JSW Steel

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Operator: Ladies and gentlemen, good day and welcome to the JSW Steel Q3 FY26 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Bajaj, Group Head of Investor Relations. Thank you and over to you, sir.

Management: Yes, thank you very much operator. Good evening ladies and gentlemen. Welcome to JSW Steel's earnings call for Q3 FY26. We have with us today the management team represented by Mr. Jayant Acharya, Joint MD and CEO, Mr. GS Rathore, Chief Operating Officer, Mr. Arun Maheshwari, Director of Commercial and Marketing and Mr. Swayam Saurav, CFO. We will start with opening remarks by Mr. Acharya and then open the floor to questions. So with that over to you, Mr. Acharya.

Management: Good evening everyone. Let me begin by talking a little bit on our strategy. JSW Steel has adopted a prudent strategy over the past years and has created significant value for all our stakeholders. On December 3, the company announced a strategic joint venture with JFE Steel Japan for its BPSL steel business. With this transaction, JFE will take a stake of 50% in the BPSL steel business at an equity value of 31,500 crores and an enterprise value of 53,000 crores.

This transaction will enable a cash flow of 32,000 crores and a substantial deleveraging of about 37,000 crores for JSW Steel. This partnership allows us to grow the BPSL business with our project expertise and operational excellence while bringing in the JFE technological expertise to produce a variety of value-added products. It will also allow JSW Steel to accelerate growth across its portfolio of assets in a financially prudent manner to meet the demand growth in India.

Today, the board has approved a 5 million ton steel plant at a new site in Jagatsinghpur, Odisha. The project will be housed in our subsidiary, JSW Utkal Limited, and will entail a capex of 31,600 crores with commissioning by FY30. This project is the first phase, with expansion potential to reach 13.2 million tons.

We had already commenced setting up two 8 million ton pellet plants at this site, and a 30 million ton slurry pipeline is under construction by JSW Infrastructure, which will transfer iron ore from the mines to the plant. This is a port-based facility with our own captive jetty. Coupled with the iron ore supply via the slurry pipeline, this is an extremely efficient location in terms of our overall logistics cost. Together, these milestones significantly accelerate our capacity growth plans. We are well on track to reach 50 million tons in India by FY31, excluding the BPSL business. With India's steel demand rising rapidly, these strategic steps put JSW in a very strong position to grow responsibly and sustainably in the years ahead.

On the macroeconomic front, the IMF has given an outlook of 3.3% growth in 2026 and maintained the same outlook for 2027. The resilience in the global economy, despite ongoing uncertainties, was noted in the IMF commentary. Momentum is being supported by strong tailwinds from AI and technology investments, further aided by supportive policies and easing financial conditions.

With advanced GDP estimates in India pegging growth at approximately 7.4%, we remain the world's fastest-growing major economy. While global headwinds persist, the Indian government has provided various policy support measures. Alongside recent trade agreements, this bodes well for our medium-term prospects. We are seeing strong post-GST momentum in consumption, further aided by income tax cuts and benign inflation. Rural indicators remain positive, driving strong sales for tractors and two-wheelers.

Central government capex was low in October and November but is up 28% from April to November due to a strong H1 performance. The annual capex target appears to be on track. While residential sales have remained somewhat soft, commercial real estate shows robust movement. Conditions for private capex are increasingly conducive, supported by healthy balance sheets, the RBI's recent rate cuts, and lower inflation.

India's steel consumption continued to grow with a nine-month growth of approximately 7%, though Q3 was lower at 4.6%. However, December demand in absolute numbers was approximately 14.5 million tons. Seasonally strong demand and restocking in Q4 look promising for volumes ahead. For FY27, demand is projected to grow in the range of 7-9%.

On the policy front, the government has taken steps to arrest unfair trade by imposing anti-dumping duties on hot-rolled coils from Vietnam in November and CRNO from China in December. A safeguard duty was finalized in December 2025, which will provide a level playing field for the local domestic industry.

