“JSW Steel Limited - 2QFY13 Earnings Conference Call”
October 29, 2012, 8:30 AM (IST, UTC/GMT +5:30 hours)

Speakers:
Mr. Seshagiri Rao, Jt. MD & Group CFO
Mr. Jayant Acharya, Director – Commercial & Marketing
Mr. Rajeev Pai, CFO
Mr. Pritesh Vinay, VP – Capital Markets & Group Investor Relations

Call host:
Mr. Rakesh Arora, Analyst, Macquarie Capital Securities

Moderator:
Good morning, ladies and gentlemen. I am Aanchal Rastogi, the moderator of this call. Thank you for standing by and welcome to the JSW Steel Limited Q2FY13 Conference Call. For the duration of presentation, all participants’ lines will be in a listen-only mode, and we will be a Q&A session after the presentation. I would like to now hand over the conference call to Mr. Rakesh Arora from Macquarie Capital Securities. Over to you, Sir.

Rakesh Arora:
Good morning, everyone, and thanks for dialing in so early in the morning and apologies for a slight delay. We have the honour of hosting JSW Steel management for a business update post second quarter result. I will hand over the call to Mr. Seshagiri Rao and he will introduce the team, and then we can take it from there. Mr. Rao?

Seshagiri Rao:
Good morning, ladies and gentlemen. I am Seshagiri Rao here from JSW Steel. I welcome you all for the second quarter financial results of JSW Steel for a briefing and also a discussion about it. Along with me here is Mr. Pritesh Vinay who has joined us recently, who has experience in the industry and also from the investment banking side, who joined us as the Head of Investor Relations and also Capital Markets at the group level. He will send to all of you his co-ordinates and will be able to interact with you all in future. Along with me is Mr. Jayant Acharya, who is our Director – Commercial & Marketing; and also Rajeev Pai, who is Chief Financial Officer; and other colleagues are here with me.

As far as the results are concerned, which you must have seen, it is a very good performance for the second quarter. If you see worldwide - as far as the steel industry is concerned, the ‘China Iron and Steel Association’ has reported that out of the 80 companies where they have collected data, 44 companies are incurring losses today. Balance also had shown a significant level of losses. This is the situation in China. Similarly, one of the companies in Korea and one of the companies in Japan, they have reported these numbers for the second quarter. So, those numbers are also very much on lower side than what usually they give the guidance. In a similar situation, we have seen the numbers, which are coming in from the steel sector from US - Nucor and also AK Steel which reported the numbers, almost 40% lower than the corresponding quarter of last year. So, if you see the company wise
and the continent wise, everywhere you would see that the volatility which is there in the currency and also the prices had an impact on the economy and also the companies, which are there in this sector.

In this background, if you see JSW Steel, where we have given a guidance of 8.5 million tons of Crude Steel production for this financial year and also 9 million tons of steels in this financial year, we have achieved whatever numbers we have guided in the beginning irrespective of the challenges which we have, irrespective of how the other players in the industry have performed during the year. This has been possible because of the unique business model, which JSW Steel has. I think my colleagues will take you through the numbers and also the uniqueness of JSW Steel in achieving these numbers for this quarter. So, Jayant Acharya will take you through these right now.

Jayant Acharya:

Good morning, ladies and gentleman. Welcome to the JSW Steel conference call. I will take you through the economic situation in the world. The global economy, as we are all aware, continues to be weak. And while USA has shown some positive signs of improvement, the Euro zone continues to be weak. In China, the GDP growth was slower in the last quarter, but the September data was better. We saw improved number in industrial production. The exports in terms of percentage increased. The imports registered gain in September vis-à-vis a fall in August. We also expect the fiscal easing by the Fed and ECB will improve the capital flows to the emerging markets. Based on the annual projections, the world GDP growth is forecasted to grow by 3.3% and most of the growth is expected to come from the emerging economies.

If you look at the Indian economy, the Indian economy has grown by about 5.5% in Q1. The quarter July-September has been challenging. We have seen some positives again in the month of August and September emanating from the industrial production numbers, which reflect that the fall has been arrested. We see some good improvements in capital goods, machinery and equipment, passenger vehicles and commercial vehicles in September month-on-month. The optimism level in India has improved on the back of the recent reform announcements, and there is a renewed interest by the FIs in the Indian Market. We have also seen the outlook for the net Private capital flow to the emerging market especially India has somewhat brightened. So, on the back of the reforms and the policy actions, which we are noticing, we feel this will give an impetus to the investment cycle in the country.

If you look at the steel scenario, globally and in India, you will see that the global crude steel production had grown by 0.6% at the level of 1,140 million tons in the first nine months of this calendar year. The capacity utilization however has been below 80% on a subdued demand across the globe. We have seen world steel elasticity dropping to 0.6 from the level of 1.6 last year, which again reflects reduced investment expenditure. So, there has been a supply side correction. We have seen the production coming off from a peak level of 133 million tons in March to about 123 odd million tons in September 2012. The prices of hot rolled coils also fell in the range of $100
to $120 between April and September in different markets of the world but
the steel prices have now bottomed down.

The World Steel Association expects that for the calendar year 2012, the
demand will grow by about 2.1%, which is an addition of about 29 odd
million tons over last year. Out of this, 29 odd million tons, about 20 million
tons will come from the emerging markets. The next year is expected to be
better at 3.2% plus.

On the raw material prices and on the raw material supplies, we have seen
the iron ore prices have fallen from a level of $150 in the month of April to
about $115 now as we speak. So, a drop of about 23%. Hard coking coal
prices on FOB basis have dropped from about $215 to $150, a drop of 30%.
Steel prices have dropped from about $645 level in April to low of $525, a
drop of about 19%. The raw material prices have fallen with a lag on steel
prices; however, the steel prices as it seems bottomed down but the benefit
of the raw material price drop will be seen by JSW Steel in the coming
quarters of this year.

So, the raw material price advantage will continue to reflect in our margins
positively. And the raw material prices, we expect will be range-bound in the
coming two quarters. If you look at the Indian steel scenario, the apparent
steel consumption was up by 5.1% for the first half of this year, and the
finished steel production was up by 2.6%. The imports grew by 37%
especially from the FTA countries like Korea and Japan, which continues to
be a concern for the Indian industry. Demand has been sluggish in July-
September 2012 on reduced investment expenditures, higher interest,
inflation impacting consumer sentiments and expenditure. However, we
expect the current quarter and the next quarter to improve on the back of
festive season and the investment cycle is expected to pick up. The steel
demand as per our expectations will track the GDP growth in India. So, let’s
see what JSW has been able to do on the back of a weak global scenario and
a very challenging Indian scenario.

