Jindal Steel

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Operator: Ladies and gentlemen, good day and welcome to the Jindal Steel Limited Q3 FY26 earnings conference call hosted by IIFL Capital Services Limited. As a reminder, all participant lines will be in 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Prateek Singh from IIFL Capital. Thank you and over to you sir.

Prateek Singh – IIFL Capital: Thank you. Good afternoon, everyone and welcome to the third quarter FY26 earnings call of Jindal Steel Limited. Without further ado, I will now hand over the call to Mr. Vishal Chandak, Head of Investor Relations and Strategic Finance, to introduce the management attendees and take it forward. Over to you Vishal.

Management: Thank you Prateek. Thank you very much ladies and gentlemen and appreciate you coming over on a weekend. I once again welcome you to the Q3 FY26 earnings call of Jindal Steel. We have with us the senior management of the company: Mr. Gautam Manohar, CEO; Mr. Sabyasachi Bandopadhyay, Whole Time Director; Mr. Prakash Magan, Executive Director, Angul; Mr. Sunil Nagarwal, CFO; and Mr. Satish Pradhan, Head of Flat Products. I request all participants to ask questions that are strategic in nature. For any factual queries, we are always there to help you out.

I will now hand over the floor to our CEO, Mr. Gautam Manohar. We also have our Whole Time Director, Mr. Damodar, and Mr. Neval on the line. Over to you, Gautam sir.

Management: Thank you, Vishal. Good afternoon ladies and gentlemen, welcome to Jindal Steel's third quarter FY26 earnings. I appreciate it is a Saturday afternoon, so sincere thank you for finding the time to join us.

From a macro perspective, let me start by touching upon the supply-demand imbalance in the Chinese steel industry, which clearly has an impact on global markets including India. The downtrend in Chinese steel demand continues to outpace the decline in domestic steel production, resulting in historic exports of 119 million tons in calendar year 2025. This level of low-priced exports has prompted several countries to impose tariffs and non-tariff barriers to curb the impact of Chinese steel imports on the local market.

Focusing on India's performance during the quarter, crude steel production rose 2% quarter-on-quarter to 42.5 million tons in Q3 FY26, while demand increased only by 0.5% quarter-on-quarter to 40.7 million tons. Trade dynamics improved materially. Exports increased 30% to 2.5 million tons and imports reduced by 36% to 1.6 million tons sequentially. Consequently, India turned into a net steel exporter again in Q3 FY26 for the first time after six quarters, with net exports of 0.8 million tons.

On trade measures, following the DGTR's recommendation, the Ministry of Finance has notified the definitive safeguard duty on select steel imports for a period of 3 years on an ad valorem basis. The step down will be 12% in year 1, 11.5% in year 2, and 11% in year 3, ending on April 20, 2028. During the quarter, domestic steel prices in India corrected on the back of weak demand. HRC prices remained under pressure due to weak Chinese steel prices, while TMT prices reflected subdued construction activity. However, prices have recovered since mid-December 2025 after a prolonged correction and further support is expected in Q4 with improving overall demand dynamics.

Regarding Jindal Steel business updates, on power, we operationalized SBPT module 1 of 525 megawatts during the third quarter of FY26. We are happy to report that we have also synchronized SBPT module 2 of 525 megawatts with the grid in January 2026. With this, we have achieved yet another major milestone of turning around the 1,050 megawatt power plant that we acquired under the IBC. We are also pleased to report that we have commissioned CCL1 with a capacity of 0.2 million tons per annum in January 2026. This broadens our product portfolio and supports further margin enhancement going forward. We have opened the Uska B1 mine and overburden removal is currently underway.

The 3 million ton per annum basic oxygen furnace 3 at Angul remains on track for commissioning by Q4 FY26. Upon commissioning, they will reach 15.6 million tons of steelmaking capacity. All other projects are progressing as planned and remain on track for commissioning within the scheduled timelines.

Coming to the financial results, total production in Q3 FY26 increased 25% quarter-on-quarter to 2.51 million tons. This was supported by two factors. Firstly, the ramp-up of the BF2 and BOF2 facilities at Angul. Secondly, our newly commissioned Bhagwati Subhadrika blast furnace 2 achieved capacity utilization of 48% in Q3 FY26 with an exit run rate of 58% utilization. Sales volume grew 22% quarter-on-quarter to 2.28 million tons driven by higher production.