In China, steel production was down 4.4% year-over-year in CY25, a decline of nearly 44 million tons. However, their exports, including semi-finished steel, surged 14% to 133.5 million tons, primarily due to weak domestic consumption. Elevated exports kept Asian prices subdued in 2025. Looking ahead, anti-circumvention measures taken by the Chinese government, export licensing, and production moderation should help support regional prices in Asia.

Management: Moving to sustainability, I am happy to mention that JSW Steel was ranked number one in the global steel sector in the S&P; Global Corporate Sustainability Assessment and continues to remain part of the Dow Jones Sustainability Index. Our focus on energy efficiency was recognized at the 35th National Energy Conservation Awards 2025, where our Dolvi unit was awarded India's best-performing unit by the President of India, and BPSL received a certificate of merit.

We continue to progress on the energy transition with 1 GW of renewable capacity commissioned. We have already received approval for 2.5 GW generation and 320 MWh of battery storage, which are in various stages of construction. On the technology front, we commissioned India's first diesel-to-battery converted locomotive at Vijayanagar. These initiatives underscore our commitment to sustainability across operations.

On the digital front, JSW has deployed AI-based vision systems to monitor conveyors, sinter flames, flare stacks, and equipment in real-time to improve yield, efficiency, and reliability. These digital solutions are delivering a substantial impact through cost savings, reduced emissions, and the prevention of over 1,000 safety incidents. This system is deployable across multiple locations, and with additional use cases, we see the potential to save 100 crores per annum.

Regarding projects, apart from the board approval for our new plant in Odisha, let me briefly update you on other projects. At JVML Vijayanagar, we reached a key operational milestone as the 5 million ton plant is now fully ramped up. The 1.5 million ton BF3 upgradation at Vijayanagar remains on track for commissioning by the end of Q4 FY26. At Dolvi, the phase three expansion from 10 to 15 million tons is progressing as planned, with completion expected by September 2027.

Technical and commercial discussions for equipment are underway for the 1 million ton electric furnace and structural mill announced for Kadapa last quarter. Our value-added product capacity expansions across Vijayanagar, Khopoli, and Raigarh are progressing steadily. The board has today approved 0.2 million tons of tinplate capacity and 0.36 million tons of capacity for GI and GL lines at our downstream units in Rajpura. Together, these value-added expansions will add about 4 million tons of flats and longs, complementing our steel-making operations. This reinforces our long-term growth strategy and strengthens our competitive position.

Strengthening our raw material security is a key strategic priority. We have 23 iron ore mines, 12 of which have been operating. During Q3, we commenced production from the 0.5 million ton Kudnem mine in Goa, taking the total number of operational mines to 13. Once our mines are operationalized and existing capacities enhanced, we expect to produce approximately 50 million tons per annum, covering around 50% of our total iron ore requirement by FY31.

On the coking coal front, we have secured three mines and coal linkages in India and taken a 30% stake in the Illawarra coking coal mine in Australia, which together will provide approximately 5 million tons of coking coal. This will meet roughly 25% of our total coking coal requirement by FY31. Additionally, we are in the process of acquiring the Mozambique MDR high-grade coking coal deposit. This transaction is expected to close by March. Therefore, we are strengthening both iron ore and coking coal raw material security.

Moving to operational performance, we reported a strong performance amidst ongoing uncertainties. Consolidated crude steel production stood at 7.48 million tons, up 6% year-over-year. Indian operations delivered 7.28 million tons, up 7% year-over-year. Production was down sequentially due to the BF3 shutdown at Vijayanagar for capacity enhancement. Utilization of our Indian operations stood at approximately 93%, excluding BF3. This underlines the consistency in capacity utilization at JSW Steel, remaining at 90% or above across locations.

During Q3, we achieved our best-ever sales from both consolidated and Indian operations, increasing 14% year-over-year. This was driven by volumes from the JVML plant ramping up to full capacity. Domestic sales rose 10% year-over-year in Q3 and 12% in the first nine months, well ahead of India's consumption growth. This has enabled us to increase our market share. We also liquidated 0.3 million tons of inventory during the quarter.

