Harbour clause, which is on page two of the presentation. I will now request Naren to make a few opening comments, and then we will move on to Koushik. Thank you, and over to you, Naren.

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

Good afternoon, everyone. Happy Diwali to all of you, and sorry to drag you out on a weekend.

Tata Steel delivered an improved performance in a seasonally softer quarter, despite significant cost inflation across the value chain due to the ongoing conflict in West Asia. Since the conflict has started, oil and freight rates have risen by about 40%, and spot coking coal prices have also moved from about $235 per ton to $280 per ton, though they have come down a bit in the last few days. Key inputs used in value-added and downstream products, such as zinc, have also gone up. The disruption has also resulted in higher logistics costs through elevated vessel charter rates, demurrage charges, and insurance premia across key shipping routes, while currency movements in India have also added to the cost pressures. At the same time, Chinese steel exports continue to be over 10 million tons a month, and that has an impact on global trade flows. However, we were able to successfully navigate this higher-cost environment and generate close to 90 bps improvement in EBITDA margin, from 15% in 1Q to 16% in 2Q, on a consolidated basis.

Let me now take you through each geography. In India, we focused on maximising volumes to offset the cost pressures. India's deliveries grew 16%, outpacing production growth of 7% on QoQ basis. Higher deliveries reflect healthy demand and our ability to translate market opportunities into performance despite the seasonal headwinds of monsoons. Our extensive

market reach, combined with a sustained focus on product mix and customer centricity, have enabled us to maintain strong market traction across chosen segments.

Our Automotive & Special Products vertical continued to deepen presence in advanced applications, with hi-end sales growing 26% YoY. We secured approval for the CR IFHS340 grade for automotive skin panels, developed a chrome-free galvannealed product for 2 - wheeler fuel tanks, and progressed on customer approvals for specialised suspension and transmission applications. These developments reflect our ability to co-create solutions with our customers. Our flagship retail brand, Tata Tiscon, grew 13% YoY, supported by a distribution network that reaches nearly 97% of India's districts. In the last twelve months, Tata Tiscon sold ~2.7 million tons to around 500,000 customers. Embedded within Tata Steel, we now have Tata Tiscon retail franchise of about $1.8 billion, and the recently commenced 4.8 MTPA NINL expansion will support further growth of our retail business. Our digital platforms help us improve market access from districts of India to pin-codes across the country. We have also focused on strengthening our presence in solution-oriented and value-added businesses, moving beyond steel supply to provide next-gen construction solutions that address customer pain points and create mutual value. Our expanding portfolio including Sm@rtFAB, ReadyBuild (which are Cut & Bend, and Bore pile cages) and plate fabricated sections, all of which are seeing strong market acceptance. Overall, ready-to-use construction solutions grew 32% YoY in the second quarter, and we launched India's first CBRI-certified Mesh Masonry Reinforcement as an alternative to conventional RCC beams. We also secured the first order for low-carbon steel at a green premium from our Ludhiana facility. In addition, Tinplate and Tata Steel Colors grew 17% and 49% YoY, respectively. We are making good progress in sectors such as Oil & Gas and Shipbuilding, including supplies for Sagar Manthan, the ocean research vessel being built under the Government of India's Deep Ocean Mission.

Moving to the UK, deliveries were ~0.38 million tons. While prices remained firm, volumes were impacted by elevated imports under the transitional safeguard arrangements. Orders booked before 14th March 2026 were exempt from quota utilisation during July – September'26, this led to a surge in imports and inventory accumulation across the supply chain. which is taking some time to be flushed out. In addition, UK steel exports to the EU are now subject to quota restrictions, creating a further constraint on market access. We remain engaged with the authorities on a trade framework, including CBAM, that better reflects product-level demand and market dynamics.

In Netherlands, Liquid steel production was ~1.52 million tons while deliveries were ~1.30 million tons. The Direct Sheet Plant restarted in early August under the terms agreed with the regulator. The technical measures implemented are delivering the intended outcomes, with Chromium-6 emissions reducing materially and currently remaining below prescribed limits. We continue to closely monitor developments regarding the EU ETS, CBAM and other regulatory matters that could influence the operating environment.

With this, I will hand over to Koushik for his comments. Thank you.

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

Thank you, Naren. Good afternoon to all who have joined in. Before we begin, I would like to wish you all a very happy Diwali.

The first half of this financial year was characterised by significant external volatility. The conflict in West Asia continued to disrupt global trade flows, with vessels rerouted around the Cape of Good Hope, extending transit times by 10 – 14 days, increasing fuel consumption by almost 40%, and keeping war-risk insurance costs materially above pre-conflict levels. Freight rates remained elevated and European gas prices were more than twice the January 2026 levels. Meanwhile, Chinese steel exports remained persistently high at 86 million tons year-to-date and are expected to again exceed 100 million tons this calendar year.

