

Tata Steel Ltd. Conference Call Transcript - November 13th 2025

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 Miss Samita Shah. Thank you and over to you, ma'am.

Management: Good afternoon everyone joining us in India and from the Far East and good morning to all of you who are joining us from the West. On behalf of Tata Steel, welcome to this call to discuss our results for the second quarter of FY26. We published our results yesterday and there is also a detailed presentation on our website which you can refer to if you haven't done so already. As always, we will be guided—this entire call will be governed—by the disclosure clause on page 2 of the presentation. To help you understand the results better, we have with us Mr. TV Narendran, CEO and Managing Director, Tata Steel, and Mr. Kaushik Chatterjee, Executive Director and CFO, Tata Steel. They will make a few opening comments and we will then open the floor for questions. Thank you again and I will request Naren to make his comments, please.

Management: You're on mute Naren.

Management: Hi, sorry about that. Thanks Samita and hello everyone. As Samita mentioned, I'll make a few comments and then hand over to Kaushik and then we'll do the Q&A.; The global dynamics continue to be shaped by tariffs, geopolitical tensions, and elevated steel exports. Chinese steel exports are expected to cross 100 million tons again this year and this obviously has an impact on pricing across the world. In the midst of that, Tata Steel has delivered strong improvement quarter on quarter and year on year basis.

I would now like to make a few comments on the performance in each geography. In India, crude steel production was up 8% quarter on quarter and 7% year on year at 5.65 million tons, largely driven by the ongoing ramp up in Kalinganagar and the completion of the relining of the G furnace which was down for almost 6 months. We continue to stay focused on driving sales even in a challenging environment and we were able to ramp up the sales in line with our production ramp up without having to build inventory. In fact, we increased our domestic deliveries by 20% quarter on quarter, a testimony to the strength of our customer relationships and our marketing and sales network.

While average hot rolled coil spot prices were down about 2,300 rupees per ton quarter on quarter, we were able to limit the drop in our net realization to about 1,700 rupees per ton. We were also able to offset this impact through higher volumes and the ongoing cost transformation which has resulted in an improvement in the EBITDA margin by about 80 basis points to over 25%.

For some segmental highlights, the seasonal rains in the second quarter impacted construction activity across India, but we successfully grew Tata Tiscon volume by about 27% quarter on quarter as our expanding channel network and digital platforms enabled us to leverage insights into customer behavior and cater to the evolving needs. Industrial products and projects deliveries grew by about 22% quarter on quarter, aided by value-added segments such as engineering and ready-to-use solutions.

In the UK, our deliveries stood at 0.6 million tons, marginally lower on a quarter on quarter basis, and we continue to work on transforming the business and building the 3 million tonne electric arc furnace in Port Talbot. In Netherlands, the liquid steel production and deliveries were broadly stable quarter on quarter at 1.7 million tons and 1.5 million tons respectively, and our performance was aided by the continued improvement in controllable costs. In September, we signed the non-binding joint letter of intent with the Dutch government on integrated health measures and a decarbonization project, and we

are committed to working with all the stakeholders on resolving the outstanding points before proceeding towards an investment decision. I will now hand over to Kaushik for his comments. Over to you Kaushik.

Management: Good morning, good afternoon or good evening to all those who have joined in. Before I talk about the results of the company, I would like to stress on what Naren mentioned, that we should consider the backdrop of continuing global macroeconomic uncertainty, especially in the context of the trade tariff currency and the heightened exports from China, which, as he mentioned, has crossed 100 and are likely to cross 100, moving more towards 120, in the context of the financial results that have been delivered by the company in the first half.

Let me now begin with some headline financial performance data for the first half ended September 30, 2025 of the current financial year. Our consolidated revenues for the half year was 1,17,867 crores and the EBITDA was 16,585 crores at a consolidated EBITDA of 11,037 rupees per ton, reflecting an EBITDA margin of about 15%. The EBITDA margin expanded by 280 basis points in the first half of this financial year, reflecting our continued focus on the India growth volumes, cost competitiveness, and our focus on cash flows. Our global cost transformation program continues to deliver tangible results with around 5,450 crores achieved in the first half, as highlighted on slide 13 of the presentation. This translates to about 94% compliance to our own H1 plan, and I will explain a bit of this further.

Turning to the second quarter performance, provided on slide 23 of the presentation, our consolidated revenue stood at about 58,689 crores, up 10% quarter on quarter, primarily driven by strong volume growth in India and continued improvement in the cost transformation program to the tune of about 1,300 rupees per ton. As a result, the EBITDA improved by about 1,000 rupees per ton quarter on quarter, and this marks an improvement for the second quarter in a row in a very difficult market.

Expanding on the cost transformation program, as a company, we have delivered an improvement in costs of more than 2,561 crores during the quarter and are on track as planned across geographies. More specifically, in India, the cost transformation program achieved full compliance to our second quarter plan with leaner coal mix, optimization on the stores, repairs and maintenance expenses, and operating KPIs, which delivered the transformation of about 1,036 crores for the quarter. In the UK too, the cost transformation program was focused on reducing fixed cost in hire and leasing, lower fuel charges, and operating charges. In Netherlands, the program delivered about 1,059 crores for the quarter. We are on plan in all the operating areas like optimization of supply chain, procurement, and product mix along with the other controllable costs. However, we are delayed on the people restructuring timeline and the consequential benefits of the same in this year, as the discussions with the Central Works Council are still ongoing. Across geographies, we remain focused on execution of the cost transformation targets for the full year.

Let me now provide an understanding of the India, Netherlands, and the UK quarterly performance individually. Tata Steel standalone revenues for the quarter stood at 34,680 crores and the EBITDA was about 8,394 crores, reflecting a quarter on quarter improvement in EBITDA margin of about 80 basis points to 24%. As Naren mentioned, our volumes are significantly higher in quarter 2, and this, along with improvement in cost, led to an uplift in the EBITDA margin. Our wholly owned subsidiary, Neelachal Ispat Nigam Limited, also recorded about 260 crores of EBITDA for the quarter, up 17% quarter on quarter and reflecting an EBITDA margin of 20%.

Let me now turn to the UK market and our performance. Firstly, I must say that amidst the growing trade protection across the world, UK remains a very vulnerable market as the import quotas of steel across several product grades are higher than the total consumption of the country, making it very open to cheap imports. In addition, the market demand has shrunk due to the weak economy, resulting in decline in domestic prices by more than 150 pounds per ton since January 2024. The UK demand for flat products has declined by about 33% since 2018, but the quotas have increased by about 20%. In

2025, on a year to date basis, UK imports are up by about 7% year on year, and this has continued to impact prices as well as the spot spreads. As a result of severe market pressure and despite significant cost management programs, the Tata Steel UK EBITDA losses widened from 41 million pounds in the first quarter to 66 million pounds in the second quarter. As an industry in the UK, we have brought the current policy disparity to the attention of the UK government and are engaged on the subject. Given the current market conditions, we are focusing on optimizing the fixed cost. They are down by about 90 million pounds compared to the second quarter of last year, but sequentially we are marginally higher by about 7 million due to the annual maintenance activities during the quarter.