Consolidated third quarter FY26 gross revenue increased 12% quarter-on-quarter to 13,172 crores driven by higher sales volume, but was partly offset by weaker steel prices. Consolidated adjusted EBITDA for the quarter was 1,393 crores, translating to a margin of 10.5% and an EBITDA per ton of 6,981. However, this includes a one-time BF2 startup cost of 353 crores. If we take this non-recurring expense out, the underlying business EBITDA for the quarter is higher by 1,535 per ton, taking the EBITDA per ton to 8,516 for the quarter. Consolidated PAT for the quarter, post one-time startup costs, was 189 crores.

Our blended steel NSR was down by about 3,000 per ton on a sequential basis as the incremental volumes were skewed towards HRC, which carried the lowest realizations and margins in our product basket. Within HRC, our sales emphasis was on high-throughput productivity-driven segments and sizes rather than lower-volume value-added grades. The shift in product mix further compressed the ASP. In addition, our byproduct revenue did not grow in line with our sales revenue as the coke oven plant was commissioned towards the middle of Q3 FY26. Further, the lower byproduct sales and other operating income also contributed to the drop in ASP on a quarter-on-quarter basis due to increased captive consumption.

On the cost front, during the Q2 earnings call, we guided for an increase of $3-5 per ton in coking coal for the quarter. Actual coking coal consumption cost during the quarter increased by $2 per ton. During the quarter, the BF2 ramp-up was executed using higher-cost bought-out coal or coke at a higher coke rate, resulting in higher operating costs. With the commissioning of an additional coke oven battery in November 2025, coke costs are expected to normalize and the BF2 coke rate has already begun to stabilize. Supported by improving steel realizations, we expect a meaningful improvement in Q4 compared to Q3.

On the capex front, we invested 2,076 crores during the quarter. With this, our cumulative capex under the current expansion program up to December 31, 2025, is 32,925 crores as against a total announced capex of 47,043 crores. We are investing in our long-term growth, creating assets that will support infrastructure buildout. Our investments are not limited to adding new capacities but also include strengthening our existing portfolio of assets. This will ensure best-in-class capacity utilization, improved asset reliability, and higher profitability in the times to come. This financial year marks an inflection point in our transformational journey to build world-class assets.

Coming to our debt profile, consolidated net debt as of December 31, 2025, was 15,243 crores, up 1,287 crores sequentially. Accordingly, net debt to EBITDA was at 1.72 times at the end of Q3 FY26. This is primarily a reflection of lower EBITDA and a capex commitment on the commissioning of several facilities. We are excited about the ramping up of production, and the incremental revenues and cash flows are expected to lower our net debt to EBITDA to sub-1.5 times levels.

At Jindal Steel, AI and digitalization are core to our operations, driving productivity, efficiency, and resilience at scale. We are executing a multi-year enterprise-wide AI transformation focused on throughput improvement, cost efficiency, faster decision-making, and margin expansion, moving beyond pilots to scale deployments now. AI-led enterprise intelligence is embedded across sales, dispatch, logistics, and store decision support, delivering real-time visibility and actionable insights.

Sustainability is at the core of what we do each year. With that in mind, I am pleased to share that in our first year of ESG assessment and disclosure, Jindal Steel has been included in the S&P; Global Sustainability Yearbook 2026. Out of nearly 8,500 companies assessed, we are among the select group recognized for the prestigious inclusion. This is an endorsement of our disciplined ESG execution which remains central to our strategy. We have also been awarded an India-Sweden Industry Transition Partnership Feasibility Project to evaluate a CO2-neutral steel production facility, reinforcing our expertise in decarbonization and commitment to sustainable growth.

These sustainability acknowledgments and digitalization efforts are the culmination of all the dedicated work being done by the Jindal Steel team across India. For Q4 FY26, we expect coal consumption cost to rise by $18-20 per ton sequentially. Iron ore costs increased further in January. Domestic steel prices are currently higher by about 3,000 to 3,500 per ton as compared to December 2025. We expect prices to remain supportive in Q4 FY26 on the back of strong demand and strong sales volume. With that, I will open the floor for Q&A.; Thank you.

Operator: Thank you very much. We can now begin the question and answer session. The first question is from the line of Vikas Singh from ICICI Securities. Please go ahead.