Against this backdrop, our focus at Tata Steel has been the same: strengthening earnings, maintaining operational agility, and improving cost efficiency to improve cash generation. Our performance in the first half of this financial year is best assessed through this lens. Consolidated revenues stood at Rs 1,26,231 crores and EBITDA was Rs 20,035 crores, which translates to an EBITDA margin of about 16%. Consolidated EBITDA improved by 21% or Rs 2,160 per ton on YoY basis. These results reflect the strength of our India business, supported by disciplined cost management and capital allocation.

I would now like to elaborate on three themes. Firstly, the quality of our India earnings and plans to grow both volume and product portfolio. Secondly, our assessment of the evolving situation in the Netherlands and the UK; and finally, our focus on cash generation and continued cost transformation, with the launch of a multi-year program to drive efficiencies, operating model resets, and cost takeouts to sustain competitiveness.

Let me start with India, which continues to be the anchor of our performance and accounts for nearly three-fourths of our crude steel production. In a quarter that is traditionally impacted by monsoons and weaker construction activity, as Naren mentioned, we delivered our strongest-ever second quarter performance. Healthy demand enabled growth of 16% QoQ in deliveries and outpaced the highest-ever second-quarter production.

At the same time, raw material and logistics costs increased meaningfully during the quarter. Total raw material costs were higher by about Rs 2,408 crores. While benchmark coking coal prices increased by 12% between July and September, the impact on our imported coal consumption cost was limited to around 3%, or approximately Rs 250 crores, reflecting the benefits of our coal blending strategy and increased focus on leaner coals. The balance of the increase was primarily driven by higher inbound logistics costs, reflecting elevated freight rates, demurrage and vessel charter expenses, as well as higher purchases of coke and scrap. Inventory drawdown of around 68 kt in the second quarter compared with a build-up in the first quarter led to a further increase of Rs 2,066 crores. Overall, Material costs were up Rs 4,475 crores or Rs 4,128 per ton on QoQ basis. However, this was partly offset by improvement in conversion costs to the extent of Rs 3,317 per ton, driven by operating leverage on account of higher volumes and cost take-outs. As a result of the above, Standalone EBITDA per ton moderated to around Rs 17,257 per ton while absolute EBITDA increased 10% QoQ to Rs 10,315 crores.

NINL recorded an EBITDA of Rs 318 crores at a margin of 21%. The 4.8 MTPA expansion project has entered the execution phase and remains on track for commissioning in FY2030. Site development works, including road and area grading, are underway, while ordering of key equipment such as the blast furnace package, continues to advance. The project comprises four long-product rolling mills, including rebar and wire rod facilities. Although the overall ramp-up will be aligned with the commissioning of the steelmaking complex, one rebar mill is expected to come on stream earlier, enabling an initial production ramp-up ahead of the upstream facilities. The amalgamation of NINL with Tata Steel remains on track for completion this financial year, subject to final NCLT approval which is scheduled for hearing later in November.

Volume growth remains important for us, but equally so is increasing the value intensity of our portfolio. Our downstream projects are progressing well. The 0.7 MTPA HRPGL project has entered the construction phase, with structural erection and piping works underway. This first-of-its-kind facility in India will serve the energy, automotive and construction segments and introduce galvannealed products, enabling Tata Steel to address customer requirements and support import substitution. The doubling of tinplate capacity is also advancing with civil and structural works underway and will aid in market consolidation in the packaging segment. Alongside these, we recently launched Colorcoat, our globally recognised pre-painted steel brand, in India, bringing proven European technology to the country's growing construction sector. We also continue to expand our tubes business and ready-to-use construction solutions to address evolving customer needs. Our downstream growth will continue to get priority as we move forward.

Let me now turn to Netherlands. The key development during the quarter was the restart of the Direct Sheet Plant. In the first quarter, we effectively lost almost the entire output of this facility, which represents around 1.4 million tons of annual processing capacity and about 18% of the total volumes in the Netherlands. The plant successfully restarted in early August under the terms of agreement with the regulator and is presently operating at rated capacity, subject to periodic review. Importantly, the technical measures implemented are delivering the intended outcomes, with Chromium-6 emissions reducing materially and currently remaining below prescribed limits. The significance of the restart extends well beyond volumes. It strengthens our product mix, improves the efficiency of the integrated production chain and lowers conversion costs. As a result, EBITDA increased from €4 million in the first quarter to €72 million in the second quarter, which translates to about €56 per ton. Turning to the broader situation in the Netherlands. Since the signing of the Joint Letter of Intent in September 2025, we have completed engineering and technical work on the integrated health and decarbonisation project. While this work has further matured the DRI – EAF pathway, it has also reinforced our view that the long-term competitiveness of the IJmuiden site will be determined by the resolution of a number of critical external factors, rather than project design alone.