Value-added product sales were the highest ever at 4.54 million tons, growing 16% year-over-year and forming approximately 61% of our total volumes, including JVML. Deliveries to the auto and renewable sectors also hit all-time highs.

Regarding financial results, consolidated revenue stood at 45,991 crores with an adjusted EBITDA of 6,620 crores. EBITDA per ton was nearly 8,700 with a margin of 14.4%. The reported EBITDA for the quarter stands at 6,496 crores. During the quarter, steel prices were at multi-year lows, adversely impacting realizations. Coking coal costs were higher by $5, in line with our guidance, while iron ore provided a slight cost benefit due to better blends. We were able to mitigate the drop in prices through a better value-added product mix and cost efficiency.

Our Indian operations delivered a total adjusted EBITDA of 6,522 crores and an EBITDA per ton of nearly 8,800 with a margin of 15%. This was enabled by strong growth in domestic sales and a better value-added product mix. The US operations delivered an operating EBITDA of $3.1 million, which was lower primarily due to the plant shutdown at Ohio for the caster upgradation project and lower NSR for plates. For the first nine months of FY26, US operations reported an EBITDA of $36 million, a substantial improvement versus an EBITDA loss of $32 million last year. Italian operations delivered an EBITDA of $5.3 million. During the quarter, the total EBITDA for overseas operations was 122 crores.

Unrealized forex losses stood at 124 crores, which impacted overall profitability. With the enactment of the new labor code, changes in employee benefits resulted in a one-time impact of 529 crores, shown as an exceptional item. Consolidated PAT stood at 2,410 crores compared to 719 crores in Q3 last year. This profit is after recognizing net deferred tax assets of 1,439 crores related to the slump sale of the BPSL steel business.

Net debt was at 80,347 crores, and debt ratios improved compared to last quarter. Net debt to EBITDA stood at 2.91, and net debt to equity was 0.92. Our weighted average interest cost improved to 6.51% in the quarter, an improvement of approximately 60 basis points compared to last year. Revenue acceptances stood at $2.36 billion. Capex spend during the quarter was approximately 3,500 crores, totaling 10,000 crores for the nine-month period. For FY26, we expect total capex to be in the range of 15-16,000 crores.

The JSW One platform has seen a significant uptick in volumes, especially in steel, which grew 43% year-over-year. Q3 was strong with a GMV of 4,544 crores, representing a solid 36% jump year-over-year. Over 1,300 crores of that GMV was driven by JSW One's credit offerings.

We have achieved approximately 74% of our total consolidated volume guidance for both production and sales for FY26. We expect to achieve our full-year guidance of 30.5 million tons for production and 29.2 million tons for sales.

To conclude, we continue to monitor Chinese steel exports and are cautiously optimistic that measures such as export licensing and anti-circumvention policies should support regional prices. India's growth prospects remain strong. The upcoming union budget is expected to maintain the focus on reforms as well as public capital. All this bodes well for steel demand growth, and the trade measures announced by the government of India will help keep unfair imports in check.

Steel prices began to recover in late December and have continued an uptrend in January. Q4 margins should be better on the back of higher steel prices and seasonally strong demand, offsetting higher coking coal costs. We expect coking coal costs to increase between $15-20, while iron ore prices are expected to be range-bound. We expect strong Q4 volumes and see steel demand growth of 7-9% for FY27. We will be happy to take any questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Sumangal Nivatia from Kotak Securities. Please go ahead.

Sumangal Nivatia – Kotak Securities: Good evening and congratulations on the new expansion announcement. My first question is a bookkeeping one. Could you highlight the steel price increase we have seen in the last 3-4 weeks? Also, regarding the timeline, what is the update on the slurry pipeline and the JFE Bhushan deal closure?

Management: Steel prices started recovering from multi-year lows at the end of December. We saw prices for flat steel move up by approximately 1,500 rupees per ton. In the beginning of January, they moved by another 2,000 rupees per ton. We see further recovery possibilities during this quarter. Regarding the slurry pipeline, it is expected to be completed in Q4 FY27. On the BPSL asset, I will request an update.