Vikas Singh - ICICI Securities: Good afternoon sir and thank you for the opportunity. My first question is towards the realization impact which you are talking about of only 3,000. But if we just calculate on the average side, the drop is much higher, almost 5,500 to 6,000. How much is because of the product deterioration and what else are we missing here?

Management: As I mentioned in my opening statement, we did ramp up our capacities with lower-margin products and it was mainly skewed towards HRC. As we are ramping up and achieving higher output on our hot strip mill, we were previously producing lower productivity, thinner grades with very high value-add, and the margins were higher at that time. As our thickness levels and productivity increase, the realization per ton over there is lower, although we are producing much more. Roughly 3,000 is on account of our NSR on this account. Byproduct sales were lower because we increased our captive consumption on most of our byproducts as steel production increased, and the balance is coming from there. Our capacity ramps up, and we expect that all our byproducts will be consumed completely internally. Thank you.

Vikas Singh – ICICI Securities: So effectively, on an average, our realization blended would increase lower than the market price because the byproduct credit would not be available. Is that assumption correct?

Management: Yes, but our cost will also come down. Overall, as our capacity ramps up, it is actually accretive in nature and will keep on adding to EBITDA.

Vikas Singh – ICICI Securities: Noted, sir. My second question pertains to our cost savings exercises, like the slurry pipeline and coal mines coming versus the product mix deterioration. Would those cost savings, as per your internal estimates, be good enough to cover for the product mix deterioration, or will we see for the next 1.5 years that our overall product will continue to deteriorate from the current point of view?

Management: I think using the word deterioration would not be correct here. Quarter 3 was a tough quarter for the entire industry. If you look at overall realizations, HRC was the most affected out of all the products. As we move up and realizations increase, NSRs also increase. There is no deterioration in the product mix; rather our portfolio is getting more balanced toward 50% flat and 50% long. This is a great diversification and provides strength to the company.

Vikas Singh – ICICI Securities: Just to answer my question, would the cost saving be able to cover for this change in product mix?

Management: Yes, definitely.

Vikas Singh – ICICI Securities: Some of the peer group having higher weightage on the flat side had less decline in their average realization. We are still a little bit unsure about why our product mix has changed.

Management: I will explain again. Two things: our portfolio has a larger portion of long steel and PTP, which contributed to the realization drop from the previous quarter. Secondly, when we were on lower production for HRC, we made more value-added products because we had limited steel. As we move toward higher output on HRC, we are producing more of the thicker sections to get higher productivity and more EBITDA. That is why you see the difference between us and our peers.

Operator: Thank you. The next question is from the line of Parthiv from Anand Rathi. Please go ahead.

Parthiv – Anand Rathi: Hi, good afternoon. Thanks for the opportunity. One of your peers has already declared results where the share of exports actually increased at a time when people were frontloading, especially to geographies with restrictions. However, your share of exports has gone down to 5%. Also, if you are making thicker HRC and lower value-added products, wouldn't it make more sense to shift back toward higher value-added products to get that benefit over regular blended realizations?

Management: Regarding exports, in the last quarter, export realizations were lower than the domestic market. We managed to penetrate the Indian market with our expanded production and make space for ourselves in a market that was not expanding. That shows the strength of the Jindal Steel brand. Regarding the ramp-up rate, as we reach full capacity, our first target is capacity utilization. Once we reach high utilization numbers, we will start tilting the portfolio back toward value-added profiles.

Parthiv – Anand Rathi: But you expanded your market share at a cost of compromising your margins?

Management: No, compared to exports, our margins in the domestic market were higher. As compared to prices in the market, we did not take any large discounting to gain market share.

Parthiv – Anand Rathi: My second question is on debt levels. On slide 28, your debt in Q3 is at multi-year highs and higher than Q2 levels. Leverage is at 1.72 where we appreciate the 1.5 times guidance. With capacity still ramping up and new capacity coming in Q4, what is your exit run rate of leverage or net debt expected in the current financial year?

Management: These are very good leverage levels for the industry. We are at a point where we are coming out of a tough market cycle and the culmination of a project phase. These factors pushed it up to 1.72 net debt to EBITDA. As we stabilize and ramp up over the next 2-3 quarters, you will see it coming back to the 1.5 times guidance we remain committed to. We are at an inflection point leading to exciting times as these capacities start throwing out EBITDA and cash flow.

