Management Discussion

Ashwin Bajaj - Group Head, Investors Relations, JSW Steel Ltd
Yeah, thank you, operator, and a very good evening, ladies and gentlemen. Welcome to JSW Steel's earnings call for Q2 FY27. We have with us today the management team represented by Mr. Jayant Acharya, Joint Managing Director and CEO; Mr. G.S. Rathore, Chief Operating Officer; Mr. Arun Maheshwari, Director of Commercial and Marketing; and Mr. Swayam Saurabh, the CFO. We will start with opening remarks by Mr. Acharya and then open the floor to Q&A.

So over to you, Mr. Acharya.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
So thank you, Ashwin. Good evening, everyone. The global economy has remained resilient despite continued geopolitical and inflationary pressures with IMF upgrading its global forecast for 2026 to 3.1% and maintaining its outlook for '27 at 3.4%. Growth is being supported by AI-led investments and improving manufacturing activity, although the Middle East conflict and its impact on energy prices and supply chains and elevated bond yields remain key pressure points. The U.S. economy has been supported by strong consumer spending despite inflationary pressures. In China, export strength has supported manufacturing, while domestic demand has been weak.

Recent policy measures are expected to support investment and infrastructure demand. India continues to stand out as the fastest- growing major economy with structural growth drivers. The IMF and RBI have upgraded their FY27 GDP growth forecast upward to 7% and 7.1%, respectively. Industrial activity, exports and automotive demand have been strong despite global headwinds indicating strong economic activity. Strong public and private investments across sectors continue to support the CapEx cycle. However, elevated energy prices and inflationary pressures arising from an uneven monsoon are key risks to monitor and the RBI has adopted a more hawkish stance and high policy rates recently.

Coming to the steel industry, the Indian steel consumption has continued to grow with quarter two seeing a growth of 7% and H1 seeing a growth of 7.5%. India's total steel exports and imports for H1 are broadly balanced. However, on a finished steel basis, India was a net importer. Domestic steel demand is expected to grow between 7% to 8% in FY27. In China, steel production and consumption both continue to decline. During January to September, production decreased by about 3%, while consumption contracted by about 4%. While finished steel exports are down by 2%, steel exports overall including semis from China are up by 3.3% during this period. This is due to elevated exports, primarily of the semis which I mentioned.

On the sustainability, we continue to make progress on our objective of becoming net carbon neutral by 2050. To promote resource circularity and reduce dependence on imported scrap, we are setting up processing centers across India. The first 0.5 million ton center at Khopoli where we have commissioned the baler during Q2 and the shredder will be commissioned during quarter three -- by end of Q3. During H1 '27, the scrap utilization increased by more than 10% year- on- year reducing the carbon footprint in our operations. We continue the transition to green mobility and have deployed 134 electric buses, 98 electric cars across Vijayanagar, Dholvi and Salem till date.

Our sustainability efforts have been recognized with the 2026 World Steel Steelie Award for excellence in clean steel production and the ICC Platinum Award for occupational health and safety excellence. On the operating performance, despite a challenging geopolitical backdrop, and the resulting pressures on supply chains and input costs, JSW Steel delivered a strong operational

performance. Crude steel production and consolidated production and India operations were the highest ever at 7.27 million and 7.07 million tonnes, respectively, both growing by about 5% Y-o-Y. The blast furnace 3 at Vijayanagar has ramped up well following light up in the end of June reaching about 90% utilization during the quarter.

The JVML operations achieved record quarterly production. However, our India operations achieved a utilization of about 88%. Our consolidated sales were the highest at 7.46 million tonnes growing at 13% Y-o-Y. Indian operations sales were also the highest at 7.27 million tonnes, which grew by 14% driven by a demand recovery in the second half of Q2. We achieved our highest ever domestic sales at 6.29 million tonnes, up by 12% outpacing the Indian market growth. Our focus on value-added steels helped us to deliver record sales of value-added and special products of 4.11 million tonne, up 11%. Our focus on strategic sectors continued. Institutional sales grew by 15% Y-o-Y. Auto sector sales were the highest ever growing by 36% Y-o-Y. Sales to the appliance and renewable sectors also grew by a healthy 28% and 14%, respectively.

Coming to the financial results. In quarter two, JSW Steel reported consolidated revenue of INR54,486 crores and adjusted EBITDA of INR9,941 crores with an EBITDA margin of 18%. PAT stood at INR5,359 crores. The quarter was impacted by high cost and supply chain disruptions. Overall input costs were higher, particularly coking coal, which increased by about $10 a tonne, a bit lower than our earlier guidance of $12 to $15 for this quarter. Iron ore costs were also slightly higher among other input costs as well. Realizations fell quarter-on-quarter, mainly on account of long steel prices.