Firstly, discussions continue with the Regulator and the Province of North Holland regarding the timing and sequencing of the proposed closure of Coke & Gas Plants 2 and 1. Our position remains unchanged: any closure process must be executed in a safe, responsible and operationally controlled manner. We have provided detailed technical assessments and continue to engage constructively with all stakeholders to support an orderly transition. However, the timing and outcome of the process remain uncertain. Secondly, we remain engaged on the evolving framework governing steel slag management. Temporary disruptions to slag off-take have resulted in additional stockpiling at site. A range of mitigation measures are being pursued, including technical assessments, alternative storage and disposal solutions, and ongoing stakeholder engagement. More broadly, the economics of both the existing business and any future decarbonisation pathway will depend on the resolution of these matters, together with greater visibility on long-term energy affordability, capital requirements, permitting

timelines and the broader investment framework. Many of these factors are external to the company and their timing and outcomes remain difficult to predict.

Against this backdrop, Tata Steel, the Government of the Netherlands and the Province of North Holland have agreed to extend the Joint Letter of Intent by five months to March 2027. The extension provides additional time for the parties to work towards a more comprehensive framework that supports both decarbonisation and the long-term competitiveness of the site. Importantly, while the DRI – EAF pathway remains the reference case under the Joint Letter of Intent, we continue to assess a range of strategic alternatives and sequencing options. The optimal pathway will ultimately depend on how the various external factors evolve and the implications they have for future cash flows and competitiveness.

Given the extent of these uncertainties, it is difficult to form a reliable view on the range of potential outcomes or assign probabilities to them. The Board and Management therefore believe that realising any change in the carrying value of the business at this time would not faithfully represent the company's position, given the uncertainty of the outcomes. We continue to monitor developments closely and will reassess the position as key uncertainties are resolved. We expect greater clarity by 1st March 2027, the revised maturity date of the Joint Letter of Intent. The extension is intended to provide time to conclude discussions on the critical outstanding issues, establish a clear direction and enable a more definitive assessment of the long-term.

Moving to the UK, the market has become very challenging. While the second-quarter net realisations improved by around £72/t on a QoQ basis, deliveries declined to about 0.4 million tons. The key point is that the effective market available to UK producers has essentially become smaller. Domestic demand remains weak, with automotive and construction activity expected to decline by 2 – 4% in the current calendar year, while import pressure remains elevated. Between April and July 2026, imports averaged around 738 kt per month, about 22% above the 2025 levels. This has resulted in flat steel inventories in the UK rising to roughly 865 kt by September, nearly 60% above normal levels and equivalent to almost three months of demand. With the change in quotas, the market is rebalancing, but it is taking longer than what we had initially estimated to liquidate old inventories. Having said that, it is important to view the UK business through the lens of the broader Tata Steel system rather than as a standalone operation. While TSUK continues to report EBITDA losses during this transition period, its downstream assets provide strategic access to customers and end markets and, in many respects, operate as an extension of Tata Steel India's value chain. As India's steel production continues to grow, these assets effectively represent a fifth hot strip mill for the Tata Steel Group, enabling Tata Steel to convert substrate into higher-value products closer to customers. Consequently, while Tata Steel UK is currently loss-making on a standalone basis, the wider system economics and value creation for Tata Steel remain materially more positive than what is reflected in the UK entity's standalone performance. Further, the exports from the UK into the EU are now subject to quota restrictions, creating an additional constraint on market access. We continue to engage closely with the Government of UK and trade authorities on measures that improve market balancing and ensure the trade framework better reflects prevailing market conditions.

Turning to the transition project, execution remains on track. The Llanwern pickle line has fully ramped up, and the 3.2 MTPA EAF project continues to progress in line with plan. Major enabling works have been completed and key contracts have been awarded. As project activity ramps up, our engagement with the UK Government and other stakeholders is increasingly focused on ensuring an appropriate investment framework, trade quotas, competitive energy prices and timely grid connectivity, all of which are important to the long-term competitiveness of the site.