Moving to Netherlands performance, revenues for the quarter were about 1.5 billion euros on improved volumes, but were partly offset by lower realizations. On the cost side, material cost increased by about 75 million euros on a quarter on quarter basis, largely due to inventory draw down in contrast to the build up in the first quarter. This was largely offset by about 72 million euros reduction in conversion cost, aided by lower employee benefit expenses and emission related costs. We are also watching the policy development in the EU, especially on the EU Steel Plant 2.0 announced by the European Commission, as it will have long-term ramification on the domestic steel industry in the UK in the future.

During the half year, we generated about 10,000 crores of operating cash flows after interest, tax, and working capital. Of this, we spent about 7,000 crores on capital expenditure and paid dividend for the financial year FY25 of about 4,490 crores. As a result, the gross debt was almost flat with a marginal increase of 842 crores versus end March, while the net debt stands at about 87,040 crores. The net debt witnessed an increase versus the last quarter as it also included cash utilized for the dividend paid of 4,490 crores. Our net debt to EBITDA stands at about 3x on a consolidated basis.

As part of our strategic realignment following the planned surrender of the Sukinda mining lease, we are optimizing our ferrochrome processing footprint. In line with this, we have announced the proposed divestment of our ferro alloys plant in Jajpur in Odisha. The transaction is signed and is expected to be completed within the next 3 months, subject to regulatory and stakeholder approvals. We have often stressed about our focus on value-added portfolio, and hence, as part of growing the portfolio in India, we also executed yesterday the share purchase agreement with Bluescope Steel Australia to acquire the balance 50% in Tata Bluescope Private Limited. The sale is subject to regulatory approvals and we believe it will be value-additive as it leverages the synergies with Tata Steel in multiple areas.

As Naren mentioned, we have recently signed the non-binding joint letter of intent with government of Netherlands and the province of North Holland concerning Tata Steel Netherlands decarbonization journey. This joint letter of intent is an expression of mutual intent to explore a framework of transitioning to low CO2 production. I want to emphasize that this project will be designed and phased in a manner that is financially prudent. Both the government and Tata Steel have conditions to fulfill and we are working on each of them. There is no material spend in the immediate period and we will talk more in details on the project cost, the financing structure, and the project phasing closer to the binding agreement next year. We are also looking at prioritization, optimization, and sequencing of the CAPEX such that it is affordable for all stakeholders. The final investment decision on the project will be taken next year after engineering preparedness, completion of the conditions, assessment of the regulatory clearances and the negotiations with the new government in the Netherlands on the tailor-made binding agreement. With this, I end my presentation and open the floor to questions. Thank you.

Operator: Thank you, sir. We will now begin with the question and answer session. We will be taking questions on audio and chat. To join the audio question queue, please mention your full name and email ID in the chat box. Kindly stick to a maximum of two questions per participant and rejoin the queue, should you have a follow-up question. We will unmute your mic so that you can ask your question. To ask questions on chat, please type in your question along with your full name and email ID in the chat box. The first question for today is from Vibav Zotsi of JP Morgan. Please go ahead.

Vibav Zotsi - JP Morgan: Yes, thanks for the opportunity and congratulations on the strong results. My first question is basically on the European steel industry. Now in the context of the October 7 protectionist measures and CBAM implementation, some of the European steel players have talked about higher inquiries from new customers and a bit of a restocking cycle happening next year. Just wanted to get your thoughts on how you see utilization and prices moving into the next year, and also that the UK is probably not going to be directly benefited from the protectionist policy, right? So yeah, just some thoughts on that. Thank you.

Management: Sure. Thanks. Yes, the announcements in Europe has helped the sentiment as far as we are concerned in Europe because what Europe is doing is to make sure that the quotas for steel imports are brought down by 50% and have an import duty of 50% on any volumes exceeding the quotas. So this is a positive move for the European steel industry and in a sense, Europe is actually working hard to have a stronger, resilient steel industry in Europe to take care of Europe's strategic needs, particularly defense and in other areas.

So this is part of that plan. So it's good from a Tata Steel Netherlands point of view. We have already started seeing it having a positive impact on the price discussions with customers for the annual contracts for next year and certainly, as you said, imports have stopped coming in in anticipation of this. The restocking, etc., will lead to some positive impact for us in Netherlands, particularly from Q4. Maybe Q3 is already a bit too late and we are still dealing with the hangover of the last two quarters. But Q4 onwards we certainly see an improvement in Netherlands and this also has a long term impact because these actions are also going to come with melt and pour conditions. So, if you want to participate in the European market, you have to make in Europe rather than make somewhere else and ship slabs to Europe to participate in the potential CBAM-protected market in Europe. So there are multiple reasons why this is a positive move for Tata Steel Netherlands.

As far as UK is concerned, like you said, UK is left out of this. In fact, our discussions with the UK government is that the UK government also needs to take some actions, otherwise UK will bear the brunt of material which can't find markets in the US and Europe. We've not made headway yet. The government is saying they are looking at it. But that's one of the reasons, as Kaushik said, we have struggled with our performance in the UK. I think all that we were supposed to do ourselves, we have done, and the cost take-out plan, the fixed cost take-out plan, everything is as per plan. But the market has not moved as per plan and we would need some support from the government to make that happen. So UK is negatively impacted by these actions, but if the UK government takes some action to not only help Tata Steel, but the UK government is also invested in steel production in the UK just now. So they also have another reason to make sure that the UK steel industry is supported a bit.

Vibav Zotsi - JP Morgan: Okay, got it, that's helpful. And just on UK then, would you retrade the Q4 FY26 guidance of EBITDA break-even?

Management: Yeah, if there are no actions from the government, just by our own actions, it will be difficult to get an EBITDA break-even by Q4. But if there is some action similar to what is being done in Europe, then of course we can move closer to that. Like I said, all the actions that we had planned, we've taken. The cost take-out is as per plan. But the market needs to improve a bit for us to come to a break-even. Kaushik, you want to add to that?

Management: No, that's perfectly the answer. I think the spreads at this point of time make it very difficult for any amount of positive, given the fact that the prices at which steel is currently trading in the UK with the imports are very, very unsustainable at this point of time. So we certainly need policy intervention from a protection point of view.

Management: I think to supplement what both of us said, if you generally see the US prices traditionally have been about \$100 higher than Europe, and Europe has been about \$100 higher than, let's say,

India. So that's been the ladder over the last year or so. US price is almost \$200 higher than prices in Europe because of the actions taken in the US. We expect the European prices to start moving towards the US prices—may not match the US prices—but the gap would come down as it is today because of the actions being taken by the EU. But in the UK, the prices are moving the other way. It's coming closer and closer to prices in India, which is not sustainable for the steel industry in the UK. So that's why our appeal to the government and they are also evaluating it from that point of view.

Vibav Zotsi - JP Morgan: Got it. Thank you so much. And just a second question on India. So on the Neelachal capacity expansion, any timelines with respect to the board approval because earlier we were planning to get it by October? So any reason for the delay and the updated timelines? Thank you.

Management: The reason is largely related to environment clearances and all the clearances that we need to have because as per our current way we work, we go to the board after we've got all the approvals in place. But behind the scenes, the work is going on on all the engineering and the planning and the detailing; all that is going on. So that happens, but the FID will be taken once we have the environment approvals, which we expect in the next few months. There are some forest clearance issues, environment clearance issues which are going through. Kaushik, you want to add to that?

Management: Yeah, no, I just want to mention that we are pretty advanced in the environment clearance process and as Naren mentioned that we are progressing on it and we will take it to the board once we are in a position. The engineering work is also pretty advanced in many areas, and therefore we are getting the investment case ready for the board's review sometime soon.