Performance at our overseas operations improved sequentially, mainly driven by better realizations. Last quarter, we commissioned a vacuum tank degasser at Ohio. This will enable us to produce higher-grade steel, especially API grades. Quarter two EBITDA at Ohio increased quarter-on-quarter, although operations were impacted by scheduled maintenance shutdowns in September. Operations at the plate and pipe mill in Texas were also impacted by a shutdown taken for the upgradation of the plate mill in September. However, EBITDA was sequentially higher on higher prices.

The U.S. operations together generated EBITDA of about $19 million. The Italian rail mill reported $7 million, flat versus Q1. Our net debt stands at INR44,482 crores with the leverage gearing improving further to 1.28 and 0.39, respectively. Revenue acceptances stood at $2 billion. CapEx spent for the first half of this financial year was INR11,136 crores and we expect to meet the guidance of INR22,000 crores to INR24,000 crores of CapEx during this financial year.

On our joint venture, we have provided the performance details of our JSW JFE Steel. JJSL had a sale of 0.92 million tonnes and a healthy EBITDA of INR1,136 crores. There was a PAT loss due to a stamp duty provision related to the BPCL transaction. Excluding this, the PAT was positive.

Let me update you on the growth projects so far. We are making steady progress towards our goal of reaching 78 million tonnes of capacity in India by '32, including our joint ventures. Steelmaking projects at Dholvi, Utkal, JVML and Kadapa are progressing well. The slurry pipeline in Orissa remains on track to be commissioned by March '27. Our various downstream projects across locations are also progressing well. Today, the Board has approved additional projects.

Let me briefly take you through them. Approval for the phase 2 of 5 million at JSW Utkal in Orrisha. This will take the Orrisa JSW Utkal capacity to 10 million. Under construction -- the 5 million ton is already under construction. The second phase just announced. The construction will begin. The project Phase 1 is expected to be commissioned by quarter three of FY30 and Phase 2 by Q1 of FY31. We have added an 8 million ton pellet plant at JVML Vijayanagar site. This will enable us to

use locally sourced iron ore fines versus costlier lumps.

We will also set up an additional converter and caster for the JVML Phase 2 expansion, which will create additional melting and casting capacity to take the overall crude steel at Vijayanagar location to 25 million tonnes. At the ongoing Dolvi Phase 3 project, we are adding a caster and plate processing facility. This will upgrade the capacity of the CSP mill to 7 million tonnes and enable us to process additional slabs into hot-rolled coil and plates. On the downstream side, we are expanding our Vasind operations with a CRM complex of 1.8 million tonnes per annum. Commissioning is expected by quarter two of FY30.

On our strategy to enhance our raw material security, we continue to remain focused. As you know, we completed the acquisition of the MDR coking coal deposit in Mozambique in March '26 and are focused on rapidly bringing it into production. The Board has approved further CapEx for a mine capacity of approximately 9 million tonnes of clean prime hard coking coal. Production will commence in CY28 and ramp up gradually in subsequent years. Further CapEx has been approved for developing our captive iron ore mines and coking coal mines and washeries in India. We currently have 25 iron ore mines, of which 13 are operational with work underway to operationalize the remainder as well and expand some of the operating mines.

The three new mines in Karnataka are now expected to be commissioned in quarter four of FY27. This will provide additional capacity of around 4 million tonnes taking the overall capacity in Karnataka to about 15 million tonnes per annum of iron ore. Our four iron ore mines in Goa can provide approximately 6 million tonnes of iron ore. We are working to get our coking coal washeries at Parbatpur and Dugda operational by next year. This will enable us to process domestic coking coal from our captive mines and linkages with BCCI and should provide us usable clean coking coal of approximately 3.5 million tonnes per annum.

In our JJSL joint venture, we and our partner JFE Steel have approved expansion of steel facilities by 5 million tonne per annum. This will take the total capacity of the plant to 9.5 million tonne and is planned to be commissioned by FY31. In the last quarter, we had reported our CapEx pipeline of INR1.3 lakh crores to be spent over the next four to five years. With these new announcements, our total CapEx plan now stands at INR1.48 lakh crores. This CapEx will be spent over the next five to six years. This CapEx will be funded from internal accruals for most of the part and we have a strong balance sheet and headroom available to support our growth plans.

JSW One platform, online platform in which we have a 66% equity stake, saw steel volumes grow by 53% Y-o-Y and the GMV rose by 77% to INR6,989 crores in quarter two. Credit offerings contributed to INR2,400 crores approximately of GMV, up 91% and the platform continued to deliver positive EBITDA. Looking ahead, we expect volumes to increase in Q3 with stronger production on the back of full production of Vijayanagar BF3 and JVML operations. Coking coal costs are expected to rise by about $25 in quarter three in line with the sharp increase in prices in the latter half of Q2.

Iron ore costs are expected to be marginally higher in quarter three. Domestic steel demand will remain strong and is expected to grow by 7% to 8% in FY27 driven by public and private CapEx, manufacturing and automotive demand. We are on track to meet our production and sale guidance given for the year. On concluding side, I would like to say that the government's recent draft National Steel Policy 2047 envisions India's steel consumption to reach 505 million tonne by 2047 and a steelmaking capacity of 600 million tonnes with a production of 530 million tonnes.