Overall, operating cashflow before capex was Rs 5,160 crores for the quarter. Capital expenditure was Rs 3,280 crores in the quarter, taking the first half spend to Rs 6,860 crores. During the quarter, the Company also paid a dividend of around Rs 5,000 crores. Consistent with our capital allocation framework, cashflows continue to be prioritised towards growth opportunities in India. This is reflected in the strong returns being generated by the business, with Return on Invested Capital (ROIC) of the India operations at 27% and consolidated ROIC at 14%. Net debt stands at Rs 91,423 crores. Part of the rise in debt of about Rs 2,200 crores was on account of increase in leases post the acquisition or consolidation of TMILL. Net debt to EBITDA remained stable at ~2.4x, well within the stated threshold and group liquidity remains strong at Rs 40,076 crores.

Before I conclude, a brief update on the cost transformation. During the first half, the crisis in West Asia, planned shutdowns in India, the Direct Sheet Plant outage in Netherlands and the unfortunate fire at Tata Steel UK distorted some of the cost take-out profile. As a result, the benefits of our cost transformation programme were not fully visible in the reported numbers. Our FY2027 target remains unchanged at about Rs 7,000 crores of savings primarily across India and Netherlands operations. In the first half, we delivered about Rs 1,800 crores. The program is generally weighted to the second half. The

specific levers such as coal blend, procurement optimisation, energy and logistics, inland waterways among others, are progressing.

With that, I will end my commentary and open the floor to questions. Thank you so much.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. We will now begin with the Q&A session. The first question is from Ashish Kejriwal of Nuvama. Ashish, please go ahead.

Ashish Kejriwal, *Nuvama*

Good afternoon, everyone. Happy Diwali. There are two questions from me. The first is on India. We have been talking about post 2030, we want to maintain our competitiveness and our margins. In that regard, before that, are we going to increase our sales volume in iron ore also over the next three years? And what kind of value addition are we trying to do, at least in the pipes and tubes segment? Are we open to inorganic expansion also there? That's my first question on India.

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

Iron ore sales, yes, are very much part of our plan. This year, Koushik, if I remember right, we will be doing about 8 million tons or something like that.

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

About 10 million tons.

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

Yes, about 10 million tons of iron ore sales, and last year I think we did about 2 million tons or something. So that is very much part of our plan. We optimise on the qualities of ore that are available for our use as well as what is available for sale, and we will continue to grow that side of the business going forward.

As far as growth in downstream is concerned, we are always looking at growth opportunities. Today a lot of our growth has come from what we call conversion partners, who convert the steel for us, and that has been the capital-light way of growing for us in both tubes and wires. Otherwise, we will constantly look at the opportunities that there are. Koushik, do you want to add anything?

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

No, I just gave the commentary on the downstream growth, which also includes what we have done in tubes growth in the last couple of years through the tube partners. In the other areas, some of the growth is organic and currently underway. I gave a commentary on that, and I don't want to add anything to that.

Ashish Kejriwal, *Nuvama*

Sir, my second question is, the way we have performed in our Indian business, in this quarter also, Rs. 17,000-plus EBITDA per ton is really worthy. My question is whether we are going to sustain that, and if you can guide for the second quarter also, the way you have guided. In the case of the Netherlands, we have done $60-plus per ton EBITDA, do we see a further increase in that until the time we go for the next phase of expansion in the Netherlands? And lastly, any sense on UK operations, whether we are ever going to break even?

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

Let me talk about India. I think you are probably asking about 3Q, right? 2Q is behind us.

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

Second half.

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

So, I think we expect the second half to be stronger than the first half, for two or three reasons. One is that, from a Tata Steel point of view, we will have a bit more volume in the second half than we had in the first half. Secondly, even in the first half, prices went up in April and May, then dropped in June, July, and August, and then started going up again in September. So, we have come into this quarter at a reasonably high level of prices, and normally January to June is always the best period for the steel business, because the monsoons and festivals are behind us and activity is at its peak. So, for many reasons, we expect the second half to be better than the first half.

As far as the Netherlands is concerned, we expect a better 3Q and 4Q than 1Q and 2Q. So again, the second half will be much better than the first half. As far as the UK is concerned, yes, this is something we have been struggling with for multiple reasons. While we have taken a lot of action internally, currently the problem, as Koushik said, is that we are selling only about 400,000 tons a quarter, as against the 600,000 tons a quarter that we want to be selling in the UK. That is largely because the imported material lying in the UK market is quite high, and we will see through this quarter and next quarter before most of that gets flushed out. While the prices are good and the spreads are good, the volumes are not good, and hence, that has a negative impact on our costs. Despite taking out almost £400 million of fixed costs, we are still a business with reasonably high fixed costs, which cannot afford volumes to be at two-thirds of where they should be. So, our own expectation is that we will come close to breakeven in 4Q, when most of the stocks would have got flushed out of the system. We have had a few setbacks in the UK, so obviously, until we are there, it doesn't look like our promises are happening. But we are expecting that by 4Q we will be close to breakeven.