Operator: Next question is from Sumangal Nevatia of Kotak Securities. Sumangal, please go ahead.

Sumangal Nevatia - Kotak Securities: Yeah, good afternoon everyone. Thanks for the chance. Sir, my first question is if you could share our guidance on the cost and the prices, both for India and then Netherlands and UK separately for the coming quarter, and then generally just want to understand what's happening with regards to the safeguard duty. The provisional duty has expired and we are yet to see the government notification. So just want to understand what is the latest here and what is our expectation.

Management: Yeah. So I'll give you some guidance on the cost as in coal cost, and if Kaushik wants to add on conversion, etc., he can do that. If you really look at from a realization point of view, our guidance is Q3 for India will be about 1,500 rupees lower than Q2. Q2 was about 1,500 rupees lower than Q1. So we had guided 2,000 rupees, but we ended up at around 1,500-1,600 rupees.

In terms of coking coal prices, we are saying India consumption cost will be about \$6 higher in Q3 than it was in Q2 because it's starting to turn the other way as coking coal has firmed up a little bit in the last few weeks. As far as Europe is concerned, Q3 guidance just now is about 30 euros lower in Q3 compared to Q2, but we expect Q4 to be much better because of what I said earlier. Coking coal consumption cost in Netherlands will be down about 5 to 10 euros, largely because they have more stocks in the system and so they will be consuming what they bought earlier.

As far as the UK is concerned, prices are generally seen as a bit flattish, no real drop, but our concerns are the levels at which the prices are today rather than the trend of the prices, and that's what we are working with the government on.

In terms of yes, what you're saying is right, the notification I think has expired in November and we are waiting for advice from the government on safeguard. We are working with them and let's see where it takes us because the larger point is the steel industry in India is impacted by steel prices internationally and some of the imports which is coming in. I think if the industry has to continue to invest the way it is planning to, obviously we need to see what is the support we can get from the government in India as is

being done by other governments elsewhere.

Sumangal Nevatia - Kotak Securities: Understood. So given the spot spreads in UK, we are expecting the losses to widen. Is that the right understanding? And also Netherlands, given the pressure on prices at least for the third quarter, we are looking at some softer margins.

Management: In the UK, maybe things shouldn't get worse. Let me put it that way. We are trying to see how to improve. Q2 was worse than Q1, but it's not necessary Q3 should be worse than Q2. We are still working on some of that and we are looking to see what help we can get. Netherlands, yeah, maybe some margin compression, but we are again looking to see what we can do there to manage that. Because like I said, the coking coal prices are lower; they are also getting some benefit on electricity and some of the other costs are lower in Q3 compared to Q2. So they will get some benefit there. In India, while there is some margin compression, India will have half a million tons more volume in Q3 than in Q2. So we will have a volume upside in Q3 because of the Kalinganagar ramp up.

Sumangal Nevatia - Kotak Securities: Got it. Got it. So my next question is on expansion. Now at India, is it safe to assume 3 to 3.5 years once we take the board approval, so that timeline in terms of Neelachal? And what is the peak level of volumes we can achieve in the existing capacity? My question is coming from the background that maybe from FY27 onwards, I think we will lack further room in terms of growth. So if you can explain that. And also with Netherlands, you said next year is the timeline where we are looking to freeze all the discussions with the government. So FY28 is the year when CAPEX actually starts and any CAPEX intensity you can share there.

Management: Yeah. So I'll start and then Kaushik can continue. As far as the volumes are concerned, yes, Kalinganagar is currently running—if I look last month, it's running at a 7 million rate and it can go up to 8 million. So that's the Kalinganagar capacity. Neelachal, pretty much you can get another 200,000 to 300,000 tons more once you have all the environment clearances because the existing volumes can go up a bit more. Today we are limited by the EC levels. We have the Ludhiana plant coming up next year, so that's another 0.8 million tons. We are looking at debottlenecking some volumes in the Kamaria plant, which is the Usha Martin plant, to support our combi mill, and we are also looking at some debottlenecking further in Meramandli. So we will get some additional volumes from all these places in addition to the 0.8 million which we will get out of Ludhiana.

The timeline that you said, yes, post board approval, 3 to 4 years certainly. We want to complete the Neelachal project before that and try and see if we can do it faster. What also you should keep in mind is the product mix is also getting richer. The cold rolling mill has just started ramping up in Kalinganagar. The galvanizing line, one of the two lines, has come in. The other one will come in by December. We have a combi mill which is a state-of-the-art long products plant, half a million ton, which has just got commissioned last quarter. So you will see multiple initiatives and then, of course, this Bluescope acquisition that Kaushik talked about. All this will lead to a much richer product mix. So there will be, I would say, a volume growth opportunity as I mentioned, but there is also an upside potential on getting a better, richer mix and better realizations.

In terms of Netherlands, even if we sign by next year, it's not as if immediately you'll have to spend CAPEX because you will take a couple of years to get all the planning permissions that are required to start the project. So it's a slightly more long drawn-out journey, but Kaushik can add more color to that and the other comments I made.

Management: Yeah, so Sumangal, I think the two points. One is that as far as Netherlands is concerned, we will finalize the tailored agreement sometime next year and the FID will be next year. Then there is a permitting process and post the permitting process, the major spends will start on the site, etc. So I don't see major cash out goes on Netherlands in the next couple of years even after the FID. I think the focus is clearly on the Neelachal expansion and once we get through, we should be site

ready when we get into the FID or almost in that kind of a position, and therefore from there about 3 to 3.5 years to get it done.

We are also looking at, to your question on existing assets, we are also looking at Tata Steel Meramandli where we want to look at, when there is a relining of a blast furnace there, expanding the volume, which includes putting up a finishing facility that will take the Kalinganagar 1.5 million tons of slabs to build up a thin slab caster. So there are at least, if I may say, 7.5 million tons of growth in consideration or in planning at different stages. When it is ready, we should be taking the board approval to spend and then some of these brownfield sites, especially in Meramandli, should have a shorter execution time than a greenfield site. So this is currently the pipeline other than the fact that what Naren mentioned, the Ludhiana will get commissioned, and we will also look at another EAF either in the West or in the South, which is also under consideration.

Operator: Thank you, sir. The next question is from Satyadeep Jan of Ambit Capital. Satyadeep, please go ahead.

Satyadeep Jan - Ambit Capital: Hi, am I audible?

Management: Yep.

Satyadeep Jan - Ambit Capital: Hi. So just want to start with the UK. We can understand that the CBAM in the UK actually kicks in 2027, so one year after the EU CBAM. Then in the context of current imports, what options, what is the process? Because from my understanding with Europe is that the EU parliament has to approve the report and findings of EU Commission, EU Council and EU Parliament, and the current safeguard expire in June 2026 or so. When you look at the UK, what exactly is the process timeline? Do they have to take the entire study and then the decision will be taken by Parliament? So the entire process, are we looking at some kind of supporting 2026 or not? And the cost savings that were there in the Rishi Sunak government on network tariffs and power cost being declined, has it already kicked in? So just want to understand Europe and UK in general first.

Management: Yeah. So Satyadeep, two things. One is when you talked about the European part, the European Steel action plan proposition that Naren talked about in terms of reduction of quota, tariffs beyond quota, etc., and melt and pour is going to kick in from June 2026 because they are currently in the consultation process. Once the consultation is done, various stakeholders give their point of view if they have to change or modify, etc., and then it starts from June. So that will kick in from June.