While India's current per capita steel consumption stands at 116 kilos, well below the global average of about 210 kilos, it is projected to reach about 300 kilos by 2047. This underscores the significant

headroom for a long-term demand growth. Against this backdrop, JSW Steel is ideally positioned to accelerate growth and play a defining role in India's growth story while remaining focused and disciplined on capital allocation and value creation.

We are happy to take questions. Thank you.

Operator
Thank you. We will now begin the question- and- answer session. [Operator Instructions] We have the first question from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Questions & Answers

Amit Dixit - Analyst, Goldman Sachs
Yeah, hi. Good evening, everyone, and thanks for the opportunity. Congratulations for a good set of numbers. Two questions from my side, sir. While we are announcing steel capacity expansion, just wanted to understand the thoughts on the equivalent iron ore integration. Understand that we have mines, but wanted your thoughts on benefiting the locally available iron ore because some of the iron ore we have is of relatively lower quality. Also wanted to understand if the option of importing iron ore is open and how much iron ore we imported in H1 FY27? That is the first question.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
I will request my colleague Arun to answer this.

Arun Maheshwari - Director of Commercial and Marketing, JSW Steel Limited
Hi. So regarding iron ore, yeah, definitely, the way India is growing our steel, iron ore requirement is going up and it will -- I think for JSW, we are all set. As of now, our EC capacity is for all operational mines is about 42 million tonne. So that is one part of it. The other operational mines which are likely to come up, which are under different stages of exploration, I think will be more or less we'll be able to -- captively we will be able to cover up to 50% of the requirement as of today.

As we develop processing of a low-grade iron ore in Karnataka and Andhra Pradesh, the requirement on the self-reliance on the iron ore sourcing will further increase from here on. So far as India's overall demand is concerned, imports remains an option. The way iron ore prices are likely to correct in the years to come, probably this will be one area which can be closely monitored as an option to it. But the development of iron ore mines in Orrisha, in Gadchiroli area, in Andhra Pradesh and other parts of India , it is okay. I t won't be a major challenge as we look forward.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
We will continue to develop our assets. Just to add to this, continue to develop our assets which we have. As we mentioned, 25 iron ore mines, 13 are operational, the balance will be operationalized. We will continue to bid strategically for new assets which come up. Our idea is to take our raw material security on iron ore also to the next level and we'll remain focused on that.

Amit Dixit - Analyst, Goldman Sachs
That's helpful, sir. The second question is essentially on realization. So as you, I mean, alluded to the cost guidance for maybe Q3, is it possible to give us an indication of going by the spot prices and the negotiations you might be having with automotive players, what kind of realization increase we can expect? And particularly if you can highlight the feelers that you're getting from auto guys?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Let me put it this way that the price is basically following the demand. In the last quarter, if you recall, in June and July, we had seen a price dip, especially starting with long products given the Middle East war environment and a weaker quarter because of monsoon. However, as the monsoon eased in second half of the quarter, the demand picked up. That enabled us to increase the prices -- recover the prices to some extent which we lost. So that -- and then the price increase in the month of October as well will fully get reflected in October-December quarter.

Having said that, we also are mindful that the costs are going up as we guided that coking coal will go up by $25. Iron ore will go up also to some extent and other costs like zinc, tin, ferroalloys input costs have seen an increase. However, our expectation is that we will be able to offset the cost and add incrementally to the margin over Q2. The auto sector negotiations are ongoing and we'll not be able to give you any indicator as of now for the next quarter. The previous quarter, auto sector negotiations are closed.

Amit Dixit - Analyst, Goldman Sachs
Okay. And what was the price differential that we got?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Maybe I will request our team to give it to you offline.

Amit Dixit - Analyst, Goldman Sachs
Okay, sir. That's okay. Thank you so much and all the best.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Thank you.

Operator
Thank you. Participants are requested to kindly restrict your questions to two per participant. We have the next question from the line of Amit Lahoti from Aditya Birla Capital. Please go ahead.

Amit Lahoti - Analyst, Aditya Birla Capital
Yeah, thanks for the opportunity and congratulations on a good set of numbers. My question is on the capital structure of the Sambalpur JV. So basically, when looking at the current debt profile and plus the incremental debt with this CapEx announcement of 5 million tonnes, it appears that net debt to EBITDA could go as high as 10 times at the peak CapEx. So my question is whether the balance sheet risk is fully done by the JV or like is there any ring-fencing which is done to the level of JSW Steel from these liabilities?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Swayam -- I'll request Swayam to answer your question.