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

If I can just add, Naren, we also see that the reason the improvement in the Netherlands and the UK is forecasted is that prices are increasing, especially due to the contract renegotiation in both geographies. Therefore, the spread impact is more positive than where we are today, and that will be the key reason why we expect a much better Netherlands and also lower losses as far as the UK is concerned. And if the inventory is washed out by the fourth quarter, then I think volumes will also start coming back.

Operator

Thank you, sir. The next question is from Vibhav Zutshi of J.P. Morgan. Vibhav, please go ahead.

Vibhav Zutshi, ***JP Morgan***

Hi, thanks for the opportunity. I just wanted to follow up on the inventory situation in Europe. Any sense that you can give on Europe volumes for the second half, both in the Netherlands and the UK? Obviously, pricing has improved a little bit, but some of the peers have tried to take pricing as far as €780 – €800 per ton, and that has not really come through. With the contract negotiations happening in November, how is the environment looking? Thank you.

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

I think the inventory issue that we described is for the UK, not for Europe, because Europe has already implemented quotas, so imports have come down. CBAM is coming in. So, prices in Europe are strong, and the inventory of imports which we are dealing with in the UK is not there in Europe. That is why you see a better flow-through, not only of prices but of volumes, in the Netherlands.

The inventory issue that we described is mainly for the UK, where import orders that were booked before, I think, 14th March, were allowed to be imported till the July – September quarter, and that brought in a lot of material. We think some of it is getting flushed out now, but it will be March by which most of it will get flushed out, and in some categories until June next year. The prices there, in fact, the UK prices are actually higher than European prices just now, but the problem is more of volumes. We need to get to 500,000 to 600,000 tons a quarter of volume to really come to that break-even level that we have been discussing.

As far as the Netherlands and the UK are concerned, this is the time when we do the price negotiations for next year, so the packaging contracts, auto contracts, etc. This negotiation is currently being done in market conditions which are quite strong, so we expect a good outcome, and that will get reflected in the 4Q realisations. That is why we said 4Q for both the UK and the Netherlands should be better than the previous quarters. As far as specific prices are concerned, the price levels that you indicated are around the levels at which it is in Europe just now.

Vibhav Zutshi, *JP Morgan*

Okay, got it. My second question is on India, so two quick questions. Firstly, can you highlight whether there are any positive auto contract price revisions that have come in or can come in this quarter? And secondly, construction and infrastructure sales volumes have declined in 2Q on a YoY basis, from 1.4 to 1.2 million tons. Are there any reasons behind this? Thank you.

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

On auto contracts, we actually saw a lot of the benefit in 2Q, because a lot of the contracts that were negotiated for 1Q also got their realisations in 2Q. So 2Q got a bump-up. While negotiations are going on for 3Q and 4Q, there may be price increases, but the bump-up in 2Q, from 1Q and 2Q coming together [inaudible]. More importantly, auto volumes are very strong, which is reflected in the release that we gave, and that helps us. Within auto also, the product mix is very good. We have a 50% share, which we continue to maintain.

As far as construction is concerned, I would assume that is because we have sold more in retail, which is always our preferred segment. Samita can later clarify the numbers. Last month we sold 270,000 tons of Tata Tiscon in the retail segment. So, that eats into what we typically sell to the bigger construction companies, because we get a far better price when we sell in retail than when we sell to big construction companies. That is the only reason I can think of; us optimising the market. Samita?

Samita Shah: *VP CFTRM - Tata Steel Limited*

Vibhav, if you look at our segments, retail is shown separately from construction. When you think of construction, retail is essentially construction, so you might want to club those together and see.

Operator

Thank you. The next question is from Rahul Gupta of Morgan Stanley.

Rahul Gupta, *Morgan Stanley*

Thank you for taking my question. I have two questions. One is on the Netherlands. We saw a sharp moderation in volumes QoQ. Can you help us understand what drove that? And with capacity now running at full operations and with inventory build-up QoQ, how should we look at the overall volumes in the Netherlands in the second half? That's my first question.

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

In 1Q, we lost most of the quarter as far as the Direct Sheet Plant (DSP) is concerned. The DSP is about [inaudible], and that was closed because of some of the regulatory issues we were dealing with. That started coming back in August, so we got most of August and all of September of DSP production, and that is why volumes got better in 2Q. In the second half of the year, hopefully the DSP is going to be running all the time, and we are also looking to drive better stability in the rest of the plant. I don't think we give quarter-wise volume guidance, but like I said, overall, we expect the second half to be better than the first half. Koushik, do you want to add anything?