So, if you look at the JSW Steel numbers, the key highlights are: highest ever
crude steel production at 2.17 million tons; saleable steel sales at 2.17
million tons; net turnover at 8,834 crores – a growth year-on-year of 16%;
operating EBITDA at 1,525 crores – 18% year-on-year growth; and a PAT of
822 crores. On the iron ore side, the updates are that 33.3 million tons of
iron ore was sold through e-auctions till October 19 and the company
purchased 19.8 million tons out of this quantity. And 92% of this has been
received by JSW till 19 October.

On the new product approvals, we have introduced high-coated galvanised
steel for solar panel modules. We have made a special scratch resistance
steel in pre-painted for Whirpool. We have made steel for transmission
components for tractors of John Deere. We have developed steel for tubes
and hub bearing for FAG India bearings. On the hot rolled and the cold rolled
side, we have developed carbon manganese steels for structural members
for Hyundai and Toyota.
If you look at the next slide, slide number 12 which reflects our production performance, you will see that the production on a quarterly basis have gone up by 25% on an overall basis to 2.17 million tons. Flat is up by 12% and long is up by 29% quarter-on-quarter. This production increase has primarily come in from the new blast furnace number 4, which started in July 2011. The capacity utilization was at a level of about 80% due to lower availability of iron ore. If you look at the production for the first half, next slide 13, that has gone up by 26%. Flat production is up by 23% and long steel is up by 28%. On the saleable steel side, the sales for the quarter have gone up by 15%. In the flat side, it has gone up by 13% and on the longs it has gone up by 19%.

If you look at the operations, if you look at the first half of the saleable steel sales, it has gone up by 19% in the first half of this year. In flats it is up by 21% and in longs it’s up by 25%. Just to put in perspective the JSW operational results, let’s just reflect on what has happened in the globe and in India. If you look at the production numbers, the world production has grown by 0.6% in the first nine months of this year. India has grown by 2.6% production in the first half of this year whereas JSW has grown by 26% in the first half in spite of various challenges in the Indian market.

On the sale side, while the expectation is that the calendar year 2012 the growth in consumption will be 2.1%, India in the first half has done 5.1%. JSW Steel in the first half increased its sale by 19%. So, the performance by JSW Steel in the backdrop of a weak environment has been remarkably good.

So, if you look at the strategies we adopted on the sale side, we focused on the strategic volume tie-up with customers. We focused on sales to infrastructure and construction projects where we have longer visibility of contracted orders. We focused on sales to auto sectors in both flat and speciality longs, which gave us a decent increase in sales volume. We focused on our retail reach and presence through JSW Shoppe base across the country. We now have 370 JSW Shoppe base across India and we have reached 4,000 retailers across India. Our semi-urban and rural reach has increased to 52% and we seek decent growth coming from this area. We have seen an increase in the sales and consumer product items like GI, color coated and TMT in retail, which is up by almost 31%. We have seen branded sale products going up in the retail segment.

On the export side, we have covered 80 countries across the globe. We have focused on the developing nations and expanded our sales in Middle East, Asia, Africa, and South and Central America. Sales to Europe and US have been made up from the developing nations. Our large product basket has helped us basically to distribute our volumes in various sectors and segments in a very effective way. We have added new customers and we have retained our old consistent customer base. With these strategies, JSW Steel has been in a position to show a 19% growth in sales volume during the first half of this year.
Now, I will request my colleague, Mr. Rajeev Pai, to take you through the financial performance.

Rajeev Pai:

Good morning, ladies and gentlemen. What you have heard about is a robust business model, the focused strategy of the company and a very flexible and nimble operating philosophy. And this has given healthy and satisfactory financial numbers, what you see on slide number 18 with 16% growth in net sales, 18% in operating EBITDA, 518% growth in PBT and 547% growth in PAT. So, the company has achieved a net sales of ~8,800 crores, 1,525 crores EBITDA and 822 crores Profit After Tax.

Slide number 19 shows how the EBITDA has moved from a corresponding quarter. So, you would see the volume strategy continues which has contributed about 200 crores. And domestic sales story of India continued, which shows a contribution from net sales realisation at 93 crores. We have some challenges on iron ore cost and that is the reason you are seeing cost as negative of 130 crores. But in spite of that, from 1,296 crores profit has improved to 1,525 crores.

While maintaining the growth, JSW Steel has ensured that its balance sheet continues to remain in a strong position. So, you would see in slide number 20 wherein standalone net debt is almost on the same levels. Net debt equity is maintained at 0.75 and net debt EBITDA is at 2.35, which is at the same levels of 30th June and while maintaining this it continues to have cash in excess of Rs. 2,000 crores on its balance sheet.

JSW Ispat, in which JSW Steel has a majority stake, has also reported a reasonably satisfactory performance. It continues to have about 78 to 80% capacity utilization and its EBITDA for the quarter is 205 crores and it made a net profit of 122 crores. You will see this in slide number 21 and when you look at July-September corresponding quarter, you would see from loss of 345 crores it turned 222 gross profit for the current quarter. Also when you look at the six-month performance, due to one-time write-off it had a loss of 1,480 crores which is now 601 crores profit for the current six months.

So far as our overseas subsidiaries are concerned in terms of US Plate & Pipe Mill, actually, you would see the performance on slide numbers 22 and 23. US Plate & Pipe Mill has made a positive EBITDA of about US$ 3 million but its Profit After Tax reached a minus US$ 13 million mainly because of increased imports being faced in the US.

In terms of Chile, we have seen basically the correction in global iron ore prices. So far at the current prices we are able to have a breakeven in terms of the cost of iron ore. As and when the iron ore prices would move slightly up, Chile would continue to be profitable. For the current quarter, you would see on slide 23, it run a negative EBITDA of US$ 0.07 million and Profit After Tax of US$ 1.63 million. For the half year, it has a positive EBITDA of US$ 8.41 million and Profit After Tax of US$ 3.64 million.