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
Yeah, thanks, Jay. We don't believe net debt to EBITDA will go to 10x. We do recognize that during project phase, net debt to EBITDA could go slightly higher, but we believe that with the kind of cash this business has generated also this year, we will be able to comfortably get through it. We have by design ring-fenced JSW Steel and we believe that, that will remain intact.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Just to add to this, there is no concern on the growth plan and our ability to manage that. The site is ready for expansion and it therefore makes sense for us to take up that expansion now. The market is providing us the platform to do it. We are quite confident that we will be able to carry out the expansion in a financially prudent manner.

Amit Lahoti - Analyst, Aditya Birla Capital
Okay, noted. Thank you.

Operator
Thank you. We have the next question from the line of Akhilesh Kumar from Emkay Global. Please go ahead.

Akhilesh Kumar - Analyst, Emkay Global
Yeah, hi, thank you for the opportunity. So my first question is on the coking coal with cooking coal already being at near $270 per tonne because of standing mining issues, and we'll have further Australian cyclones coming up in the coming quarters, which will eventually impact the coke prices. So how do we see cooking coal market panning out and the impact of that on our margins, if at all, for the second half of FY27? That's my first question.

Arun Maheshwari - Director of Commercial and Marketing, JSW Steel Limited
The cooking coal market is -- it's elevated from the lows what we have seen in the last couple of quarters. But then that's largely because of there were a couple of accidents in China and Mongolia is not able to ship out some of the cargoes to China. So these are the reasons why China has been buying into the market, which we have seen in the last couple of weeks. Again, the Chinese buying has gone down. Having said that, these elevated prices are not applicable only to one particular country or a company. It is applicable to the entire world and the entire steel industry. So if the cost goes up, it will be applicable to almost every company across. So it will not have a specific negative impact on any particular company. Now, having said that, yes, cost will go up for sure if the prices remain disinhibited. But then this quarter we have given a guidance that coming quarter would be around $25 more or less cooking coal cost going up, which is factored in our outlook.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Just to add to this, our focus as we said to use more domestic cooking coal. And that's why in the opening commentary we did highlight that we are adding washeries focusing on blending domestic cooking coal. So that would give us a cost advantage and be able to some extent offset the higher imported cost.

Akhilesh Kumar - Analyst, Emkay Global
Got it, got it. My second question is on the current net debt at the BPCL level and how should we look at it going forward as well? Because in our valuations we do value JSW and BPCL separately. So how should we look at it?

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
So the current debt at the JV level will progressively go down and we have done next phase of expansion, which would mean some debt will come up. And we have done a calibrated simulation on what could be peak net debt. As I answered earlier, we remain confident that while the net debt to EBITDA will remain elevated for some time, but the JV will be able to complete the project without

any unexpected stress.

Akhilesh Kumar - Analyst, Emkay Global
What is the current net debt level at the JV as of September '26? If you can guide on that?

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
I will ask our investor relations team to provide this information one-to-one.

Akhilesh Kumar - Analyst, Emkay Global
Sure, thank you.

Operator
Thank you. We have the next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia - Analyst, Kotak Securities
Yeah, good evening. Thanks for the chance. First question is on the CapEx. So JVML Phase 2 and Utkal Phase 2, similar 5 million tonne capacity but very I mean -- almost 10,000 So just want to understand, is there any difference in the configuration or some backward integration CapEx also included?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
We had guided, if you remember, when we started our Phase 1, the Phase 1 cost of Orissa plus the Phase 2 cost, if you add both these together, our total cost for 10 million is about INR48,000 crores. Look at it from that perspective and then compare. Secondly, the Phase 2 does not have a hot strip mill, which JVML has.

Sumangal Nevatia - Analyst, Kotak Securities
Understood, understood. That helps. All right. So second, on the prices, if we can get what are the NSR or maybe long flat prices in October versus 2Q what we've seen and also if you could explain what's happening in the long prices? Last quarter in the call you shared that long price correction is overdone and it's gone through the roof after that. So just want your sense on the volatility in the long steel prices in India.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
So see, long steel prices have historically been volatile during the monsoon period. This time it was more impacted by the Middle East crisis as well, the availability of labor that impacted the construction overall. So that resulted in a sharp fall in long steel prices. Post moderation of the monsoon and some confidence returning back to the market, the construction activity has picked up. The CapEx in June and July, the public CapEx by the Government of India in June and July was quite strong.

And that has also resulted in August-September uptick in the overall economic activity of construction. So that's why you see a better pricing environment.

I would say that from a demand perspective, in the second half of this year, we will see continued growth of long steel, especially after the festivities on the back of the public CapEx as well as now improving private CapEx. On the hot rolled side, the flat steel in particular, the price, while it corrected to some extent was not as sharp, and the prices have now recovered from the drop which we had seen in the interim in quarter two. We feel that the prices now reflect a reasonable Number

gives the steel industry the ability to be able to maintain margins to invest back in the CapEx which we have targeted.

Sumangal Nevatia - Analyst, Kotak Securities
Understood. If I may just squeeze in one more question on iron ore. The prices in India is fairly flattish and not correcting in line with what is happening in the seaborne market. So just want to understand, is there any supply issue in the country or we should expect prices in India to catch up with the weakness in global market?