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

I think that's fine. Overall, from a production point of view, for the full year we should target more around 6.5 MTPA and deliveries around 6 MTPA. That would effectively mean that the next two quarters we will go back to the average of what we normally do, 1.7 million tons.

Rahul Gupta, *Morgan Stanley*

I got it. What I wanted to understand was that your volumes are materially lower than production in the second quarter as well. I understand production got impacted because of the DSP shutdown, but what impacted sales volume during the quarter?

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

Because we don't keep so much inventory. There is a correlation between production and deliveries, right, Rahul? If the production numbers are lower. So, we also had issues in production on the hot metal side this quarter. The DSP was shut for [inaudible], and at March-end we had inventories which got liquidated in the first quarter, which is why the sales volume was not correlated so much with the volume production. If you look at it, the flushing of inventories did happen in the first quarter, not out of the production of the first quarter itself, but because where it carried forward. Then in the second quarter we had that being liquidated. So, you can see the change in stock.

Rahul Gupta, *Morgan Stanley*

Got it. Thank you. My second question is just an extension of the UK business that we discussed earlier. I understand that the break-even of the business has been pushed out to later this year. But I just want to harp more on the fact that you now say the UK business should not be treated as a standalone business but as an extension of the overall Tata Steel. How should we look at the profitability of the business beyond the end of FY27? Does that mean the profitability of this business may remain a drag vis-à-vis the entire group profitability? Thank you.

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

The reason I made that comment is that today we supply a significant part of the substrate from India to the UK till the EAF is built. The reason why I said that it is an extension, then you look at the combined profitability, the EBITDA, of the volume that gets supplied from India to the UK. The part in India makes about, say, Rs. 8,000 per ton of EBITDA margin. It goes off to the UK for subsequent rolling, finishing, downstream, etc. The same coil, if you extend further, as of last quarter made about Rs. 5,000 to 6,000 per ton. So, if I add the same, it is somewhere around Rs. 13,000 to 14,000 per ton. That is the reason why I said that. It will change once the EAF comes in, because then the profitability will be measured based on the cost of steel that the EAF makes and the rolling that it does.

Rahul Gupta, *Morgan Stanley*

Got it. Thank you so much. Wishing everyone a very happy Diwali.

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

Thank you.

Operator

Thank you. The next question is from Sumangal Nevatia of Kotak Securities. Sumangal, please proceed with your question.

Sumangal Nevatia, *Kotak Securities*

Good afternoon. Thanks. The first question is on steel prices and costs. Could you guide how we are seeing prices and costs move across geographies in 3Q vs. 2Q?

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

In India, we expect the realisations to be about Rs. 3,500 to 3,600 per ton higher in 3Q compared to 2Q. In the UK, it will be about £28 to £30 per ton higher in 3Q compared to 2Q. In the Netherlands, while on a product-to-product level it will be about €30 per ton higher, but because of the mix that we are selling we are expecting it to be about €11 per ton lower in 3Q compared to 2Q. The annual contract benefits will only come from 1Q next year, while they are being negotiated this quarter.

As far as costs are concerned, the coking coal impact is expected to be about $15 a ton, both in the Netherlands and in India, in 3Q compared to 2Q, on a consumption basis. In the UK, as you know, we don't buy coal, so it is not relevant. The Netherlands will get the benefit of about a $5 per ton reduction in iron ore consumption price.

Sumangal Nevatia, *Kotak Securities*

Understood, that's very helpful. I just wanted to understand the iron ore sales. In the first half, how much have we sold? I believe for the full year we are looking at 8 to 10 million tons. And generally, I understand there is a higher royalty if you are selling. Could you share some economics as to what the contribution is at the EBITDA level per ton of iron ore?

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

Because of various reasons, we don't want to give this seperately, but all I want to say is that it is the same iron ore which gets charged to the plant for steelmaking. Based on the price that we get in the market, as set by domestic iron ore prices, we are able to sell it.

Sumangal Nevatia, *Kotak Securities*

Sure. But on volumes, we are looking at 8 to 10 million tons this year. What would it be over the next one to two years?

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

We should ramp up to about 14 to 15 million tons.

Sumangal Nevatia, *Kotak Securities*

In FY28?

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

Yes.

Sumangal Nevatia, *Kotak Securities*

Got it, that's useful

Operator

The next question is from Vikash Singh of ICICI Securities. Vikash, please go ahead.

Vikash Singh, *ICICI Securities*

Good afternoon, sir. Thank you for the opportunity, and happy Diwali to all of you. Sir, my first question pertains to our sales volume targets. We will reach 27 million tons of peak sales capacity, and our next capacity is coming in FY2030. So, is there any product enrichment, or will the value addition percentage [inaudible] continue to improve during this year, which would support at least the EBITDA?