When you look at the consolidated financials for the current quarter, net sales at 9,475 crores shows a growth of 16%. Operating EBITDA of 1,531
crores shows a growth of 9%. When you look at Profit After Tax from a negative of 669 crores in the corresponding quarter, it moved to a positive 691 crores. Rupee appreciation in excess of 6% in the current quarter has taken out a majority of translation losses, which we have reported in the quarter one. So, in this quarter you will see a positive income on top of the appreciation of 424 crores.

In terms of slide number 25, this is a consolidated debt. So, company continues to have a similar level consolidated debt which is 18,400 crores. Net debt to equity on a consolidated level is 1.04 and net debt to EBITDA is 2.75. There is a slight improvement versus 30th June position in terms of consolidated debt.

Seshagiri Rao:

Now, on the iron ore. Just to summarize whatever that has been explained about the quarterly results - so, we have done extremely well in this quarter in spite of a very, very challenging environment. The iron ore availability is a big challenge in the Karnataka state. So, the kind of growth which we have shown in the numbers when we have given the guidance of only 14% in the crude steel production, what we achieved in the first six months of this year was 26%. Similarly, the sales side, when we gave a guidance of 15% the achievement was 19%. So, the overall guidance, which I repeat again, is whatever we have given in the beginning of the year that is 8.5 and 9 million tons. We are confident that we will be able to achieve that. Now, the iron ore is one of the concerns, which generally the investors and analysts have - that when the iron ore situation is uncertain, then how do we manage the production in the balance six months of this year?

So, here I would like to clarify that the stocks, which we have as on first of October 2012 was 1.8 million tons. In addition to that, 2 million tons of stock is yet to be auctioned. So, generally we get 60 to 70% of the auctions, which are yet to be done. So, if we take these two things into account plus the fresh iron ore which will come into the market from NMDC and also the low-grade stock of some of the mining company, this all together - we are reasonably confident that we will have adequate iron ore to run our units up to 31\textsuperscript{st} March 2013.

As far as category A mines are concerned, the Supreme Court has already permitted for resumption of iron ore mining. Out of 18 mines, we expect at least 12 mines will get operational. Out of 12 mines, three mines already started production, which will account for almost close to 1.4 million tons. So, out of 12 mines which we expect to become operational in this quarter, if we take out the three mines, which are already operational where incremental production of 1.4 million tons will start coming to the market starting from this month onwards. The balance, nine mines are expected to start in this quarter. So, this along with the three mines already started, together the incremental total of 5 million tons of iron ore will be available.

So, with all this together, I think it is possible for JSW to get adequate iron ore to run operations at 80% utilisation. But we desire to increase this plant utilization. Next year we are looking for opening of a balance category B mines also. But the positive development from the Supreme Court of India
is, if we really look at it whatever happened up to now is that they have put absolute minimum what is required to allow the mining in the category B.

We were told that some of the mining companies have already complied with, at least one mining company has complied with whatever conditions the Supreme Court has set for the category B. So, the next hearing is scheduled on second of November. So, we expect Supreme Court will take a favourable view and permit mining in Category B. Therefore, with the incremental production that is expected to come from category B mines, plus whatever I just explained about availability of iron ore from NMDC and the category A going forward, even after exhaustion of the stocks, which we have today, for next year there will be some certainty of availability of iron ore, may not be to the full extent unless all the category B mines are opened. So, there is certainty of availability of ore from NMDC and category A definitely and a high probability of getting from category B.

In addition to that, a great opportunity, which JSW Steel has with regard to category C mines, which are recommended to be auctioned by CEC. So, we expect that the honourable Supreme Court will take a favourable view to allow auctioning of these category C mines. And also they have suggested restrictions as to who can participate in the re-auction of these category C mines - to companies which are using iron ore from these mines area and either this key company is located in Karnataka or adjacent to the Karnataka state. This could be a great opportunity even though we have gone through a very, very difficult time in all this period. But there is an opportunity for JSW Steel to acquire some of this category C mines as and when a decision is taken in this regard. This is about the iron ore side.

Similarly, I would like to brief you on the JSW Ispat merger. As we have given the timelines, we are going as per those timelines. We have got approval from stock exchanges like Bombay Stock Exchange and NSE (National Stock Exchange). We have also submitted our application to CCI; we are expecting their clearance. And we have also applied for shifting of registered office of JSW Ispat from the state of West Bengal to Maharashtra. We are expecting in this month. With that we will put the team to the course for other approvals. We are expecting as we have given as per original timelines by 31st March 2013 to complete this scheme of merger. So, with that, I open it for question & answers. Thank you.

**Moderator:** Thank you so much, sir. Participants, we will now start the Q&A interactive session. Any questions from any participants, please press “0” “1” on your telephone keypad. Alright, I am getting one question from Mr. Giriraj Daga from Nirmal Bang. Please go ahead.

**Giriraj Daga:** Good morning, sir. About the iron-ore situation you explained that we are secured till 31st March 2013. I want to ask you like when would be the situation when we can meet the 30 million ton of prescribed limit in the Karnataka and about what the Supreme Court had recommended. Then after 31st, do you see some uncertainty in the iron ore sourcing again?
Seshagiri Rao: As per the information, which is today available, what we expect is 8 million tons will come from NMDC; those mines are already operating. There is category A mines, once they become operational one by one in this quarter, 5 million ton will come from there. So, 8 plus 5, 13 million is a clear visibility.

In addition to that, category B mines as I explained to you - one big mine they have complied with all the conditions which Supreme Court has stipulated. So, now in the next few hearings, hopefully Supreme Court should permit category B also. With that another 7 to 8 million tons should come from category B. So, that will take us to 20-21 million tons of total availability as against 30 million tons of total requirement. So, with that there is a need for category C also to be auctioned quickly. That is what we are presenting to the Supreme Court, that it is required.

In the meantime, JSW Steel has been explaining we have a unique advantage of using the low-grade iron ore, you know, beneficiation plant. So, we have already commissioned even the last fifth and sixth modules. So, all the six modules of the beneficiation plant is now fully commissioned. We will be able to process almost 20 million tons of low-grade ore to upgrade to higher grades and use it in the steel plant.

So, today there are large quantities of low-grade iron ore, which we have been now examining how much quantity is available in addition to whatever already auctioned and how much is usable. By the time March 2013 comes, we have a plan B in which we are preparing that how to use low-grade ore, which cannot be used by anybody else, which was not marketable earlier. It can be used by JSW Steel because of its unique advantage in using this material, thereby we will be able to continue the production assuming that category C will get delayed, even category B full iron ore will not be available. Even in those circumstances, I feel that JSW Steel will be able to continue the production, may not be at full capacity but at a lower capacity.