Arun Maheshwari - Director of Commercial and Marketing, JSW Steel Limited
Oh, well, in dollar terms, if you look at it, yes, definitely there is a weakness in the international market. But then if rupee terms, if you have to convert that in the basis the current dollar parity, more or less the international prices is also flattish if I have to look at that way. The other thing is that in domestic market, the iron ore supply has not increased as much as what the demand has been growing in the last one quarter or two quarters. So that's where it is playing out a bit. On top of it, there has been a big derailment in NMDC Chhattisgarh mines wherein the supply has been disrupted for almost now 20, 25 days, which has impacted a large chunk of iron ore availability.

And on top of it, monsoon has been very erratic in few parts of the mines, especially in Central India and parts of Odisha, wherein the movement has impacted. So given all this stuff, there has been a slight disruption of iron ore supplies, which is a normal phenomenon in this time of the year because of the monsoons. Going forward, I think, generally it looks to be more flattish at this level because it was elevated much earlier than what it was expected. So we feel it would be more or less flattish going forward.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
But given the international prices which have, uh, corrected directionally. Usually the domestic industry will also catch up after the supply bottlenecks which are there, postponements improves. So we do expect a softer iron ore environment as we go into the next few quarters.

Sumangal Nevatia - Analyst, Kotak Securities
Okay, that's very helpful. Thanks and all the best.

Operator
Thank you. We have the next question from the line of Pinakin from HSBC. Please go ahead.

Pinakin Parekh - Analyst, HSBC
Thank you very much, sir. I have three questions and all of them are related to the CapEx program. So my first question is on CapEx. When these projections on costs were given or these projects were built out, I assume it would have been earlier this year or last year, the currency was at a certain level and the currency has seen a meaningful depreciation. So is there a risk to this CapEx numbers being increased as we build in the higher currency over the next few years?

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
So Pinakin, we do factor in normative depreciation of rupee equivalent or forward cost coverage equivalent cost over the period of CapEx. In the cost which we announce in INR terms. So I don't see that as a new risk.

Pinakin Parekh - Analyst, HSBC
Got it. My second question, Mr. Acharya, is that JSW would start working, or effectively is working on four simultaneous sites for blast furnace steel and five including Kadapa. And I don't think in history in India we have had four or five steel plants being built simultaneously. What are the constraints you see in terms of your supply chain or your EPC contractors being able to execute these projects? I mean, the company can provide land and capital, but what are the issues, potential issues you see at the supply chain execution level?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
So the question is valid because there are multiple sides contractors, labor, manpower have to be enabled. The positive which we are seeing in the east is that most of the labor and the workers earlier used to come from the east to our projects in south and west. And post the COVID there is a tendency to be more towards home. The availability of labor therefore in the east of the country is better. So we see that JSW Utkal expansions are not really seeing much of a labor shortfall. From a contractor standpoint, if I have to look at it, I think we are trying to enable various contract ecosystems to be able to come up and work alongside our existing contractors, which is working well.

We expect that to be able to add to the overall contract manpower which they would bring in. The BF blast furnace also, we have a system that like our blast furnace 5 ended in Vijayanagar, the entire team was shifted to and the contractor was shifted to blast furnace number 6. Similarly, when we are doing the Utkal Phase 1 and Phase 2, we are doing that in a seamless manner so that the deployment and redeployment is reduced and it goes on seamlessly. That also to some extent enables us to keep the labor, keep the contractors in place as we expand our capacities.

So while your question is valid, I think the company has taken various steps to improve the availability of contractors and laborers and we are quite confident that we'll be able to carry out the work across all these sites. Mr. Rathore will add one more point. Just one second.

G.S. Rathore - Chief Operating Officer, JSW Steel Limited
Yes, sir. See, over the year we have been able to develop the expertise to do in-house projects. And Dolvi and Vijayanagar being more of a parental plant will give this trained manpower to all these new locations. So Kadapa being closer to Vijayanagar will be taken care, and by the time We finish Dolvi next year, the people will get transferred there. So we have already mobilized key people from these two locations to these -- to take care of as far as supervision from JSW side is concerned.

So that kind of expertise is developed. As far as contractor is concerned, we are trying to identify two or three large contracts which will take care of blast furnace, steel mill shop, which are the larger ones. And the smaller kind of projects like hot strip mill and rest of the thing will be able to do by Tier 2, Tier 3. And we have worked very hard on trying to solve the softer issues which will help us to retain the manpower for these executions.