Management: Regarding the BPSL asset, we are on track with the indicated timeline. Earlier this week, we received competition commission approval for the joint venture. We are in the process of obtaining shareholder approval, which we expect by the first week of February. The slump sale should be concluded before the end of March, translated into approximately 24,400 crores of effective cash coming into JSW Steel and a net leverage reduction of approximately 29,000 crores. The second leg is expected in Q1 FY27, which will bring an additional 7,800 crores.

Sumangal Nivatia – Kotak Securities: Got it. My next question is on medium-to-long-term strategy. By FY31, we would reach somewhere around 56 million tons in India, adding capacity at a rate of 7-8% CAGR. Given the Bhushan divestment, the balance sheet would be quite deleveraged, potentially around 1.5 times net debt to EBITDA. Does it make sense to evaluate other brownfield expansion opportunities parallelly, or should we expect this expansion trajectory until FY31 before evaluating further plans?

Management: If you see the presentation, we have given an indication of reaching 56 million tons by FY31, which includes 1.5 million tons in Ohio and 4.5 million tons of the BPSL asset. We have moved up from our earlier goal of 50 million tons in India by the end of this decade. The value unlock in BPSL enables us to expand faster. We are progressing with the Odisha project, the tinplate project in the north, and we will be able to fast-track other brownfield expansions to meet Indian demand.

Operator: Thank you. Our next question comes from the line of Ajay Sandeep Chada from Nomura. Please go ahead.

Ajay Sandeep Chada – Nomura: You are expecting 7-9% year-over-year apparent steel consumption growth. Which segments will lead this demand? Specific to JSW, which sectors—auto, industrial, retail—do you believe will lead that growth?

Management: We are seeing growth across sectors in the India story. This includes construction, infrastructure, and commercial real estate. We are seeing strong growth in industrial sectors and, post-GST, in consumption sectors like automotive and appliances. Another major area is renewable energy. Broadly, the growth is visible across all sectors.

Ajay Sandeep Chada – Nomura: Has the intensity of flat products in construction and real estate gone up in the last couple of years? Also, for the newly announced capacity, what will be the capex intensity and product mix?

Management: The new capacity in Odisha will be flat steel. It will be a 5 million ton facility with a hot strip mill and blast furnace. The steel melting capability will be for roughly 6.5-7 million tons. The hot strip mill can ultimately be expanded to 6 million tons when a second blast furnace is added.

Regarding flat steel intensity in construction, it has been increasing gradually. Globally, steel-based plated construction is common, and we are seeing that catch up in India. Steel buildings are safer, faster to construct, and unlock value through time savings. We are seeing this trend in infrastructure as well, particularly for bridges, as it allows for faster completion.

Ajay Sandeep Chada – Nomura: Thank you. And what is the capex for the new capacity?

Management: 31,600 crores. This also includes infrastructure for the phase two expansion.

Ajay Sandeep Chada – Nomura: Understood, so the next phase of expansion will be at a lower intensity per ton.

Management: Correct.

Operator: Thank you. Our next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta – Morgan Stanley: Your domestic volume guidance of 29.2 million tons would imply relatively flat volumes year-over-year for Q4. How should we look at Q4 volumes? Would you revise your sales guidance?

Management: We are maintaining our sales guidance of 29.2 million tons and production guidance of 30.5 million tons. In the next year, as the BF3 capacity unlock happens, we will add to our available technical capacities. Regarding the "flat" volumes, we unlocked 300,000 tons of inventory in Q3 and are looking at some inventory liquidation in Q4 as well. From an Indian operations point of view, volumes will be slightly higher, but overall, it will not be very different from Q3.

Rahul Gupta – Morgan Stanley: Can you help us break down the mining and value-added capex from the 100,000 crore guidance over the next 4-5 years?

Management: We will spend approximately 100,000 crores over the next 4-5 years. We will provide a year-wise breakdown in our annual results. You can roughly spread it over 4-5 years, perhaps with slightly higher spending in the first two years.

Rahul Gupta – Morgan Stanley: Adjusted for JVML, did the share of value-added products improve quarter-on-quarter?