As far as UK is concerned, at this point of time, the consultation process on CBAM hasn't started. It is in formulated position, but it is not yet started. They are scheduled to go live one year after the EU CBAM, which is 2027, as you mentioned. But we have not seen that happening and that is one of the conversations that we are having with the UK government. We are having conversation with the TRA, the Trade Regulatory Authority, on the quotas. So UK is behind the curve as far as EU is concerned or comparative to EU is concerned, as far as these initiatives are taken. So if it is 2027, our plan and when in 2027 is not yet determined. So we are actually trying to get an understanding as to when the consultation process will start, how much time it takes. It normally takes 6-8 months, maybe a year. So we want to kick that off faster and to ensure that it is in time when our EAF comes. Compared to the policy announcement that happened last year, they are behind. This is the short answer. We will see as to where this will progress in terms of timeline, but to us, the more important priority here and now is actually the quotas, and then the CBAM discussion can happen in parallel.

Satyadeep Jan - Ambit Capital: The quota also given it needs to go through a formal study and then final decision will be taken by the UK Parliament or is it executive decision? So is there a realistic chance of this quota reduction in UK if it goes through in 2026? Are we looking at maybe quota reduction also, whatever it is, in 2027-2028?

Management: No, no. So 2027-2028 is simply very late, by which time the UK government would have also lost a significant amount of money because of what they are managing in the steel industry in the UK. I think they are working on it and the assurance that we have got—the TRA has got all the data, that validation process is done. I think they will have to recommend it from the cabinet and get ratified in the Parliament. That process in the UK is pretty fast, but I think the more important point is to get to that process, and that's what we are talking to the UK government about.

Satyadeep Jan - Ambit Capital: Okay, secondly on Netherlands. On the joint letter of intent, it is mentioned, I'm just checking on the wording of the joint letter of intent, it is mentioned that there will be support of up to 2 billion euros for phase one, but explicitly it is also mentioned that there will be no tailor-made support for phase two as things stand. So does it mean that the government is making it very clear they will not support any expansion beyond phase one? And also this import quota that we are looking at needs to be ratified by the Parliament. There is a lot of opposition from downstream users in Europe. Hypothetically, if we see this go through and European steel prices converge with the US, do you see some challenges? Just want to understand because Europe historically has been a very different market versus the US. But with the opposition, so two-part question: one on the joint letter of intent and overall some of it potentially getting diluted, or is that not a risk, this current import quota reduction that we're looking at?

Management: So I would first talk about the part on the Netherlands bit that you mentioned. The answer is yes. This tailor-made agreement is specifically towards phase one and our commitment to do the phase one. The phase two is left to the company to decide as to when and as far as timing, the technology to be used, the project cost to be done, etc., which is one reason why they also want Tata Steel Netherlands to be significantly profitable to ensure that they can afford to do the phase two whenever it is deemed fit. So that is how the understanding is. There is no commitment on funding and neither a commitment on when we have to do the phase two. So this is all discussions on phase one. The circumstances and the policies may change in phase two also as far as the EU consultation is concerned. It is ongoing. From the sense that we get, there are people who have been neutral, there are people who are supportive and there are people who obviously have some views. So that is for the EU to proceed and then get a sense.

I think what you're saying is right. There is a disadvantage if you're making stuff using steel and exporting out of Europe, then if you have a higher cost of steel, then you may have a disadvantage. The auto industry is one such sector, but I think everyone is also looking at building strategic autonomy in Europe and that's where there is a consensus that the steel industry is important for Europe. So even in Netherlands we get a lot of support from that fact. They are not asking us, "Why do you need a steel plant in Netherlands?" It's more about, "What is it that can be done to have a strong steel company or a steel business?" So I think the conversation has changed in the last 2 years, thanks to the Russia-Ukraine issue, the US trade issues, etc., right?

The second thing is as the European governments are putting money in the industry, they also have, in some sense, a skin in the game. So there is an interest from that point of view to not put money in the industry and then end up destroying the industry for whatever reasons, right? So I think these are the things which we think are supportive for the steel industry. I also think the supply side in Europe will get restructured because as more and more blast furnaces come up for relining, unless you have tied up with the government for a transition, it will be very difficult to justify blast furnace relining for most of the steel companies in Europe. So there will be some supply chain side restructuring as well in the next 10 years.

Satyadeep Jan - Ambit Capital: Thank you so much.

Operator: Thank you sir. Before we take the next question, I would like to remind the participants to please limit your audio questions to two per participant. Should you have a follow-up question, you are

requested to rejoin the queue or post it in the chat box. The next question is from Vikas Singh of ICICI Securities. Vikas, please go ahead.

Vikas Singh - ICICI Securities: Thank you for the opportunity, sir. Sir, just wanted to understand, if you look at slide 10 of your presentation, though we have given a guidance of 40 million tons, we have not given the timelines for the same. And also the flat products are also increasing and long products are coming up big after that. I believe that the long products portion is Neelachal. So which is the large portion of that flat product which expansion we are expecting, and if you could give us the timelines for that.

Management: So let me put it this way, the sequence is not to do with the time. So as Kaushik said, what we are most ready for is the Neelachal expansion and the Neelachal expansion is a long products expansion. So the opportunities beyond, so Neelachal also this is from 1 to it will go to about 6 million tons and from 6 it can go to about 10 million tons, the second phase of Neelachal expansion. Kalinganagar, as we complete it, we can go to 13, that's the next phase, and from 13, we can go to 16. In Meramandli, we are first looking at taking it from the current level of 5 to about 6.5, and then after that go to 10. So in all these areas, work is going on. In Meramandli, we need to acquire some land. In Neelachal, we are waiting for the ECs, etc., and Kalinganagar also a lot of work is going on in the background. So all these are at different stages of readiness, and as we mentioned earlier, we will now go to the board only after we've got all the requisite approvals and that's why we've kept the timelines a bit open.

The second thing I want to say is we are also pacing our growth depending on the demand growth in India, the profitability, and how to pace it, etc. And we are also looking at adding more and more downstream businesses and that's why the Bluescope expansion and the combi mill expansion in Jamshedpur, and there are a few other proposals that we look at. So it's not just a volume growth, we are also looking at the value growth through investing more and more in downstream. So it will be a mix of both. We have the advantage that we can pace ourselves depending on the situation in India, because between these three sites alone, you can, as I gave you the numbers, and Jamshedpur, you can go to 45 million tons, right? So it's more a question of the appetite, the balance sheet, the demand requirements, the profitability of the industry, and the priorities that we want to give.

Vikas Singh - ICICI Securities: Understood, sir. So my second question pertains to Netherlands. We remember that we had these carbon free credits which are gradually going down. So just wanted to understand, as we are starting the turning green at a later part and that would obviously take some time, how should we look at our cost structure there in terms of the carbon credit reducing?

Management: So I think the free allowances will come down, started to come down slowly. And we have mitigants. For example, we are using more scrap charge. Currently, we are at about 18-19%. Our target is to max out on scrap to ensure that we get to it. I would also like to mention that in Netherlands, our CO2 emission, as of last quarter, which I just got the number a couple of days back, is at around 1.6. So that's kind of one of the lowest. We had gone down to 1.59. This quarter, last quarter we were at 1.6, and we're taking a lot of effort in reducing the CO2, also including usage of scrap as a percentage. Last quarter we were not able to max out more because of some volume issues. We will go beyond 20%, and once we get to more and more scrap, we will be able to reduce CO2.