Pinakin Parekh - Analyst, HSBC
Got it. My last question, sir, is that with the Board announcements today, uh, the crude steel addition is roughly around 26 million tonnes including Dolvi that the company is starting work on. But we are we have not yet seen a consumerate announcement or increase in the value-added steels, so HSMs and cold rolling mills and so on and so forth. When should we have visibility on CapEx on the downstream facilities in respect to the upstream that is being put at this point of time?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
So if you recall, in the Vijayanagar complex, we have already announced our electrical steel expansion projects. We had announced the joint venture through CRGO both for Nasik and Vijayanagar and now we have announced the downstream project in Vasindh. In the earlier quarters, we have announced expansion in Kapoli downstream facility and also in Rajpura. So we are continuing to expand our downstream operations. You will also see more downstream capacity build up as we go into the subsequent quarters.

Also keep in mind that the value-added and specialty products which we are looking at also includes products from the hot-rolled and hot-rolled sections. So Kadapa hot roll section, which is the widest, one of the widest in India, will also give us the kind of special products which we need. The Raigad expansion which we are doing right now will have a configuration of rail and sections, again on the value-added side. Our 2,600 mm wide CSP in Dolvi also gives us the necessary width to be able to actually meet the plate requirement. And at a much lower cost point. So the special product category is getting slowly increased, and we will continue to add more value-added downstream facilities as well.

Pinakin Parekh - Analyst, HSBC
Got it. Thank you very much, sir.

Operator
Thank you. We have the next question from the line of Parthiv Jhonsa from Anand Rathi. Please go ahead.

Parthiv Jhonsa - Analyst, Anand Rathi
Hi, thank you for the opportunity. Just continuing on the CapEx, right? Initially, I believe you had a CapEx plan of about 1.26 trillion and now it's been to about 1.48 trillion. Just wanted to understand how confident are you considering that the current steel cycle is still, you know, quite robust, very supportive. But we have seen in the past by a couple of other peers that if the steel cycle goes against you, the entire stress comes on your balance sheet at the end of the day. So how confident are you? Because the timeframe is like just five to six years at the end of the day. Just want to get your understanding on that.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Your question is the confidence on being able to manage the CapEx cycle?

Parthiv Jhonsa - Analyst, Anand Rathi
Yeah, manage the balance sheet.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
The markets are there. Yeah, I think I'll request Swayam to add.

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
So this CapEx base do not rely on a very significantly positive, let's say, steel prices. If you look at our current scale and add Dolvi, which will be available next year, and take a normal pricing or even a stress pricing environment for one or twoi years, you'll realize that we are still generating enough cash, which is what we would need on an average, INR25,000 crore to INR30,000 crore a year and that could largely be self-funded. Any temporary cash gap given we right now stand at 1.28 times net debt to EBITDA gives us enough room to temporarily increase debt if needed. But overall, at this

stage, we remain very confident and this CapEx plan do not rely on very positive, let's say, steel prices cycle for a long period.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Also keep in mind that the opportunity which India is offering today in terms of the demand and in terms of the growth potential, it would make sense for us to be able to execute, take up the projects and execute in time so that we are able to meet the demand which the country is forecasting. The national, the draft new national, the new policy by 2047 is also forecasting a demand of 500 million tonnes and a capacity of 600 million tonnes. So directionally what you see in India from that standpoint, required capacity is to be set up. We are quite confident, our balance sheet is very strong. We do not see any concern from liquidity. We have enough headroom available to be able to complete the projects.

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
And if I can just add one more thing, if you look at our current quarter results, despite the quarter being almost INR6,500 crore of CapEx, we have actually generated free cash to bring our debt down. And this ability to generate free cash only will sustain. Prices could come down, EBITDA margin could come down a bit, but we are -- we're going to add volumes next year. WPA 3 will come, and absolute cash generation ability, we are fairly confident about.

Parthiv Jhonsa - Analyst, Anand Rathi
Right, that's actually quite helpful, sir. Sikr, my second question is pertaining to one of your remarks in the opening comment remark where you said that water can be a big challenge. Because if I read a couple of annual reports from your one of the group companies, they have clearly mentioned that the water charges as a raw material, basically water as a raw material, the charges expected to go over 2.5x in next decade. Now you having the widest or extensive manufacturing facilities across Can this be a challenge or it's adequately covered?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
I don't think we mentioned water in our current opening remarks, but we are -- water requirement in the steel plant is a key requirement. We are taking all steps to see that the water linkages are established in each of the locations to meet our requirements. Rathore, you would like to add any other thing? And the cost is not so material which will impact our steel overall cost in a big way.

G.S. Rathore - Chief Operating Officer, JSW Steel Limited
So as far as our specific water consumption per tonne of steel produced is lowest probably for the best of the company. And there are a lot of initiatives are being taken at each location to recycle the water. I mean, RO plants and recycling, reuses and we are tying up with each location the nearest water resource and reservoir to take care of the future requirements.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
So in our Vijayanagar facility, we have created a reservoir and just to give you an example, which has storage capability for 300 days of operation now. So we are taking steps and measures, having pipeline linkages to our plants to ensure that water is available.

Parthiv Jhonsa - Analyst, Anand Rathi
But excluding Vijayanagar, do you have ample sanctions from the state government? Because water is practically not fungible between the two facilities at the end of the day.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Yes, we have.