Giriraj Daga: That inventory was a low-grade inventory. That also needs to be a auction mechanism only through CEC, right?

Seshagiri Rao: Yes, that is through auction mechanism only, but we are taking up with the appropriate agencies to auction that material. Once we know that this is the quantum available, we can use it, then we will take it very strongly with the appropriate authority.

Giriraj Daga: Just a small next question, about the Chile Iron ore mine, if you see that this quarter was EBITDA loss because of the lower prices. So, are you maintaining a guidance and would you like to do the one million ton number or will be cutting back on the volume front?

Seshagiri Rao: Volume as I have been repeatedly telling that the total 8.5 million ton guidance, which we have given...

Giriraj Daga: No, I am talking about the volume of one million ton only.

Seshagiri Rao: Sorry, one million ton?
Giriraj Daga: Of iron ore...

Seshagiri Rao: Chile, we will produce close to that quantity.

Giriraj Daga: Despite of the making that almost EBITDA loss during the quarter and I am not seeing any higher visibility also on the iron ore prices front.

Seshagiri Rao: Yeah, there may not be a big positive contribution from Chile, but we are looking at breakeven levels right now because of low iron ore prices. That will continue for some time. In the meantime, we are investing in the wet based iron ore facility there. So, that will improve the quality of the iron ore, which we are producing right now, from 62 to 66%. That will give higher realisation to us and also cost would come down in the wet based unit. So, both together, there is a good potential in the Chile iron ore mining facility.

Giriraj Daga: Okay, thank you. I will get on the queue for further questions.

Moderator: Thank you so much, sir. Participants, I would request you to please limit your questions to two. Any questions from any other participants, you can press “0” “1”. The next question is from Mr. Jigar Mistry from HSBC. Please go ahead.

Jigar Mistry: Morning, gentlemen. Two questions from my end. You know, last year the average annual prices or the cost that JSW booked in standalone was roughly 2,936. So, you know, given the Pellet plant starting after that and iron ore price is falling but NMDC raising and then, you know, reducing prices. And the new auction uncertainty, you know, the pricing uncertainty given that CEC will no longer fix it. One, whether are we now as far as the actual cost is concerned of iron ore and how do you see the second half panning out?

Seshagiri Rao: Iron ore price is, as you know, internationally corrected from $145 to $85-86 per ton and they get moved up to 115-120, in the range which is there right now. Unfortunately, the prices in the domestic market are not reflecting particularly in the e-auction when they are fixing the base price, the international prices but we have been very strongly representing that the prices should be fixed in line with the international prices and get a consistent pricing formula basis. Hopefully they would consider this, which we expect. Due to this anomaly where steel prices were tracking in the domestic market exactly landed cost of imports and the iron ore prices are completely in a different methodology. So, there is some cost impact on JSW Steel. So, comparing to last quarter of Rs. 2,936 which you quote around that number, there is an increase of almost Rs. 400 more per ton of iron ore on a weighted average basis from different source which we are buying. So, there is an increase in the cost. The international prices have come down.

Jigar Mistry: You know, just to follow up on that, you know, the Supreme Court order basically said that CEC would no longer fix prices and miners are free to offer
the product at the price that had been set. Do you see that impacting incremental procurement cost?

Seshagiri Rao: But there is a monitoring committee, which is monitoring. Their duty is to monitor that nobody will take exorbitant profits in the game. So, we are hopeful that as and when the prices are not in line with international prices, we are taking up with the monitoring committee and also CEC. So, there can be or there may be some reconsideration. What has happened? If you really look at e-auction which is happening right from September 2011, when the prices were kept at a very, very high level as industry took it up and they corrected in the subsequent periods. So, we are hopeful that it would happen even this e-auction. They can’t price iron ore in a manner, which is not in line with international prices.

Jigar Mistry: Sure. And secondly sir, can you give us an update on the synergy realised from Ispat so far?

Seshagiri Rao: As we have explained it earlier, whatever synergies we have identified in the short term, we are able to capture those synergies. So, that is why you see in this year we had achieved an EBITDA of 454 crores in June quarter. In the Q2, it came down to 205 crores majorly on account of two reasons. One is, volumes were lower in the Q2, again attributable to the festive season, which has happened where the movement of goods could not happen in that quarter. So, that will be made up in the following quarter. The second reason is, the power cost was a little higher because they could not get for the part of the period power from JSW Energy because they have taken some plants shut down during the quarter. So, due to which there was a lower EBITDA in the last quarter.

This quarter we expect that again it would come back but at the same time as we have been guiding that the interest and depreciation together - approximately, Ispat requires Rs. 420 crores per quarter. So, they will be able to achieve around 300-350 crores range of EBITDA. So, the balance in order to capture, we have already taken medium-term initiatives of setting up captive power plant of 55 megawatt which is getting commissioned by the end of January, lime plant plus also railway siding which is also coming up by 31st March 2013. Once these three units start operations, then there is an upside almost close to 200-250 crores per annum. So, that should make the company breaking even at PBT level.

After that we have also taken some long-term initiatives, which will come in operation in the next year, like setting up coke oven battery and also pelletization plant in 100% subsidiary of JSW Steel. So, they are in a very advantaged stage of implementation. We expect by middle of next financial year, they will get completed. So, there will be a huge amount of upside which is available on account of captive availability of Coke and Pellet to Ispat. Then you would see a real turn around in this company thereafter.

Jigar Mistry: Thanks a lot for your response.
Moderator: Thank you so much, sir. Now, we have Mr. Bhavin Chedda from Enam Holdings. Please go ahead.

Bhavin Chedda: Yeah, good morning, sir. A couple of question. what was the landed cost of coal and iron ore for the company in the quarter? And second one, how much was the Ispat volumes re-rolled in JSW end quarter? And how much was the Ispat total volumes? I think that was not there in the Ispat press release.

Seshagiri Rao: Iron ore, as I have mentioned to you, is Rs. 400 rupees more than the last quarter, which is a weighted average of all the sources of iron ore, which we have bought. Then this coal CIF price, weighted average.

Jayant Acharya: The blended cost of coal on consumption basis was about 220 odd dollars.

Bhavin Chedda: That was 200 dollars in quarter one, gone up by 20 odd dollars?

Seshagiri Rao: No, basically this weighted average is taking into account different sources of coal, which we have used in the last quarter.