Parthiv – Anand Rathi: Regarding the flat to long ratio, right now it is 50-50, but flat was expected to be 60-65% going forward.

Management: In Q3, the flat to long ratio was almost 50-50 because we saw a major decline in flat products rather than long products. In Q4, we expect a shift toward a 55-45 ratio, moving more toward flat as demand from the automotive and appliance segments moves up.

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

Amit Murarka – Axis Capital: Good afternoon. Regarding the power capacity expansion, now that you have excess power capacity, would you look to sell more merchant power or will it be purely used for captive operations?

Management: The first unit is under stabilization and the second unit has just been commissioned. As we ramp up all sides of the facility, including our cement expansion and downstream units, we will be consuming a large portion of it internally in the near future.

Amit Murarka – Axis Capital: By when can you get that 1,000 per ton back that you mentioned was an additional hit to realization because of the shift in the mix?

Management: Markets have already rebounded. We are working at about 3,000 to 3,500 higher than the end of last quarter. As we move ahead, our value-added profile will start inching back toward 70%. We are focused on increasing utilization and obtaining higher cash flows.

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

Sumangal Nivedia – Kotak Securities: Good afternoon. You shared that the next BOF is on track for the fourth quarter. When is the associated metallic capacity coming? What is the strategy of commissioning this ahead of metallic capacity?

Management: We are targeting the end of FY27 for the DRI. We will be able to utilize about 60-66% of this BOF capacity in FY27 even without that.

Sumangal Nivedia – Kotak Securities: Regarding the slurry pipeline, what are the reasons for the delay at 94% complete? What contribution will this have to cost savings in FY27?

Management: A slurry pipeline is never an easy project due to regulatory and ground-level hurdles. We are on track for the end of this financial year. We are fairly comfortable with savings of 750 to 850 per ton.

Sumangal Nivedia – Kotak Securities: Where are we with respect to the 8.5 to 9 million tons guidance for sales volume this year?

Management: We are on track to hit the guidance that we have already given.

Sumangal Nivedia – Kotak Securities: Regarding the 350 crores of startup cost, was this anticipated or were there negative surprises?

Management: A large part of ramping up a facility, especially a blast furnace, involves stabilization of capacity utilization and coke rates. While we were open and transparent, I will not say we did not have surprises along the way. However, our team has been able to reach industry-standard operational parameters and cost on a furnace of this size in 2 to 2.5 months.

Operator: Thank you. The next question is from the line of Jashan Dip Singh Chadda from Nomura. Please go ahead.

Jashan Dip Singh Chadda – Nomura: I just wanted to understand the input cost escalation we might see in the fourth quarter for the steel industry.

Management: We are not expecting any material input cost escalation in the fourth quarter apart from the coking coal prices I mentioned, which the market has more than commensurately covered.

Jashan Dip Singh Chadda – Nomura: Since you announced the first phase of expansion in FY22 or FY23, how much has the capex cost increased due to delays and challenges?

Management: There have been no material project cost overruns. A lot of projects were added to the scope over the years rather than major cost overruns on the original scope.

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

Rahul Gupta – Morgan Stanley: You said steel prices are up by 3,000 to 3,500. Since your realization trend was weaker in Q3, is it fair to say your realization trends will be better than that price increase as the blast furnace stabilizes?

Management: Yes, you are right. We will realize more than that and we will be in line with industry trends as we move forward.

Rahul Gupta – Morgan Stanley: Now that you are ramping up flat capacity, you have strategically focused on the domestic market. With EU prices supposed to move up due to CBAM, will you be looking at the European market over the next 2-3 years?

Management: We are predominantly producing for the domestic industry with a strategic focus on external markets. Our major export market has been Europe for plates. While that is a focus, it will likely remain in the 5-10% range.

Operator: Thank you. The next question is from the line of Tushar Chaudhary from Prabhudas Lilladher. Please go ahead.

Tushar Chaudhary – Prabhudas Lilladher: For flat products, do we have all the approvals needed for consumer durables and automotive for the expanded capacity?

Management: We are already supplying to the automotive and engineering industries and have necessary approvals. Our flat product capacity is also focused on the commercial vehicle segment, earth-moving segment, and yellow goods.

Operator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal – Antique Stock Broking: Spot coking coal prices are at $250. Do you think this is a seasonal uptick? Also, how much of our coking coal comes from our Mozambique and South Africa mines?