Parthiv Jhonsa - Analyst, Anand Rathi
Okay.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
The project was set up with those permissions from the state, yes.

Parthiv Jhonsa - Analyst, Anand Rathi
Okay, perfect. Thank you so much.

Operator
Thank you. We have the next question from the line of Ritesh Shah from Investec India. Please go ahead.

Ritesh Shah - Analyst, Investec India
Yeah, hi, sir. Thanks for the opportunity. So my first question is on incremental cost levers. Probably there might be several variables. Would you like to flash out top three variables that one should watch out for? Specifically, my interest would be on the coking coal mine. If you could highlight what would be the cash cost, delivered cost, equivalent grade premium pricing and hence the cost differential on back of that. That's one. I think besides that, the sizing of the furnaces, I think it's quite larger as compared to historically what we have. Third is basically probably on the logistics side and fourth on the RE side. If you could put some numbers over here, it would be great, sir. That's the first question.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
We'll not be able to give you coking coal cost and details right now. The coking coal as you -- as what we have already focused in Mozambique, we are taking up the capacity to 9 million tonnes of hard coking coal capability. Il lawarra has 2 million tons of hard coking coal capability. So that takes care, most of our requirement for PLB coal for up to the end of this decade. Domestic coking coal, we continue to develop. We will be able to generate about 3.5 million as we indicated. So these put together, we would be roughly having a captive linkage of about 15 million tonnes of coking coal, which will provide us adequate security.

Also, the cost structure both for the domestic coal and for Mozambique is expected to be lower than the international prices. On the other cost lever, which is the larger blast furnaces, they are all of larger volumes and therefore have inherently better benefits, better productivity, lower fuel rate, less manpower. So those are more cost-effective compared to the smaller ones which may have been there in the older operations. The third one you had asked was with respect to one was largest coking coal.

Ritesh Shah - Analyst, Investec India
Logistics and RE.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Yeah, so RE, we have already commissioned about more than 1,000 megawatts. We are in the process of commissioning the balance 1.5 gigawatts which has already been approved. So we will be 2.5 gigawatts plus on RE. Our aim is to convert as much of the thermal coal which we are using

today to non-fossil, and we will continue to add more renewable capacity either through offtake in the market or by setting up through a joint captive system. Okay. On the logistics side, the slurry pipeline, we have already given you details earlier in Odisha.

That project is likely to get completed by March '27 and that would give us benefit. Our pipe conveyor at Vijayanagar also with some more clearances is able to operate at higher capacity than earlier. That also would improve our logistics. We have built in through our own and through our other companies railway wagons through your own schemes which the railways have been announcing, which gives us better control over the railway wagon movement across the country. We continue to take steps to further improve logistics like electric vehicles for closed-circuit supplies from the plant to nearby destinations. Those will also be added on as we go .

Ritesh Shah - Analyst, Investec India
Sir, I'll just try it the other way around. So hypothetically, if safeguard duties are taken out, it's not renewed, do all these measures more than adequately cover up for the loss of safeguard impact?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
This and some others as well because we continue to take -- we just discussed the value-added downstream. So your larger furnaces, your raw material security, your value-added and special products, our logistics savings which we will do, all these put together are structurally improving our cost profile, and that should be able to shield us from any kind of challenges which we may face from the threat of imports.

Ritesh Shah - Analyst, Investec India
Sure, that's helpful. So my second question is, would you be more constructive on flats or long pricing incrementally, say three months out? I think specifically I'm asking this question because longs, to what we understand, there is an element of higher electricity tariffs in certain pockets in the country and it is impacting the economics of induction furnaces and electric arc furnaces and hence potentially some supply curve disruption, which could be pumping up long product prices. So if we had to take this particular variable into account, how are we looking at flats versus long prices?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
So primarily long products, the primary industry, these integrated steel producers are probably in the range of 30%, 35%. The balance 65-70% is with the secondary sector. So therefore there are many small producers across the country. Therefore we have seen more volatility, let us say, in the long product prices. Going forward, our aim is to be able to add value in long products where we see that they will be more value-adding in nature, like the beam plants which we are setting up or the rail mill which we are setting up. We see value steel construction is shifting a lot to beam-based construction or plate-based construction. We are trying to be in those products in addition to the normal long products which we have.

We are also adding capacities in alloy steel where we see value and where we see demand. So on the long space, these are the areas we will focus on. Flat steel continues to be our mainstay and the growth in flat steel based on the automotive, based on institutional sales, appliances, renewable you see a lot of flat steel demand. So flat steel remains an area of focus. On the price side, it will be very difficult to give you a kind of a forecast as to which one will be better as we go along, but this is the focus which JSW Steel has between flat and longs.