Management: Including JVML, the value-added product mix is 61%. Excluding JVML, it is 67%.

Operator: Thank you. Our next question is from the line of Amit Muraka from Axis Capital. Please go ahead.

Amit Muraka – Axis Capital: What was the volume of iron ore sales made in the quarter?

Management: It was approximately 0.13 million tons.

Amit Muraka – Axis Capital: Regarding JVML, the realization seems to have been down. Is this due to the sale of semis, or what is the reason?

Management: We look at JVML and Vijayanagar as a combined operational process. We have certain advantages in JVML regarding costs and state taxes. Even when selling outside the state to northern markets, where freight incidence is higher, we get a tax advantage that helps optimize the total Vijayanagar blend.

Operator: Thank you. Our next question comes from the line of Vikas Singh from ICICI Securities. Please go ahead.

Vikas Singh – ICICI Securities: What is our current exposure to the European market regarding CBAM, and what is our strategy to tackle those exports?

Management: The CBAM impact affects all exporters to Europe, not just India or JSW. The real-time impact assessment is still being understood. We have been exporting approximately 1.2-1.3 million tons to Europe. However, our export component as a percentage of total sales has been dropping as the Indian market grows faster. We can redirect those tonnages to other geographies or the domestic market.

Management: Europe as a percentage of our total exports is decreasing, while Asia and the Middle East are picking up. We will understand the full guidelines as they play out. Some price adjustments in Europe may take place to mitigate the impact.

Vikas Singh – ICICI Securities: Regarding the Odisha capex, 6,300 crores per million ton for a greenfield plant seems low. Is there a risk of capex overruns?

Management: Our Dolvi expansion specific investment was even lower than this. The Odisha figure is higher because it is a greenfield site. We are doing this in a modular fashion, and the 31,600 crores includes enabling infrastructure for phase two. Project expertise developed by JSW over time allows us to maintain competitive specific investment costs. We do not foresee a risk of overruns.

Operator: Thank you. Our next question comes from the line of Parthiv Johnsa from Anand Rathi. Please go ahead.

Parthiv Johnsa – Anand Rathi: With the planned 100,000 crore capex and 80,000 crore net debt, do you think this will bloat the balance sheet despite the BPSL funds?

Management: No, we do not believe it will bloat the balance sheet. Our financial ratios will remain prudent. The additional volumes from BF3, the full ramp-up of JVML, and the new capacities from Dolvi phase three will generate internal accruals for capex. We are currently at a net debt to EBITDA of 2.91. The BPSL transaction will significantly improve cash positions.

Parthiv Johnsa – Anand Rathi: Considering you export about 1.2–1.3 million tons to Europe, have you calculated the impact of CBAM on a per-ton basis based on emission norms?

Management: We are not ready to provide a specific number yet as the domestic demand is increasing, which might reduce our need for exports. CBAM calculations are in process. It is based on different moving parts across assets—emissions at Vijayanagar will differ from Dolvi. We will provide more clarity once we finalize those assessments.

Operator: Thank you. Our next question comes from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain – Ambit Capital: Regarding CBAM, have your emissions been verified yet? Is there ambiguity on whether verification is at the group or plant level?

Management: We are in the process of getting the verification done. CBAM will be applied asset-wise, per plant location, rather than at the company group level. Verification for 2026 exports will likely happen in early 2027.

Satyadeep Jain – Ambit Capital: On the Dolvi phase three expansion, how much has been spent so far? And for the Odisha project, what will be the captive power configuration within the 31,600 crore capex?

Management: Dolvi is on track. The total project cost is approximately 20,900 crores. For Odisha, we will use a combination of captive power and grid power. We are setting up approximately 340-350 MW of captive capacity, including WHRS. We can provide exact details offline.

Operator: Thank you. Our next question is from the line of Ritesh Shah from Investtech. Please go ahead.

Ritesh Shah – Investtech: On capital allocation, where does the 51% stake in JSW Reality fit in? Second, regarding safeguards, do you see a risk of circumvention from Japan and Korea? Third, what are the plans for the iron ore blocks in Maharashtra?