Management: These are short-term and seasonal impacts. About 15-20% of our coking coal comes from our owned mines.

Pallav Agarwal – Antique Stock Broking: Are there any benefits coming from the captive power or Utkal mine opening up in Q4?

Management: The mine has just been opened. It is too early to realize meaningful gains in this quarter, but we will definitely see benefits in the future.

Operator: Thank you. The next question is from the line of Ashish Khetriwal from Nuvama Wealth Management. Please go ahead.

Ashish Khetriwal – Nuvama Wealth Management: Regarding the 353 crores of startup cost, was that due to higher coke consumption and has it stabilized?

Management: The largest portion was on account of buying coke at a higher cost which was a little inferior in quality compared to what we produce in-house. We have stabilized and are at normal industry standard productivity and cost.

Ashish Khetriwal - Nuvama Wealth Management: So for Q4, can we assume a base EBITDA of 8,500 per ton since the one-off is over?

Management: Q4 should be a much stronger quarter in terms of both volumes and profitability. Taking the 353 crores as a one-off is correct.

Operator: Thank you. The next question is from the line of Siddharth Gadrekar from Equirus. Please go ahead.

Siddharth Gadrekar - Equirus: Which downstream capacities are yet to be commissioned over the next 2 years?

Management: Downstream capacities are largely commissioned except for CCL2 and CGL2. Thereafter, we have the pellet plant 2 and DRI2, which are slated for the end of FY27.

Operator: Thank you. The next question is from the line of Kamlesh Bagmar from Lotus Asset Management. Please go ahead.

Kamlesh Bagmar - Lotus Asset Management: Historically, we had the benefit of rail and specialized mills. Going forward, won't our earnings grow primarily because of volumes but with lower margins because of the flat capacity coming in?

Management: We have not moved away from rail or specialized products; they remain a core part of our portfolio. We have also added heat treatment furnaces to increase value-added flat production. As we move ahead, our value-add percentages will keep growing and realizations will be back on track.

Operator: Thank you. The next question is from the line of Rashi from Citi. Please go ahead.

Rashi - Citi: On a sequential basis, costs appear lower despite startup costs. Is this due to volume benefits and a different product mix? Also, how did inventory move?

Management: You have it pretty much on the ball. Inventory increased marginally during the quarter, but nothing material.

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

Ritesh Shah - Investec: Regarding your guidance on sales volumes, does it include any metallic purchase? Also, how much will coking coal consumption cost increase in Q4?

Management: There is no metallic purchase. Coking coal consumption cost will increase by about $18-20 per ton.

Ritesh Shah - Investec: How critical is the Paradip Port for evacuation from Angul?

Management: Whatever we are producing, we are able to evacuate through existing rail infrastructure. Paradip Port is a strategic longer-term play for both import and export but does not affect the specific Angul ramp-up.

Ritesh Shah – Investec: How should we look at the Jindal Spencer expansion? Is it linked to the listed entity and what is the slag transfer mechanism?

Management: Jindal Spencer has no link with Jindal Steel; it is a separate company. We will transfer slag using standard arm's-length transfer pricing. The listed entity is completely ring-fenced from other transactions.

Operator: Thank you. The next question is from the line of Rajesh Majumdar from 361 Capital. Please go ahead.

Rajesh Majumdar – 361 Capital: Out of 15 million tons, what proportion will go to the automotive industry?

Management: It will be around 3% because we do not have specific cold-rolled or coated products that mostly go into the automotive segment.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over the conference to management for closing comments. Over to you, sir.

Management: Thank you. Q3 FY26 was a challenging quarter. Despite the sharp decline in steel prices and muted demand, we delivered record production and sales volumes. We also commissioned several key projects, most notably synchronizing the 1,050 megawatt SBPT unit with the grid. The ramp-up of our newly commissioned BF2 and BOF2 facilities is in full swing and is progressively strengthening our operating profile.

We expect the fourth quarter of FY26 to be a stronger quarter, supported by higher opening volume, improved pricing, and better underlying steel demand. Industry 4.0 and AI remain central to our transformation agenda, enhancing reliability and productivity. Our key projects are progressing as planned and remain on track for commissioning. Going forward, we will continue to prioritize safe and stable operations, disciplined value creation, and sustainability. I once again thank you for your time on this Saturday afternoon. Have a good weekend. Thank you.

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