So as the natural reduction happens on free allowances, we want to also undertake internal decarbonization efforts to be there because there is a clear cost advantage to this. So along with our cost transformation program on other cost areas, I think we will continue to work towards reducing the conversion cost in Netherlands, including CO2, energy, natural gas, and other costs. So that's the trend, and that's the basis on which we think that the expansion on the margins will happen, to be one of the top three in Europe. It's not based on how the prices will come when the prices come due to the steel plan or the CBAM, etc., that will be on top of that.

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

Ritesh Shah - Investec: Hello, am I audible? Yeah, yes, hi. So thanks for the opportunity. Couple of questions. First on Tata Steel UK, so what is the exposure from a revenue mix that we have from the UK to Europe, and how are we looking to de-risk it hypothetically if there are delays on the UK government taking a stance?

Management: So that's about 25% volume on the current basis. And that's the—I was waiting who will ask that question—but that's the third lever of the negotiations with the government, because in 2021 the EU and the UK have signed an agreement of no quotas and no tariffs between most of the grades except for some galvanized grades where there are specific quotas. But this new regulation that comes in as a steel plan will require the UK government to revise that understanding with the EU. So that's the third leg of engagement that we have requested the government to do it quickly, which they are cognizant of because that's important. And as politically UK talks about a coalition of the willing, I think this is also something that they will be looking to work towards, and that's what our request is.

Ritesh Shah - Investec: That helps. So my second question is on Tata Steel Netherlands. I think we have laid out certain details with respect to citing EAF initially on natural gas, subsequently on CCS, finally bio methane and or hydrogen. So there are multiple permutations over here. We also indicate support up to Euro 2 billion. Possible to give some higher level thoughts on what could be the CAPEX number? Because we know it is up to 2 billion, but we don't know what the CAPEX number is. So how are you looking at the cash flow math? You did indicate no major cash flows next 2 years, but from a ROC standpoint, from a cash flow standpoint, and from a capacity standpoint, how should we look at Tata Steel Netherlands? And if not for say support in phase two, would we still continue with our stance that we will maintain our volumes for Tata Steel Europe? I think that's something what we had guided earlier. So would we stand to it?

Management: So Ritesh, if I may, since you wanted high level, I'll keep it high level, but I think the point when you talked about the different feeds of natural gas, hydrogen, and bio methane, it is the switchability which will be built in from natural gas to hydrogen to bio methane, then depending on the economics and the availability at scale of each of this.

Natural gas is not a problem because Netherlands is kind of the hub for natural gas, and that's why we build in on it. Earlier when the EC was looking at these decarbonization projects, they were very insistent on hydrogen. And if you see some of our peers had gone ahead of us and the agreements that or the conditions that EC had given was purely on hydrogen, which is the reason why many of them have gone slow. So we actually did not want to go that hydrogen route because it's very uncertain on the availability as well as on the economics. So we were more focused on natural gas and we have an optionality to auction for bio methane because after hydrogen that is the one which is being proposed as the next best fuel. So on bio methane we have the optionality for auctioning of this or tendering, and if it comes in at the right economics and availability, then the switchability will be looked at. It could also be more like a fungible on paper to buy it on a fungible basis as a hedge rather than physical if the physical doesn't flow. So we have those optionalities to be tested out, but that is to be tested much later. It's not immediately on commissioning. It will be post 2035, etc. So I think that is the construct that we have as far as our understanding on the Joint Letter of Intent with the Dutch government, as well as blessed by the EC.

So what we are currently doing is what will be the CAPEX and the engineering process is currently on. We have allocated a little bit more money to complete that process. That engineering will be known on CAPEX somewhere around May-June. That's my best estimate at this point of time because it's a complex process. It has three elements: it has the element on the health issues, which is the coverages, then it has the EAF, and then it has the DR. So there are three sub-parts to that process within the integrated process. So that I think will be more fairer to talk about somewhere around in 6 months' time.

By which case the investment case will also be very clear and our understanding on the policy changes that we have asked for as a condition to the tailor-made agreement will also be clear, which is on network cost, electricity, the coal ban or usage, etc. So those policies will also be once the new government comes in, we will be able to engage more deeply because those are conditions for final FID, and there are some asks from them towards us, which we are also working on with the local environmental agencies.

Operator: Thank you, sir. The next question is from Rajesh Majumdar of B&K; Securities. Rajesh, please go ahead.

Rajesh Majumdar - B&K; Securities: Thanks for the opportunity. So I had a question on the cost take-out. You have already talked about 5,450 crores in the first half. How much of that has come from the Kalinganagar plant efficiencies and how much more can be expected as we ramp up gradually towards full capacities with the value-added segments?

Management: So actually this is unrelated to capacity utilization because this is on the baseline. There is some element at capacity utilization but largely it is run in an integrated manner. For example, the we run it as one program on say store spares and maintenance. So it is not just one site but it is across the combination and this combination is actually the power of this program because when our colleagues run it on say stores management across four sites, it's much more efficient than managing it across four individual sites than a consolidated basis right from procurement to usage to usage pattern to storage and inventory, etc. So it's very difficult to give a site wise but it is more specific by theme wise. For example, stores, using leaner coal mix across, using energy efficiently, so those are the kind of themes we run across sites and that's why we organizationally also we are consolidated to do that.

Rajesh Majumdar - B&K; Securities: More specifically, sir, you earlier guided about I think 2,000 to 2,500 kind of lower cost in Kalinganagar. So how much of that is achieved and how much of that is likely to be achieved over the next few quarters?

Management: I think we said at one time as we fully ramp up Kalinganagar there will be a benefit because obviously it's a much more productive site. It's a volume effect.

Management: Correct, that's a volume effect. Yeah, so that's a per ton volume effect which will happen by the end, by the time we exit this year we should be able to get there and that's our target on the volumes anyways. We had some slowness in the first quarter but second quarter onwards we have been able to increase our capacity utilization and we will continue to do so in Q3 and Q4.

Rajesh Majumdar - B&K; Securities: Right, sir. And my second question was actually on your Ferrochrome unit sell-off. I mean we bought this unit just 3 years ago and we earlier proposed a 50% expansion along with CPP and we also have the Chromite mines. But suddenly you decided to sell this business. So what is the problem here? I mean if it is a small thing, then it was a small thing even 3 years ago when you acquired it.

Management: So I think it was linked to our Sukinda resources and if you really look at it strategically if you have to continue, if we were to continue Sukinda one was this whole confusion that happened on the MDPA etc. because Sukinda needed underground mining to sustain itself because the resources on the way we were doing it was coming to an end. So if you look at the investments required for underground mining, the ferrochrome market in general globally, and the way in which the duty tariff structures, etc., works—our call was to exit the mining in Sukinda because of the high underground CAPEX. And once we took that decision, it was necessary to rebalance the sources of mining. We have two other mines, more specifically one more mine which is more useful, and that required us that we do not want to be just a converter without a mine. And that is the basis on which we then took a decision to get out of it and the buyer is consolidating in that space so it helps him also.

Management: Basically we wanted to limit our production to what we largely need for in-house consumption rather than be in the market because we were surrendering the Sukinda mine and the changes in the MDPA, etc., was not making this business as attractive as it was before. So it was more a rethink on this portfolio given the current context.