Bhavin Chedda: Okay. But has it gone up on quarter-on-quarter basis?

Seshagiri Rao: No, it has come down.

Jayant Acharya: Just one correction on this. The blend cost in July-September was about 230 odd dollars. In October-December, it’s expected to come down to about $220, and in January-March, it will come down to a level of about 200 odd dollars.

Bhavin Chedda: Okay. And how much was the Ispat volume roll?

Seshagiri Rao: Ispat, last quarter was two lacs...

Jayant Acharya: 0.64...

Seshagiri Rao: That is 2,39,000 tons of coil which we bought from Ispat and the roll in Vasind and Tarapur..

Bhavin Chedda: Okay. And Ispat total sales volumes was in the quarter?

Seshagiri Rao: 6.4

Bhavin Chedda: Okay. Thank you, sir.

Moderator: Thank you so much, sir. Next question is from Mr. Ram Modi from Dolat Capital. Please go ahead.

Ram Modi: Hello, good morning, sir. Sir, just wanted to have... what are the total acceptances outstanding right now, as on September 30th?

Seshagiri Rao: Raw material is 1289 million.
Ram Modi: Raw material is... how much?

Seshagiri Rao: $1289 million.

Ram Modi: Okay. Sir, just wanted to know what has been the CAPEX spend in the first half and what is now the CAPEX guidance for JSW?

Seshagiri Rao: We are doing at a guidance of 6000 crores for the year. Out of that, we have spent in the first six months 1900 crores.

Ram Modi: We are still maintaining this... we will able to spend around 4100 crores in the second half?

Seshagiri Rao: Cash flow wise, maybe some difference can be there, but the expenditure incurred will be similar.

Ram Modi: Okay. And sir, just last question in terms of, you know, your US operations, there we have seen a significant drop in sales. So, what's the kind of order book running there and how is the outlook moving there in terms of US mills?

Seshagiri Rao: In the case of US, as you know, there is always a lag between raw material price correction and price drop. So, this is exactly what has happened in the last quarter where plate and pipe prices have dropped. Whereas the inventory which we have is the higher cost inventory. That’s why you will find the capacity utilisation even though reasonably was okay in the US, profitability wise it has taken a beating in the Q2. Going forward, we are making every effort to get additional orders. Today US economy is expected to do well. Still we have to see the signs happening in the US economy but once elections are over we expect the things to turn around in the US. We are making every effort to improve our order book. Today it may be in the range of around one month or below one month right now. So, we expect the things to look up in the year.

Ram Modi: Okay. And sir, any update on our coking coal mines in terms of getting more permits because I saw that the sales which are around 0.2 million ton during the quarter? So, any update on those mines?

Seshagiri Rao: As far as US coal mines are concerned, again there was a drop in the coking coal prices internationally. That also happened in the US. In US, the drop in the coal prices is much steeper relative to other places. So, the cost is remaining more or less at the same level. That’s why the increase in production in the US coal mines we are not seeing as an auction or an alternative. So, during this period, where the coking coal prices are a little depressed, we are working to see that more and more permits we will get for the balance mining, thereby once slightly market situation improves, then we will be able to ramp up the production. That is how we are looking at US coal mines.

Ram Modi: And what’s the current cost of production there, sir, in terms of coal?
Seshagiri Rao: It is $100.

Ram Modi: $100, okay. Thanks a lot, sir.

Moderator: Thank you so much, sir. Participants, we request you to please limit your questions to two. The next question is from Mr. Prakash Joshi from IDFC Securities. Please go ahead.

Prakash Joshi: Sir, you just mentioned that you have current inventory of about 1.8 million tons. Can we have what average grade of that inventory would be, iron ore inventory?

Seshagiri Rao: Sorry, iron ore inventory we have in the beginning of the year where we have already bought in the e-auctions. That was again 60% plus.

Prakash Joshi: And sir, correct me if I am wrong, I was reading, you know, wherein most of the category C mines were in the region of Chitradurga and Tumkur, wherein you know, total production capacity has been kept at 5 million tons. So, is it fair to say that in most of the mines, when they will be auctioned, would not have much incremental iron ore production from those, you know, small iron ore for mining leases?

Seshagiri Rao: In the category C?

Prakash Joshi: Yes, in category C mines.

Seshagiri Rao: No, category C mines there are also some bigger mines which are there. So, therefore, we expect out of this 45 mines which are there in category C in Bellary-Hospet region, it has the potential to give the incremental iron ore into the market as and when there if they are auctioned.

Prakash Joshi: Sure. And sir, my one last question, I am just trying to reconcile wherein, you know, we have had increase in raw material cost on Q-on-Q basis in Ispat, whereas that has come down in JSW standalone. Just trying to figure out why is that so?

Seshagiri Rao: So, in the case of JSW Steel, one side there is an increase in the iron ore cost but at the same time there is some benefit of lower coal cost. So, that is what it is getting reflected as far as the overall standalone JSW steel is concerned.

Prakash Joshi: And why don’t we have those benefits in Ispat? You know, in fact, there has been a sequential increase. You know, what we are expected should have been flat on the sequential basis.

Seshagiri Rao: No, in the inventory impact of coke where they have bought the coke at a higher price, which is getting used right now, and also the iron ore real price has not come down and it continues to be higher, similarly pellets which they buy and use it.
Prakash Joshi: Sure, got your point. Thank you, sir. That answers my question.

Moderator: Thank you so much, sir. Now we have Mr. Ishan Mahajan from Credit Suisse. Please go ahead.

Ishan Mahajan: Hello, good morning, sir. Just again one more clarification. I think there was an interruption there. You mentioned that iron ore costs were higher this quarter on a Q-on-Q basis as well. I couldn’t get the number. How much higher and what’s the real cost this quarter?

Seshagiri Rao: It was higher by Rs. 400.

Ishan Mahajan: Rs. 400, and sir again I was not clear. You mentioned that the coking coal blended cost is around $230, but if I remember well in the last quarter you had reported around $195-200. So, could you explain how is the blending and, like, how has it come down quarter-on-quarter if that’s the number?

Jayant Acharya: $230 is the total blend of coking coal on consumption basis landed at our plant. The rates have been given earlier and maybe on the CFR basis or something on the coke.

Ishan Mahajan: But it has definitely come down on Q-on-Q basis, so to say.

Jayant Acharya: Yeah, it has come down on Quarter-on-Quarter basis, April-June to July-September and going to October-December we expect it to come down further.