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

I think the question is, while there is not much volume growth, will there be product mix enhancement? The answer is yes. One is the cold rolling mill and galvanising lines in Kalinganagar, while they have ramped up in volume, the product mix continues to get ramped up as we get more and more approvals from the auto companies. You will see more and more movement from what we call Steelium, which is cold rolled steel sold in the market, to cold rolled steel sold to automotive customers. We will also see enrichment in galvanised as well. We are growing in Colors, which is the business that we acquired; the JV that we had with BlueScope, which we bought out. We are seeing growth in tubes continuously. We are

also seeing our tinplate project, which will be ready in another two years, which is the doubling of the tinplate capacity. We continue to grow in wires as well. So pretty much across downstream, we are growing.

The other thing that is growing a lot is our downstream for construction. In addition to the retail sales, which are growing and helping us get better realisations for the same product, we are also doing a lot of what we call cut-and-bend, mesh, and bore-pile cages, ready-to-use solutions for the construction industry, and that is also growing very fast. So across multiple sectors and multiple products, the value-added part is growing much faster, because that doesn't require that much time or capital to build. The value there comes more from the equity that we have with the customers and the solutions that we are developing for them. So, we are seeing a lot of growth in those areas.

Operator

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

Ritesh Shah, *Investec*

Thank you so much. I have a few questions. First, starting with the UK, just to understand, what percentage of our volumes will face higher tariffs? Is there a Plan B to avoid those tariffs, specifically with respect to sales to the EU? Second Question is, are we looking at any support from the UK government, and if at all, why, and what is the underlying math? Third, assuming we have the EAF ready, how are we looking at the variable cost structure, including fuel and power? And fourth, specific to India, is it possible to further crystallise the cost transformation numbers that we have given? I think these are the four questions. Thank you.

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

Ritesh, there is no duty on the slabs that we send to the UK; we don't pay any duty. If your question is about the UK to Europe, yes, that is a negotiation going on between the UK and Europe, because we used to sell almost 0.7 to 0.8 million tons into Europe from the UK. So, there are some restrictions there. That is being negotiated between the UK government and the EU. The UK has an advantage in exports to the US, where there is a 25% import duty on products from the UK and 50% on products from Europe. So, the UK has an advantage vis-à-vis Europe as far as the US is concerned. Government-to-government, they are trying to sort out the UK-EU part. But for us to send the slabs to the UK to get converted, we have an exemption, so there are no duties. I will ask Koushik to comment on the other questions that you raised.

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

Ritesh, our engagement with the UK government is fairly continuous. We talk on a couple of things. One is the market, as Naren just talked about, with the trade regulatory authorities, and also the environment where we can look at public procurement of steel, increasing more domestic products rather than imports, and ensuring there is a level playing field as far as the UK is concerned. As you know, we have a grant funding agreement with the UK government for the project, and we are also engaged with them on the National Grid connectivity and any implication on any increase in capex due to the delay in the National Grid. So, there are multiple things that we continue to keep talking to the UK government about.

Samita Shah: *VP CFTRM - Tata Steel Limited*

On the cost, I think the question was on cost transformation. What is the progress, and what kind of numbers are we looking at?

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

As I mentioned, our cost transformation program, which was about Rs. 11,000 crores last year, is around Rs. 7,000 crores this year. It is about Rs. 1,800 crores currently, because of the volume issues that we have faced across geographies. We would target to continue to reach up to that level, but we are also looking at a multi-year structural cost transformation program taking us through to 2030, over the next three and a half years, which will look at various other operating models which we have not looked at so far, and which can deliver more sustainable cost take-out. This is now an ongoing cadence of taking out costs from the system; not just as cost but also enhancing productivity and efficiency. So, I think this is a program that we are certainly going to be very focused and serious about, leading up to 2030.

Operator

Thank you, sir. The next question is from Parthiv Jhonsa of Anand Rathi. Parthiv, please go ahead with your question.

Parthiv Jhonsa, *Anand Rathi*

Happy Diwali to you.

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

Happy Diwali to you.

Parthiv Jhonsa, *Anand Rathi*

Sir, my first question is pertaining to the European operations, both the UK and the Netherlands. This quarter, we saw a substantial increase in other expenses. Can you quantify the reasons, especially on a per ton basis?

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

Other expense is actually a mixed bag, because often when you don't have the volumes, on a per ton basis it does increase, which is what the effect is, since there are many fixed-cost overheads. The second part is that there have been freight cost increases because of the war. All taken together, it has increased, and the volume has come down, so therefore, you see a per ton increase.