Operator: Thank you, sir. The next question is from Prateek Singh of DAM Capital. Prateek, please go ahead.

Prateek Singh - DAM Capital: Yes, please. Hi, thanks for the opportunity. The first question is on the UK. So given all the uncertainty and volatility that we are seeing in the UK and Europe as well, so how confident are we of the level of profitability once the EAF comes in? Or to put it apparently, what kind of EBITDA do we see is doable given the current environment, current pricing, and current raw material costs? That's the first question.

Management: So if I were to start and then maybe Kaushik can add, you know when we did the EAF, the larger point was we said the cost position of the UK will improve by about 150 pounds per ton. Okay, because we were taking out a lot of fixed cost. We were using locally available scrap instead of imported iron ore, coal, etc. Right? Which meant that in a longer term steel pricing that we've seen in the past, the UK business should be a bit positive and should be able to stand on its own because an EAF run operation has much less requirement of support on maintenance and many other things because you don't have the sinter plant, the coke ovens and blast furnaces and many other such facilities. Okay, so that hypothesis stands.

What we are seeing now is a very abnormal situation which is coming out of what's happened in the US, what's happened in Europe, now what's happening in China. So we don't expect these things to stay on forever. Our internal cost side, we are on track to what we said we would achieve. But the external aspects, we expect actions to be taken, like Europe has already taken to protect the European industry. And as Kaushik mentioned, the UK government is also bleeding because of their investments in the other steel plants in the UK. So we are expecting some resolution to this in the next few months. So it's a hypothetical situation. If today's situation continues forever, of course there's a challenge, but we don't expect today's situation in the market to continue forever. Yeah.

Prateek Singh - DAM Capital: Sure. So just as a follow-up to this, what kind of capacity does the UK in particular needs? I mean, was there ever a discussion that maybe not put as big a capacity as we are planning and where we scale down a bit given we don't need that much given how the environment is right now? Or we are okay with the current capacity that we announced for the UK?

Management: Yeah. We are comfortable with the current capacity level. I think the issue which has happened in the UK is the quotas have not been changed even though the demand has shrunk over the last few years, unlike EU where the quotas have been changed and have been tightened further. So our submission to the UK government is they need to be realigning quotas—import quotas—to what is the domestic consumption. And I think that's what we expect them to be doing, but otherwise 3 million tons with maybe 10-15% exports is fine and optimally also that was the right capacity for us given the balance of plant and everything else. Yeah Kaushik.

Management: Yeah, no, that's the same point. I think there is nothing wrong with the capacity in the context of the demand. It's the issue of the imports that have come in. Also, the UK government subsequently, in the last year, the new government came in, they were all focusing on infrastructure, and that infrastructure when it actually starts rolling will require a lot of steel. But that has not also happened. So I think there is a policy issue that the government needs to address, which is what has been worked on in terms of growth for the economy itself. But as far as the steel capacity is concerned, I don't think we could have done anything lower because we have a very tidy downstream network of our own which uses the base-grade HRC or the quality of HRC for further value addition. So there is

nothing wrong there. As Naren mentioned, we have taken out significant cost and we continue to do so. This year also there is continuing momentum on cost. But there has to be an uplift on the metal over margin, so to speak, which is what is the price at which you are buying the metal and what is the price at which you are selling the metal. So that metal over margin is an important thing that has shrunk significantly and that's purely because of the fact that cheaper imports are flooding the market.

Operator: Thank thank you, sir. The next question is from Pallav Agarwal of Antique. Pallav, please go ahead.

Pallav Agarwal - Antique: Yes, please. Yeah, so firstly, congratulations on the good set of numbers and also on the cost transformation initiatives. You know, you are broadly on track. So on the Ludhiana EAF, what kind of profitability can we look at compared to the stand-alone Indian operations? Obviously it should be lower, but to what extent will it be lower?

Management: Yeah. So there are a couple of things happening with Ludhiana. Of course, like you said, the profitability will be lower. Typically an EAF kind of operation in the Indian context, I would say it's more of 5,000 to 7,000 Rupee EBITDA per ton kind of thing. But you should look at it in the context also of you're getting almost a million tons for 3,000 crores or less. Right? So that's the, you know, when you look at it from a different angle, that's the equation that we look at.

What we're doing in Ludhiana to supplement the margins that would normally be available is to see how can we reduce cost because of the fact that you're getting scrap from a 200 to 300 kilometer radius and you're selling steel in a 200 to 300 kilometer radius. Right? So a lot of the logistics cost that we incur when we make steel in Eastern India and ship it to Ludhiana or elsewhere is what we're trying to save. So there are a number of initiatives on the route to market, the logistics costs, the supply chain costs, etc., so that, you know, we maximize the revenue potential in the geography and of course, pretty much all that is produced there is going to the retail market where our realizations are higher than it is in the project market. So there are a number of initiatives.

But what I've described is the starting point and let's see how we can bridge the gap between a project like this versus the backend which is, you know, more iron ore and coal based. But from a speed of execution, capital intensity, etc., there are a lot of advantages in this model and we do believe that while Tata Steel can continue to grow based on iron ore and coal in Eastern India, and like I described earlier, between the three sites we can go to three or four sites including Neelachal go to 45 million tons. Northwest and south, we have an opportunity to grow in a capital a bit more capital light. You need just 100 acres of land to build the steel plant, you don't need 3,000 acres, you can do it much faster. So we will refine this model. This is the first step. And as Kaushik mentioned earlier, we are looking at opportunities to set up similar facilities, maybe even for a richer mix. This is for retail but tomorrow's plants could be for alloy steels, for automotive, etc., long products basically in the west and south.

Pallav Agarwal - Antique: Sure, sir. Secondly, we used to highlight that probably on the pipe expansion part, probably I think we were looking to expand from 1 million ton to 4 million tons. You know, I've not come across that in the recent presentation. So where are we on that initiative?

Management: Sure. So basically most of that growth would have come through assets that we would lease. You know, even today in whether it's in long products or in pipes, etc., a lot of our capacity goes through assets that we lease, which means 100% of that capacity is committed to us. So today, I think the pipes business is heading towards 1.5 million tons, which includes the pipe business that we acquired through Bhushan and plus all the leased out capacities. I think I'm not remembering the exact numbers, but maybe 40 to 50% would be our own and the rest would be leased out. So most of the growth will come through that. We've recently invested in a precision tube mill which has added 100,000 tons of high quality pipes in Jamshedpur. So wherever it's high quality, specialized, like we have the large diameter pipes, API pipes all available from the Kuli plant, wherever it's high-end, we will make the

investments. Wherever it's regular stuff where the value is more in our branding and distribution, we will lease out capacity. So that work is going on and as our hot rolled coil capacity grows, we will continue to expand the pipe capacity and the ambition is to get to 4 million.

Management: Maybe you can share more details, Samita, in the next pack or something.

Management: Sure, and I just wanted to also add that for the EAF blast furnace sort of comparison, because I think there are a lot of questions on that. The other cost differential benefit will obviously be there when there are carbon taxes because EAFs emit significantly lower than blast furnaces. So when India introduces carbon pricing, and we have seen over a period of time that will come through, then you will also have that benefit on an EAF operation.