Ishan Mahajan: Alright, sir. Sir, another thing, you are trying to reconcile the kind of premiums you have made in spite of the HRC prices being very low and the sales of semis have increased as a proportion of the total sales. Somehow we could gain and the premium is, like as good as last quarter or maybe even better. So, could you help us on how were realisations reconciled with the total reported number because as far as we heard there were lots of discounts also given by steel companies in this quarter but somehow our number we are getting the premium to be as good as last quarter.

Jayant Acharya: If you see the global numbers, which have been announced by some of the global steel majors, you will see that most of them are reflecting drop in net sales realisation between $40-50 on a sequential basis. In our case also, the prices have corrected but it has corrected to a lesser extent maybe to the extent of about $32-33 on a sequential basis. We have been able to drive, I would say, premium on some of our product lines, which have also contributed especially the longs, which have contributed positively to the overall NSR blend.

Ishan Mahajan: Sir, is this more of value added, like, in particular what kind of products are these, if you could probably elaborate on that one?

Jayant Acharya: Yeah, the products on longs, which are contributing better is from... one is from the Blooming Mill side, which is the new products for the auto. And
also on the, I would say, rebar side vis-à-vis, you know, in general the market are flats. The rebar has contributed much better.

Ishan Mahajan: Alright, sir. Sir, just one last small clarification, the inventory build-up that has been reported, is this all of iron ore, coking coal or is there some re-rolled steel that you have got, is that also a part of the inventory increase this quarter?

Seshagiri Rao: No, the inventory, which we reported is majorly due finished goods inventory, finished goods in the sense the slabs, the hot strip mill as we reported that we have taken a shut down from 23rd of last month for a period of 21 days to enhance the capacity from 3.5 to 5 million tons. So, during the period whatever slabs we produced, temporarily we have kept in the stock. That's why stock has gone up. Then we will use it up in this quarter; so then it will come to normal level. So, that is why you will find an increase in inventory, but if we take it out and look at it, there is no increase.

Ishan Mahajan: Alright, sir. And this mill has started again. Right? So this October it has begun again.

Seshagiri Rao: Yes.

Ishan Mahajan: Alright. Thank you so much, sir. That will be it.

Moderator: Thank you so much, sir. Participants, you are requested to press “0” “1” if you wish to ask any further questions, and we request you to please limit your questions to two. Now, we have Mr...

Pritesh Vinay: We have time for two more questions please.

Moderator: Alright, sir. Now, we have Mr. Kamlesh Jain from Prabhudas Lilladher. Please go ahead.

Kamlesh Bagmar: Yeah, good morning, sir. Basically on the part of iron ore, like, beginning from August mid or September beginning, like Karnataka Pollution Control Board, they restricted NMDC from washing of their iron ore. So, that has resulted in higher alumina content in their iron ore as well as the lower Fe. So, had that resulted in some increase in our cost of production because of higher coke consumption?

Seshagiri Rao: No, we are not sure about Pollution Control Board restricting NMDC not to wash. We will just find out because still we are not aware of that restriction. But even after buying iron ore, if alumina content is very high, we will wash it at our plant. So, the fuel consumption will not go up. There may be some losses due to washing.

Kamlesh Bagmar: And sir, lastly on this steel price strain. As you had highlighted that, you know, coking coal, you are saying roughly around $10 reduction in the cost, landed cost for October to December quarter. So, can you please highlight the same on the steel price also, like, how the prices are there compared to the last quarter July-September in this particular quarter, as of now?
Jayant Acharya: The steel prices, we feel, did drop, as we said, between April to September, but the steel prices have now bottomed out. We have seen post the Chinese holidays the steel prices have moved up in the international market by about $20-30. We expect that the steel prices going forward into the next quarter will show an improvement on inventory build-up or inventory restocking, which will happen in the quarter January-March. So, there should be some improvement on the price going into January-March, and we expect that the steel price is now from here on will not fall any further.

Kamlesh Bagmar: But like, sir, in October-December, like I had heard that in the September month we had increased the discounts. So, like, how has been the price movement in the last one month in our domestic market?

Jayant Acharya: See, internationally, the domestic market of steel reflects international price movements. We have seen internationally imports coming into the country, so on a spot basis there would be some cases where to basically reduce imports or to stop imports we would match or we would be in relation to import pricing. But that is not in general, that is on the spot segment. But if you look at the contractual segment, the auto segment, there the price level changes are not going to be so much. But yes, some quarterly contracts, which would come in for change, let’s say between July-September to October-December, where July-September was a static price. It did not change although there was a month-on-month fall. There some corrections may happen in the October-December quarter.

Kamlesh Bagmar: But like, how much it could be, like, Rs. 500-1000 in this particular quarter correction?

Seshagiri Rao: No. It depends on so many factors. Really rupee depreciation, what happens to the international demand-supply situation. Already if you look at China, the power, steel, I understand they have already cut the production significantly. So, Chinese might reduce the production and even Japanese, we feel, production is coming down. So, it is very difficult to give a guidance that this would happen, but we feel that because of the current level of coal price, a lot of companies are not finding it viable internationally. So, the import pressure may come down in India. And India, we expect because of the festive season, the demand can pick up. So, all these stood together, the downside of steel prices are very limited from hereon.

Kamlesh Bagmar: Sir, basically I was coming from the fact that, like, we had interacted with a lot of these institutional buyers, like they have been saying that even though in the first half there has not been a much price correction, but that would be reflected in the second half primarily because of impact of this price revision in the contract segments. So, would that be the case for us because we are asking more and more on the institutional sales?

Seshagiri Rao: No, price correction has been happening continuously, if you see in the market place. But JSW Steel is again a product mix. We have to see which product we are selling and that is where using our flexibility of changing or mix thereby we are optimising the sale revenues and the realizations. Then
what we need to look at instead of saying price correction has not happened at JSW Steel, we are also adjusting our price in line with the market requirements and also the landed cost of imports.


Moderator: Thank you so much, sir.

Pritesh Vinay: Aanchal, I wanted to check how many questions are there in the queue?

Moderator: Sir, there are eight questions. I think we could take if you want.

Pritesh Vinay: Yeah. Okay, Aanchal, we will take all the questions.

Moderator: Alright. Next question is from Mr. Giriraj Daga. You can go ahead, sir, and ask your question please.