Samita Shah: *VP CFTRM - Tata Steel Limited*

There was also an increase due to consumables because we restarted Llanwern.

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

Llanwern and also the DSP.

Parthiv Jhonsa, *Anand Rathi*

Okay, sir. My second question is pertaining to the debt. You have 2.4x net leverage today. When can we expect debt levels to go back to, say, sub-1.5x or 2x?

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

Sub-1.5x is never our target. It happened in FY22, when the market was of a different nature. But if you are spending Rs. 20,000 crores on capex, I don't think that is our target. We have always said our debt should be less than 3x. We are comfortable at 2.3x to 2.4x. Our EBITDA growth will keep happening because of additional volume coming in next year. We will have more volume because all our plants in India will be at capacity. We expect more stabilisation as far as the Netherlands and the UK are concerned, and then as we spend more and more in NINL and others. From an absolute debt perspective, it has to be related to the EBITDA, and so long as we are in that zone of 2.3x up to 3x, we should be fine, because we will chase growth. If we chase growth, there is a timing issue between the deployment of that capital and the earnings. So, I honestly don't see us going to 1.5x in a hurry, because then we would have to stop part of our growth. But we are absolutely comfortable in servicing debt. Our interest cover is more around 5x plus, so I don't think there is any concern around that, because we will be spending more capex. If every year we are going to spend Rs. 20,000 crores, you will see some level of debt, but the important thing is the circularity of the capital. As we spend that capital and get the earnings back into the P&L, we will be hovering around that zone.

Parthiv Jhonsa, *Anand Rathi*

Okay, thank you, sir. If I may, I would like to squeeze in one last question. I think one of your subsidiaries, Brahmani River Pellets Limited (BRPL), is going to do some work for the Joda East or Joda West mine or something like that, and a couple of other mines. Can you walk us through what exactly this contract or arrangement is?

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

BRPL is a subsidiary, a joint venture that we have. In the past, we have been using Mine Developer and Operator (MDO) operations from other parties for some of our mining operations. BRPL has that capability, so they will be doing it for us. Instead of company X, it is BRPL. That is about it. And being a subsidiary which has the capability, it actually helps us on a net economics basis also and ensures that we can get better outcomes from that MDO.

Operator

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

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

Thanks, Shohom. I think we have answered a lot of the questions. A couple remain which you might want to address. The first is actually on the Netherlands and the notes to the accounts that we had on it. I think the broad question, looking through the questions, is, given what has been happening in TSN, what are the three or four big takeaways that investors and analysts should think of when looking at the Netherlands operations?

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

Naren, if I take this one. If you really look at it, we have signed an agreement, or rather a term sheet, with the Netherlands government on the JLoI, which is the Joint Letter of Intent. That needs to get to a certain amount of finality. For getting into that finality regarding the decarbonisation project, we are exploring multiple options along with the government to ensure that we have an investment case or options which ensure the sustainability of Tata Steel Netherlands in some form or the other. There are regulatory issues that need to be sorted out. The closure of the CGP, the coke and gas plant, is being asked to be done, and we have offered various options through fairly intensive preparation. This is an engagement with the regulator, so we need clarity on that. Steel slag storage and export is an issue where the regulator and us are in engagement along with the government, and we need a resolution of that. These two are pretty fundamental to looking at the future. Third is to look at an investment case which makes the cut, effectively, for making Tata Steel Netherlands a more profitable and competitive company. There are a lot of things and a lot of moving pieces. I think over the next six months, we will come to it and take a final view.

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

Thank you. I think the last question that we will take is on the prioritisation of capital allocation between India, Netherlands and the UK.

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

I have said this in the past, and Naren has also repeated it; almost 70% of the capital allocated during the year is on India. Our India growth is both on the mining side, upstream, midstream, and downstream. We are just now in the midst, or the starting point, of the NINL expansion. I have listed out a number of downstream expansions. We will continue to grow in our downstream, and we will also continue to grow the optionality of our upstream growth, both in Kalinganagar as well as in Meramandali. That is very much on the anvil in the longer term. We are working with the Maharashtra government on a site in Maharashtra, and that is another greenfield site which will get capital allocation. So, growth in India is important for us. We will grow in a methodical way, both in downstream as well as the upstream. That is our priority. The UK is currently allocated capital for its EAF, and for the Netherlands, based on the outcome that will come, we will find an appropriate funding solution. It depends on the investment case.

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

Ok, Thank you. With that, I think we will end the call. Thank you, everyone, for joining us, and again, Happy Diwali to all of you, and enjoy the festivities. Thank you.

Koushik Chatterjee: ***ED & CFO - Tata Steel Limited***
Thank you.

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