Management: I think typically the difference is \$100 between an EAF route of production and a blast furnace route without factoring in the capital cost, I'm just saying the OpEx kind of thing. And as Samita says, as and when carbon prices come up—because the CO2 footprint of the Ludhiana plant is going to be 0.2 or 0.3 tons CO2 per ton of steel compared to Jamshedpur which is the best in India at 2.1 or 2.2 and Netherlands, which is one of the best in the world at 1.6 as Kaushik said, 1.61. So Ludhiana is going to be at 0.2, right? Because it will use green energy. So when you start looking at paying a premium for low carbon, low CO2 steels, that's when some of these businesses will make even more sense than it does today.

Operator: The next question is from Ashish Jain of Macquarie. Ashish, please go ahead.

Operator: Ashish, we are unable to hear you. We request you to please send in your question via chat or rejoin the queue. We will now move to our next question. The next question is from Amit Murar of Axis Capital. Amit, please go ahead.

Amit Murar - Axis Capital: Hi, thank you. On iron ore, wanted to get some thoughts, how are you kind of thinking about securing iron ore for Indian assets? I think in the last call you did speak about it a bit, but could you also help us understand, are you kind of looking to get into some types with OMCs as well, or it will be broadly merchant purchases? How are you thinking about it?

Management: Yeah. So I think, as we said last time, obviously we already have some iron ore. We have maybe about 500 to 600 million tons of iron ore with us today, which is available beyond 2030 based on our existing mines which we've got through our acquisitions or through auctions.

The second point I want to make is when we bid for the mines, it needs to make sense. You know, there is no point bidding a price at which the cost of iron ore is so high that you'd rather buy it from the market. The third is what you're saying is right, it can't be all spot purchases. So we are already engaging with OMC, NMDC, etc., to look at what could be the arrangements that we could have. OMCs is of particular importance to us because a lot of our sites and production and growth is happening in Odisha.

Fourthly, we are also looking at various other options depending on what is the cost of iron ore in India. We already have a mine in Canada, for instance, which is very high quality iron ore, very low alumina ore; it's 63 plus Fe, alumina of less than 0.5. So today we sell from there into Europe, etc., and there are some challenges which we've dealt with over the years. We are getting a shipment into India to test out that material. Traditionally, India is not an attractive market, but if iron ore cost and prices continue to stay high, then all options are available. Imports is also an option that we look at. But it's not necessary that we need to have 100% captive. I think we will do that if it makes economic sense. Otherwise, we will look at buying in the market. Even coking coal, at one time Tata Steel had 100% captive. Today we are 20% captive. 80% is what we buy from the market. So we will exercise that option.

The other part is our ambition and our actions on going more and more downstream is to also help push us on the revenue side, so that the revenue per ton keeps going up as we progress towards 2030, so

that the cost per ton is less impacted by any increase in price, or rather the margin is less impacted.

Amit Murar - Axis Capital: Understood. Also, is there any ballpark cost number that we can think of for your current captive mining? Like, or if you have done any calculations around it, what will be your cost of captive mining?

Management: I'm not sure we are sharing that. Are we doing that Samita? No. Because we have a full range from expensive to cheap ones, so we also decide on what to produce more where. So I think I don't think we are sharing that publicly.

Management: We don't actually comment on any specifics or any product or material details, but obviously significantly lower than market price. Yeah, that's all from me then. Thank you. Thanks.

Operator: The next question is from Ashish Kejriwal of Nuama. Ashish, please go ahead.

Ashish Kejriwal - Nuama: Yeah, hi. Good afternoon everyone. Am I audible? Yeah, Ashish. My question is on account of domestic demand environment because see, after so many months or years, we are seeing that our prices are much cheaper than the landed cost of imports, despite the fact that safeguard duty is implemented. So actually, and when we see overall demand environment or demand volumes from GPC, it seems to be on a higher side, but actually price is not getting that reflection. So my question is, are we seeing an excess supply scenario or lower demand which is affecting our prices? And in light of that, when we have guided 1,500 rupees price decline in Q3, are we factoring in that in December also there is no price increase? That's my first question.

Management: Yeah. So obviously, it's not that demand is not there; demand is quite strong. India is the only country which is showing double digit growth and a major country showing double digit growth in steel consumption. And I think given the focus on infrastructure building in India, I do expect the demand growth to be more than the GDP growth rate, which is what happens in most developing countries, including in China when they were growing. So if the economy is going to grow at 6.5-7%, steel consumption growing at 10% is to me par for the course, right? So demand is not the issue.

Obviously, supply side, as you know, when we add capacity, we add in big chunks, right? So we've added 5 million tons, JSW has added something, JSPL has added something. So you will go through years when a lot of new capacity is coming on stream at the same time. But I do believe in the medium to long term, it is not going to be easy to build lots of capacity very quickly in India given the regulatory environment, the approvals that we need to take, the time which takes in India to build a steel plant, etc. So I expect this there to be a better balance going forward, and which should get reflected in the prices.

The more specific question you had, yeah, this is factoring in November and December. We've not factored in a major price increase in December. We are saying that we operate close to November levels. If there's an increase, there's a potential upside to what I just guided. So, but just now we've been a bit conservative on this.

Ashish Kejriwal - Nuama: Sure. So effectively you are saying October, November also we have not seen any price increase and in our assumption we are not taking any price increase in December also.

Management: As a seller of steel, we will always try to increase prices, but it's the market which decides whether they're willing to accept those prices. So we will always try to push and let's see where we end up.

Ashish Kejriwal - Nuama: Okay, I understood. Secondly, see, we have acquired 50% stake in Bluescope and at a value of something like 22 billion for the company which is having net profit of 62 crore, 30 crore in the last 2 years. So rationale-wise I understand that we are going into downstream, but the amount which we are paying seems to be much, much higher if I look at on the profitability

basis. So how can we explain that?

Management: Kaushik, you want to address that?

Management: Yeah, so first of all, I think this JV has been making about 19% ROE for over the since inception. Second is it has a combination of two parts. One part is that we have this JV company had its own color coating metal coating facilities. Then, post Bhushan, as per the JV agreement, we had to ensure that the same that was there in Bhushan facilities in Kopoli, etc., was also used by the JV, the substrate of which was passed on by Tata Steel and that is the arrangement that we had with the JV and the JV partners which is ourselves as well as Bluescope. And in some ways there is a split in the profitability because of the transfer pricing, etc. So you do not see the system profitability of this business; you just see for that part of the business only the downstream profitability, excluding the transfer price and the markups on the transfer price and so on. So I think it is important that and that's why we were hindered in this segment because we were the first to come in in 2005 to grow this business significantly, which is, I think, in our domain and the leverages in the synergies and network of Tata Steel and enriching the product mix, also fungibility of the product mix between market segments and so on. And that is the basis on which we actually wanted to consolidate and Bluescope also in their strategic understanding wanted to therefore exit the business, which is what we have agreed upon. So if you look at it from an underlying perspective, it is 7x which from a value-added downstream perspective is what the numbers will effectively look at, excluding the Kopoli and the ones which are leased because that brings down the performance of the company. So that is the basis which when post the acquisition, you will see it more on a system basis and we will certainly explain the same to you. And you can see the numbers at that point of time.

Operator: Would now like to hand the conference over to Miss Samita Shah for the chat questions. Over to you, ma'am.

Management: Thank you. So we've answered, I think, a lot of the chat questions in the discussion so far, but I think there are a few which maybe we can touch upon. Firstly, I think there is some question on Thailand, that Thailand EAF profitability despite being an EAF operation is highly profitable and can we expect that kind of profitability either in India or UK. So maybe you just want to give people a sense of the Thailand duty structure, etc.