Giriraj Daga: Sir, $200 in the Jan-March quarter, but if I see the benchmark price there is much more steeper. So, what are the reasons for that? There is a small drop of 10-12% from September to March quarter?

Seshagiri Rao: Can you repeat what is that? Sorry.

Giriraj Daga: See, if I heard correctly, you said that January to March quarter, coking coal contract on C&F basis is likely to $200 per ton as compared to 230 in the current quarter and 220 in the next, that is October to December quarter. So, I just want to understand why the steep is such a small steep from 230 to only 200. Are you estimating all those like, $180-$170?

Jayant Acharya: This price, which we are discussing now is on landed basis at the plant, on the steel part basis.

Giriraj Daga: Yeah, [unclear], right?

Jayant Acharya: Sorry?

Giriraj Daga: We use semi soft and coking coal also, PCI coking coal also, that are much cheaper compared to the hard coking coal prices.

Jayant Acharya: This is a composite blend. See, what JSW Steel has been working on is optimising its blend over the quarters. So, we have not been using, let us say, only quarterly blends. We have not been using only quarterly price products. We have been buying products effectively in the market, which has been reducing our cost over the last two, three quarters consistently. So, our blends may not be exactly reflective of what you seen in the international market vis-à-vis quarterly blends. So, that’s why the part of the cost benefits have already come in and some more will come in during the October-December and January-March quarter.

Giriraj Daga: Okay, but the trend would be much steeper and Ispat visible or Ispat would also see a similar trend in terms of decline in the cost?
Seshagiri Rao: Yeah, Ispat also will have a similar trend as we explained the last quarter because of the inventory the costs were higher. Now the lower cost of inventory which we are procuring that will benefit will come in the coming months and quarter.

Girija Daga: My question was, would it be $30 or $40 drop in the coking coal prices or coke prices will be steeper than that?

Seshagiri Rao: Okay. JSW ISPAT is very difficult to comment in this conference. We will separately answer that. That is not available really with us.

Girija Daga: Okay. Thank you from my side.

Moderator: Thank you so much, sir. The next is from Mr. Tanuj Rastogi from Marwadi Shares. Please go ahead.

Tanuj Rastogi: Yes, hi, good morning sir, just one question. You’re your export revenue has increased a lot in this quarter. So, I would like to understand what should be the trend going ahead. So, are you diverting your goods because Indian domestic market is not growing that much?

Jayant Acharya: No. The export volumes in this particular quarter have gone up. It has gone up. And our ratio between exports and domestic is about 24% and 76%, but we have basically added some of our hot rolled volume into the export market. We have done some value added exports on galvanized into the export market. A combination of both these factors has increased the exports. On the hot rolled side, the composition has gone up primarily because certain project-based customers, which had some liquidity issues in the last quarter, which could not basically off-take those products, that particular quantity was diverted to the export market.

Tanuj Rastogi: Basically, you’re referring to domestic market, right?

Jayant Acharya: Yeah. I am talking about the hot rolled component, why that has gone up in the export market vis-à-vis the domestic. You know, we have diverted some volume there, but we have got the advantage of the rupee during that period of time which had touched Rs. 56 or Rs. 57. And the price advantage also, we have done selectively in certain regions where the price advantage also was there. And in galvanized, this is more of a strategic sale because we have value-added and sold it to the markets.

Tanuj Rastogi: So, you mean to say that then next quarter onwards these trends will probably be normalized, right?

Jayant Acharya: I would not say... It is difficult to comment on the composition exactly but our guidance was that we would be in the vicinity of about 18 to 20%. If you see our exports, in the first half we have been at a level of about 20% vis-à-vis our total sales. So, we are trying to be at the level of our guidance.

Tanuj Rastogi: Okay, sir. That’s it from my side. Thanks.
Moderator: Thank you so much. Meanwhile any other question from any other participant, they can press “0” “1”. I have two more questions in line. The next is from Ashish Kejriwal from Asian Market Securities. Please go ahead.

Ashish Kejriwal: Yeah, good morning. everyone. Sir, my question is related to iron ore. First of all, have you purchased any iron ore outside Karnataka this quarter?

Seshagiri Rao: Yeah, in the last quarter, in the September quarter, we procured some iron ore from outside Karnataka, yes.

Ashish Kejriwal: Can you please quantify that? Any percentage?

Seshagiri Rao: Yeah, approximately it is 3 lakh tons in the last quarter.

Ashish Kejriwal: So, sir, these price increase which we have spoken about Rs. 3400 per ton. Is this mainly because of iron ore purchase outside Karnataka or within Karnataka also we have seen price increase in e-auction?

Seshagiri Rao: The prices could have been much lower if the e-auction prices and also the NMDC price is adjusted in line with international prices or the combination of both.

Ashish Kejriwal: Okay, And sir, lastly have we included any forest development tax in our operating EBITDA or still do not include that in our P&L?

Seshagiri Rao: No, FDT is not included here. FDT, we have made a contingent liability, provided as a contingent liability.

Ashish Kejriwal: So our operating EBIDTA does not include FDT?

Seshagiri Rao: No.

Ashish Kejriwal: Okay. Lastly, you have told that around 2 million ton of inventories are yet to be auctioned. So, my question is, whether this is the last 2 million ton of out of this 25 million ton or do we see further... You know, there is a possibility that low-grade iron ore is there which can be auctioned afterwards?

Seshagiri Rao: Yeah, that is what we have been saying. The number which we have given is total iron ore auctioned is already 33.5 million ton in the Karnataka state so far which also includes of course fresh iron ore which has come from NMDC. Even after excluding the NMDC fresh iron ore, more than 25 million ton is already auctioned out of the stocks. So, therefore, the iron ore available is more than 25 million ton. That is number one. Number two is low grade. Low-grade iron ore, which was found out around 7 million ton earlier. So, that iron ore is being used now, which, is auctioned. So that iron ore, again we are saying, some more is there which we will identify and go back to the monitoring committee and request them to auction that also if it is usable by the JSW Steel. Hopefully, it should be useful.
Ashish Kejriwal: So, this will be over and above 2 million ton.

Seshagiri Rao: Correct.

Ashish Kejriwal: Okay, sir. Thanks a lot.

Moderator: Thank you so much sir. Now we have Mr. Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: Thank you very much, sir. A couple of questions. First, regarding the JV mine that we have in Karnataka, VMPL, now what would happen to that mine? Would the company be able to get iron ore from that because there have been some comments that the JV mechanism cannot work going forward?