Management: Capital allocation remains centered on our core business, which is steelmaking. The land acquisition via Saffron is for a potential future steel facility. Regarding JSW Reality, as we expand, we require office space; this deal provides a lucrative return on the cost of invested office space.

On safeguards, the 12% duty is helpful in limiting unfair trade. It allows room for price improvements. Indian prices had fallen to a discount compared to imports, and this should normalize. Regarding the Maharashtra iron ore blocks, we are exploring ways to operationalize them in the coming year.

Operator: Thank you. Our next question comes from the line of Rashi Chopra from City Group. Please go ahead.

Rashi Chopra – City Group: What was the realization change this quarter without the mix impact? And what was the sequential move in blended costs?

Management: Market prices for hot-rolled coil dropped by approximately 2,200 rupees per ton. However, due to our high value-added mix, our blended realization drop was limited to approximately 1,400 rupees per ton. On the cost side, coking coal had a $5 impact, and there were costs associated with the BF3 and Salem shutdowns, leading to a sequential cost impact of 500-600 rupees per ton. Captive iron ore proportion was 33%.

Operator: Thank you. Our next question is from the line of Ashish Jain from Macquarie India. Please go ahead.

Ashish Jain - Macquarie India: Regarding the Odisha expansion, are you using specific technology to be low-carbon or export-compliant?

Management: The port-based location is highly conducive to exports. The product mix will be tailored for that. We are using the most advanced technologies in our blast furnaces to reduce carbon footprints, including oxygen injection, dehumidification, and gas utilization.

Ashish Jain - Macquarie India: Does the Dolvi location make it easier to access European markets as it ramps up?

Management: Any new addition, like phase three at Dolvi, uses the latest technology. Our emissions at Dolvi are already lower than industry norms. For customers demanding green steel, we are using the electric arc furnace route at Salem with natural gas and renewable energy to meet those specific requirements.

Operator: Thank you. Our next question comes from the line of Ketan Mehta from Baroda BNP Paribas Mutual Fund. Please go ahead.

Ketan Mehta - Baroda BNP Paribas Mutual Fund: Since emissions might only be certified by early 2027, will you continue exports in the meantime by compensating buyers for CBAM impacts?

Management: CBAM affects all exporters similarly. European prices will likely rise to reflect these impacts. We are waiting for the policy to be fully understood by all parties before taking a final call.

Ketan Mehta - Baroda BNP Paribas Mutual Fund: Have you finalized the downstream plans for the Odisha plant?

Management: Currently, the Odisha approval is up to the hot strip mill. We have not announced downstream plans there yet. We recently announced downstream expansions in the north for tinplate and galvanized lines.

Ketan Mehta - Baroda BNP Paribas Mutual Fund: What is the status of the Kadapa electric arc furnace project?

Management: The 1 million ton Kadapa EAF project was announced last quarter. EAFs in India depend on scrap or high-grade DRI, which relies on imported ore. We currently operate EAFs at various locations and are focusing on DRI-based production at Salem for green steel.

Operator: Thank you. Our next question is from the line of Sumangal Nivatia from Kotak Securities. Please go ahead.

Sumangal Nivatia – Kotak Securities: Regarding iron ore, imports have increased. Is this strategic or due to quality? For the remaining 50% non-captive iron ore, do you foresee domestic shortages?

Management: Iron ore imports are largely due to the declining availability of high-grade ore in India. It is a blending requirement for larger blast furnaces. Regarding domestic availability, we do not foresee a shortage. New mines are coming up for auction and the government is intervening to ensure supply aligns with the National Steel Policy. We may need higher investment in beneficiation and pelletization, but resource availability in India is ample.

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

Management: Thank you for your time. We look forward to a strong Q4 with higher volumes driven by seasonally strong demand. Margins are likely to improve as prices recover, offsetting raw material costs. From April onwards, the BF3 will be fully operational, putting our Indian capacity at 36 million tons. Thank you and all the best.

Operator: On behalf of JSW Steel Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.