Management: Yeah. So there are two, three things when you look at EAF profitability, 70% of the cost is scrap, right? So the price at which scrap is available, etc., is a big impact and about 15% of the cost is energy. So these are the two factors which drive EAF profitability apart from operating performance, etc.

Thailand, what you're seeing in the upsurge is because, if you recall, there was an earthquake in Thailand, I think it was in April or something like that, and there was this viral video which went around of a tall building which had collapsed, and, you know, the conclusion at that time was that a lot of this is happening because of the poor quality of steel which is used and the quality standards need to be looked at once again. Because if you use poor quality construction steel, you run the risk of this kind of a thing happening, particularly if there's an earthquake. So as a consequence, a lot of local production which seemingly was not meeting quality standards had to be closed and Tata Steel Thailand is seen as one of the best quality producers of steel in Thailand, has a good name. We have the Tata Ticon brand operating in Thailand as well, and they got the benefit of that. That's why you see a much better performance than we've seen in the last few years. But having said that, they are still settling. Traditionally, it's been a profitable business, has never required any support from India. It's always been cash positive, EBITDA positive, so it continues to be that way. And as the quality considerations become more and more important, we think that that's positive for Tata Steel Thailand.

Now whether that kind of profitability, again, like I said, we are in a much better place on the cost curve in Europe post EAF than we were in the past because of the fact that you're not using imported ore and coal, you reduced your fixed cost by about 400 million pounds and you're using locally available scrap, right? So certainly we'll be in a much better cost position than we were before in the UK. And similarly in Ludhiana, compared to the base production in Jamshedpur, you'll be in a higher cost position, but we look at how do we make this model work, you know, taking out costs beyond the production costs, like logistics costs, route to market costs and so on and so forth.

And as Samita said, as and when carbon prices come up, because the CO2 footprint of the Ludhiana plant is going to be 0.2 or 0.3 tons CO2 per ton of steel compared to Jamshedpur which is the best in India at 2.1 or 2.2 and Netherlands which is one of the best in the world at 1.6 as Kaushik said, 1.61. So Ludhiana is going to be at 0.2, right? Because it will use green energy. So when you start looking at paying a premium for low carbon, low CO2 steels, that's when some of these businesses will make even more sense than it does today.

Management: Thank you. The next question, I think we have a few questions on cost transformation. So I'll just combine them, Kaushik. So one is, are we on track and what is the kind of number we're expecting for Q3? And then there's a question about because of the delay in employee related discussions in Netherlands, are you reducing your target for the year?

Management: So that looks like an exam question, but I think it is important to mention that our target is the same, and I mentioned when we started off this that it is an 18-month program. So the work that can be done is being pursued across the geographies, across teams, across functions. So I think we will continue to maintain the secular basis on which we are—we've gone through the first two quarters. The compliance in Netherlands is lower as you can as I mentioned because of the employee restructuring going slower than what we had planned. But that is a timing effect, and I'm very hopeful and all of us are working with the CWC to ensure that we get to it. But the point is less about quarter on quarter, it is more about getting structurally fit. It is about getting the competitiveness in place so that we become all-weather. And I also want to say that the target will also keep changing as far as once you achieve it, there will be more where we want to build a pipeline of it and we continue this as a journey. Tata Steel India has always done that for about 20-25 years, but this time around we have taken a more structural view because we have become multi-site and our capacity have increased significantly and that's why this is an important journey in the competitiveness of Tata Steel and we have expanded to all our global sites also, most critically UK and Netherlands. So we are going to continue this journey and I think it is not to be just taken as a quarterly target, it is more about ensuring that structurally we are in a better place.

Management: Yeah, thank you. There are a few questions on the Tata Steel Netherlands (TSN) decarbonization, which again I'm just going to combine. Essentially, I think the question is given the political changes in Netherlands, do we expect the government to go through this commitment which they've done? Is 2030 a sacrosanct deadline? So some questions I think around the timing and the probability of the government actually going through their push for decarbonization.

Management: So I think if I look at the way we have built up our conversation with the government and across the political spectrum, it has been largely bipartisan in terms of across parties because it was a parliament mandated process to get true to the Joint Letter of Intent. And subsequently, when we were signing the Joint Letter of Intent, it had to go back to the Parliament for placement and noting. So I think with the political parties being the same, and it is certainly the assumption that we are working in that the government will continue to work on it because it's of national importance and it is something of a commitment.

We do have a journey in terms of final negotiations on the binding tailor-made agreement. But I don't think any of us have a doubt that the government will not stand behind what they have signed, the new

government. We have to give the time for the new government to form; the elections just over. It unlike in India, it takes a little bit of time. And we must give that and then we will sit down with them on the tailor-made agreement. In the meanwhile, both sides are anyway working at the back end on the conditions that needs to be fulfilled in terms of preparing for the new government. When it comes, we will have a very clear understanding of what needs to be done before we sign the tailor-made agreement. That's where it is. And that is also where the timing of the project and the feasibility and practicality of doing it within certain years will also be considered and a due action taken because we have to take the practicality of changes in policy in the permitting process, the construction, the site work required, and so and so forth. So we will have a conversation around that subject also and I think the political world in Netherlands is fully aware of that.

Management: Thank you. I think there are multiple questions on capacities of each of our downstream products or capacities, but I would just like to remind people that we don't really give guidance on individual product capacities. I think Naren mentioned a broad guidance and our overall growth paths. So we will not take that. And then there is, I think, one broad question Kaushik which you might like to address on our leverage targets and how we are sort of, you know, balancing that or what is our approach towards leverage?

Management: I was wondering when that question would also again come in. But I think we are managing our balance sheet pretty well under the circumstances in the context of our operating cash flows, all geographies being focused on working capital and profitability. And we had, I think this quarter we had a significant amount of cash outflow on our dividend, which is an obligation that we are clearly focused to fulfill as part of servicing our investors. And I think it is important to mention that our net debt to EBITDA is at about 3x, even with the kind of spend that we have. So we will be in that—I've already said that in the past—that between 2.75 and 3x is where we would like to maintain ourselves on a more sustained basis. At times when there are significant market challenges or volatility in prices which impacts the working capital because steel, coal, iron ore prices do change significantly, especially under the seaborne market, that's the time when we do get beyond that matrix, but largely 2.75 to 3x is what we would like to maintain in a mid-cycle period like this or a low mid-cycle period like this. In an up cycle, we are on a different platform. So we would keep the metrics like this that any opportunity to deleverage, we'll continue to deleverage. And but we also look at where best to apply that capital, apart from leverage, in short payback period projects or acquisitions like the Bluescope that we've done because that actually effectively will help in consolidating the margin and the footprint and helping a product mix to grow. So those are decisions that we do take and then look at what the leverage allows us to do. When we look at the Netherlands, we will certainly look at the phasing spend and how quickly we can get the cash to cash cycle up. And that's why Naren mentioned that we want to go at a time when we are ready, site ready to start work so that we can compress the period as much as we can. So leverage is an important part in the entire not only financial strategy, but also in the business strategy and how do we actually run the business.

Management: Thanks. Thank you. With that, I think we have answered all the questions. Thank you to everyone who's dialed in and look forward to connect with you again next quarter.

Operator: Thank you. Thanks everyone. Thanks.