Seshagiri Rao: No, one positive point is this particular mine is in category A, that is one point. And as far as the other observations of CEC and the Supreme Court is concerned, this particular mine MML has to operate. Then whatever iron ore that comes, that also has to be sold in the e-auction. So, these are the directives right now, which are there. So, therefore this will start mining, and iron ore will be available but that will be through e-auction. So, temporarily the JV may not work whatever we have but as and when this entire situation becomes normal, then we will take up this issue.

Pinakin Parekh: Understood, understood, Sir, my second question relates to the export market. Never took advantages when there was higher volume and there was Rupee at 56. Now the rupee has appreciated, export steel prices quarter-on-quarter have declined. So, going forward in the December and March quarters, can we expect the blended realizations to come off sharply because of this enhanced EBITDA per ton because of the lower profitability in the export market?

Jayant Acharya: See, the domestic demand, we expect that the domestic demand will improve going on from here to January-March. The end of season usually brings in more demand from the auto sector; it brings in more demand from the consumer durable side. So, we expect some growth on that side. Even after the monsoons, we have done reasonably well on the construction site inspite of the monsoons, but post the monsoons the construction side also picks up. So, we expect based on our domestic pick up, the domestic demand will also be better than what it was in July-September. So, we should be able to do majority of our volumes at the domestic. Only some of the balancing quantities and strategic quantities will continue to win the export market. As far as January-March is concerned the seasonality and the restocking demand which usually would come, always takes January-March to a different level. So, there the domestic market movement is much better. So, we expect that to be also positive for us.

Pinakin Parekh: Understood. And sir, lastly how should we look at the net debt increase at the consolidated level over the next six months? I mean, there is a guidance on the CAPEX and Ispat EBITDA. I mean, Ispat is also a capital expense. So, what kind of increase can we see?
Seshagiri Rao: No, we don’t expect overall gross debt, which is to the extent of around 20,900 or 21,000 crores. We don’t expect the gross debt that to go up or JSW Steel standalone without JSW Ispat. JSW Ispat is in the range of 6500 crores, the long-term net. So, therefore, what we don’t expect these two things will go up beyond what we have contemplated as on date. We took in the CAPEX programme up to 13,000 crores we have given. So, in each year, whatever we are repaying, to that extent we are taking additional loans. That way, there is no increase in the overall gross net. Up to March 2013, we would like to maintain in this manner.

Pinakin Parekh: Understood. But, sir, net debt can increase because if gross come in whatever 2.5-3000 crores of cash and liquidity is there, that could be pushed towards the capital expense.

Seshagiri Rao: Yes, that can be used up, yes.

Pinakin Parekh: Understood, understood. Thank you very much, sir.

Pritesh Vinay: Aanchal, can we take the last question please?

Moderator: Sure, sir. Thank you so much. The last question is coming up from Bhaskar Basu. Please go ahead.

Bhaskar Basu: Good morning. Just two questions. Firstly, I understand quite a few mines in Karnataka, mining leases have expired and the leases need to be renewed before mining can recommence. And I understand one of the mines, which had started in October, had to shut down. So, could you just update on the status of these mines and whether the three mines which you have talked about have already renewed the lease or they don’t need mining lease renewal?

Seshagiri Rao: No, the three mines which started now operating, there is no expiry of environmental clearances or pollution control clearances. So, they can continue to operate. One mine, which started earlier, your information is right, it stopped the operations because of environmental clearance expired. So, now the mining concessions where environmental clearances expired where they have already applied for a renewal prior to its expiry, all those companies through its association have already submitted an affidavit in the honourable Supreme Court. That, it is not their mistake of not getting this approval renewed, because of the Supreme Court directive it was not processed by the Ministry. Therefore, they should be allowed to continue operation for a period of six months by which time the approval would come.

And only one point, which is very relevant to note, prior to this episode of ban of iron ore mining, in case the approval is expired and if somebody has applied for it, then that approval is deemed to be valid for another six months after the expiry. That was the rule. That is not getting implemented today because of all this episode which has happened in the state of Karnataka. So, the affidavit is also covering that point that they’ve applied prior to the expiry of the approval. Therefore, that rule should be applied.
So, they should be permitted to operate. So, within six months, they would be able to renew it. So, hopefully, the 2nd November when the hearing comes up, this case would be taken up and would be considered thoroughly.

Bhaskar Basu: Okay. Generally the forest clearance and the ECs are generally co-terminus with the mining lease. Would they also need to be renewed?

Seshagiri Rao: Yes, they need to be renewed.

Bhaskar Basu: Okay. And so after mines, would you expect to restart? Over the next six months, most of them will... what proportion of them will fall under this category where renewal is required?

Seshagiri Rao: No, it is majorly in category B. As per our information here, only one mine is here in category A. for balance, there is no threat of environmental clearance getting expired.

Bhaskar Basu: Okay. And secondly, from an Ispat perspective, I just wanted to understand what is the iron ore sourcing mix there? Where do we source iron ore from? And do we rely on imports from outside India also?

Seshagiri Rao: Yes, because it is import-based blend, they have the flexibility of getting from overseas from outside India. So, based on the dynamics of pricing, they have landed cost from various sources within India versus imports. They always evaluate and then take a call whether to import or buy locally. So, a part of the requirement, they are met from imports.

Bhaskar Basu: So, broadly what percentage would that be?

Seshagiri Rao: Maybe in the range of 60:40.

Bhaskar Basu: 60% imports or 60% domestic? 60% domestic or 60% imports?

Seshagiri Rao: 60% imports.

Bhaskar Basu: Okay. Thanks. That’s all from my side.

Moderator: Thank you so much, sir. Sir, you can take over the floor for final remarks now.

Seshagiri Rao: So, thank you very much, and at the end I would conclude saying that JSW Steel has shown a remarkable growth inspite of very, very big challenges which are there in the industry and also the iron ore availability. I would like to again emphasize that we will be able to achieve our guidance of 8.5 million ton of production and 9 million ton of saleable steel in this financial year. And our effort is to preserve the margins which are there up to 30th September, 2012, not withstanding the pressure of the prices by optimising the cost and also changing the product mix and pushing the volumes. These are the three levels, which we would like to use to see that our margins will continue to be at the same level as we have achieved as on 30th September. Thank you very much.
Moderator: Thank you so much, sir. Thank you so much, participants. With this, we conclude the conference call for today. You may all disconnect now.