Ritesh Shah - Analyst, Investec India
And so just last quick one, is evacuation a problem either at Dolvi or at Vijayanagar on finished steel products?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
As of now, no. In the eastern side, we had some challenges with respect to the raw material rake availability because of some rakes being diverted for power sector. Other than that, we have not faced any challenges.

Operator
This is helpful. Thank you so much. All the very best.

Operator
Thank you. We have the next question on the line of Darshan Mehta from Dollar Capital. Please go ahead.

Darshan Mehta - Analyst, Dollar Capital
Yeah, sir. Thank you for giving me the opportunity. Just some bookkeeping questions, sir. Can you tell us what would be the stamp duty amount that you had paid in Q2 for JJSL?

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
The stamp duty impact to JSSL has taken as INR276 crores and this is on best estimate basis.

Darshan Mehta - Analyst, Dollar Capital
And sir, one more question was on our debt side. Can you tell us how much of our, uh, debt would be dollar-denominated and how much of it is basically hedged?

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
So we have a -- I mean, we historically followed a policy of covering 12 months forward, but of late we have increased our total hedge position. In gross terms, our dollar exposure, which was over $6 billion beginning of the year last year, has actually come down dramatically to actually closer to $3.5 billion, $3.6 billion.

Darshan Mehta - Analyst, Dollar Capital
From $6 billion, you are saying we are now at $3 billion, $3.5 billion?

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
Over $3.5 billion.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
We have repaid a lot of our expensive debt during the first half of this year. If you would have noticed, our gross debt has gone down by more than INR29,000 crores. So expensive debt has been paid out in dollar terms.

Swayam Saurabh - Chief Financial Officer, JSW Steel Limited
Also $500 million. And...

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Another $500 million bond we have repaid in this month in the month of October, uh, which was due in April. We have postponed that as per the contract option available to us.

Amit Murarka - Analyst, Axis Capital
Okay, okay, thank you.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
We are reducing our exposure and balancing our exposure on the ForEx side.

Amit Murarka - Analyst, Axis Capital
Understood. Thank you.

Operator
Thank you. We have our next question on the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka - Analyst, Axis Capital
Yeah, yeah, thanks for the opportunity. So while you aim to kind of expand capacities to 50 and 78 eventually, I just wanted to check how will your product mix change? Will it remain what it is now, or do we expect it to change more towards some other products?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Between flats and longs, is that your question, or downstream?

Amit Murarka - Analyst, Axis Capital
Yeah, not just flats and longs, but also like between like HR, CR and all like, if I mean, if you could just share your thoughts over there.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Yeah, so from a, you know, product availability perspective, we are trying to basically map out the products which India would require and thereby put capacities which would be able to meet that demand. So on the downstream space, I think as Pinakin had also asked, on the downstream space we see growth in the value-added segment being quite strong. I think the growth is in double digits. So capacity additions, we are trying to see that we are able to add capacities to be able to meet those demands.

Specialty steel, we have already told you, CRNO electrical steel, transformer steel, and CRGO, because of the electrification and because of the shift towards more electricity, these will be in strong demand. So we are putting up capacities to be able to meet those demands. Tin plate, we are adding capacity because we are seeing packaging also moving to sustainable packaging and we are adding capacity on those as well.

On bearing steel, we see demand in India as well as international. So we have added some capacities in Salem, debottlenecked some of our lines to be able to produce more bearing steel. The BMM asset which we have just we had announced recently, that asset also we would be adding more alloy steel focused long steel. The rail mill in Raigad will be again another value-added offering to the market. So we continue to look at opportunities and add product lines which would be able to meet the demand of the market.

Amit Murarka - Analyst, Axis Capital
Sure. While that is helpful, just I mean, I understand these are all quite detailed downstream-oriented plans, but I was looking more at the headline steel production in terms of CRHR, those brackets. Will that also undergo a change or would you continue to broadly maintain the mix between rebars, HR,

CR?

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
From flat steel point of view, I think our basic aim is to see that our value-added and special steel component percentage remains by and large as to what we are and if not improve. That will be our focus. Our flat steel component is higher and will remain higher as we grow our capacity.

Amit Murarka - Analyst, Axis Capital
Okay, got it. Sure, that's it. Thank you.

Operator
Thank you. As there are no further questions, I would now hand the conference over to the management for closing comments.

Jayant Acharya - Joint Managing Director and Chief Executive Officer, JSW Steel Limited
Thank you very much. We continue to remain very, uh, confident about the outlook for the growth in India. The demand continues to be very strong. The H2 looks very strong. Our balance sheet has the strength and the profile today to be able to fast-track our CapEx in line with what we have guided for FY32. We have added CapEx according to that and we will continue to focus on our raw material security as we build our volumes in terms of steelmaking. Our value-added and special products we have already outlined. We are continuing to invest in those as well. We remain very optimistic on the growth going forward for this decade in India. Thank you.

Ashwin Bajaj - Group Head, Investors Relations, JSW Steel Ltd
Thanks for joining us and have a good weekend.

Operator
[Operator Closing Remarks]