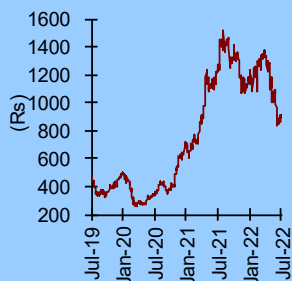


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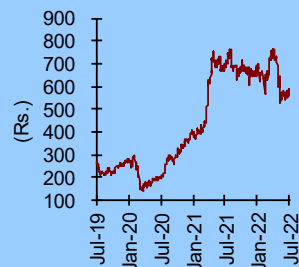
Sector update

## Metals

### Tata Steel (REDUCE)



### JSW Steel (REDUCE)



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## INDIA

## Steel



### RoCE print to favour JSWS, Tata scores in deleveraging

Over the years, Annual Report Analysis (ARA) for commodity sector companies has been losing its relevance in the investment community as i) majority of AR information is backward looking (also on account of improving disclosures on the part of corporates) and/or doesn't help in investment decisions, ii) limited shelf life and iii) nature of sector– underlying volatile commodity movements virtually sidestepping operational improvements. Ways of improving relevance in our view include: i) Contrast multiple participants (for analysts) and ii) amended disclosures in AR with more relevant information augmenting investment decision and reducing flap wherever possible – ageing of CWIP has been a welcome addition. We look at FY22 annual reports of Tata Steel (TSL) and JSW Steel (JSWS) with such a lens. We maintain REDUCE on both TSL and JSWS.

FY22 investments in TSL have been mainly on account of inorganic expansion (NINL) while that in JSWS has been on account of ramping up the Vijaynagar capex (5mnte expansion). However, the same has been interspersed with two organic expansions – Dolvi (5mtpa) which completed in FY22 and Vijaynagar (7.5mtpa) which is expected to complete in FY25. RoCE (standalone) profile of JSWS will improve vis-à-vis TSL over the next 1-2 years as Dolvi starts contributing (with a supposedly lower cost structure – Rs4,500/te lower than the current operations). TSL will do a catch up when KPO 5mtpa phase II commissions. We attribute higher weightage to deleveraging than for expansions, where we see TSL as a clear winner, with ~Rs535bn of net debt reduction over FY20-22 as against flat net debt for JSWS. Remuneration to KMPs had increased by ~70% for JSWS and ~22% for TSL in FY22.

- **Operational highlights.** Share of CRC sales is ~10-11% for TSL/JSWS while HRC still contributes 60-75% of sales/production mix. India has already turned into a net HRC exporter in CY18. While numerous CRM capacity expansions are underway/commissioned, offtake is not encouraging.
- **Capacity expansion.** CWIP's ageing analysis shows Dolvi (along with coke oven) capex is mostly complete. Majority of investment by JSWS in FY22 was to expand the Vijaynagar capacity, which is expected to increase eventually by 7.5mnte. We see better project-wise granularity in CWIP ageing for JSWS vis-a-s TSL. While there is a meaningful progress in growth projects for TSL India – project-wise visibility is absent. Yet, with Dolvi ramping up (with a lower cost structure) and Vijaynagar (7.5mtpa) expected to commission by FY25E, it appears JSWS will have an edge over (domestic) RoCE (relative to TSL) in our view.
- **Investments and loans to related parties.** For JSW, total investments of the company have increased by Rs55.7bn during FY22, with majority being in JSW Vijaynagar Metalics, which is carrying out 5mtpa expansion. Periana Holdings (subsidiary) has continued to draw additional support in terms of loans (Rs4bn) while witnessing an additional provision for doubtful loan of Rs7bn. Periana has JSW Steel USA (1.2mtpa plate and 0.55mtpa pipe mill) as well as coal mining concession in West Virginia. The coal mining has improved and so has the EBITDA (along with the EBITDA in plate and pipe mill). In case of TSL, FY22 investments have increased by Rs143.1bn (mainly NINL investment), while loans to related parties have also increased which mainly include loans of Rs215.1bn to Tata Steel Holdings – to payoff the overseas debt (mainly Europe).

- ▶ **Deleveraging performance of TSL leads the sector.** Net debt for JSWS has been maintained in FY20-22 at ~Rs525-526bn, while TSL has reduced its net debt by Rs534bn in during the same period (from Rs977.6bn in FY20 to Rs443.2bn in FY22). We give more weightage to deleveraging while analysing sector companies.
- ▶ **Composition of Board.** While the Board of TSL has >50% independent directors, Board of JSW Steel has <50% independent directors.
- ▶ **Remuneration to KMPs.** JSWS' remuneration to KMPs had increased by ~70% vs ~22% for TSL in FY22.
- ▶ **Interest and exchange rate risks.** For 100bps increase in interest rates, JSWS witnessed marginally incremental PAT impact of Rs3.1bn against Rs2.2bn for TSL in FY22. 1% depreciation of US\$ impacts JSWS PAT by Rs6.6bn, while 10% depreciation in functional currency impacts TSL profit by ~Rs11bn.
- ▶ **Sustainability.** CO2 emission intensity (te/tcs) of JSWS (India) is better than TSL (India) because of higher emission intensity in Jamshedpur. However, more aggressive future targets of reduction of the same have been laid out by TSL. JSW's targets for CO2 emission for FY25 are within line of sight.

**Table 1: Key valuation and rating/TP (change) snapshot**

Companies	Rating	Target price	P/B (x)			P/E (x)			EV/EBITDA (x)		
			FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Tata Steel	REDUCE	827	0.9	0.9	0.8	2.6	8.1	7.4	2.3	3.3	3.6
JSW Steel	REDUCE	448	2.1	1.7	1.5	6.4	9.2	12.6	5.2	5.8	7.3

Source: I-Sec research

**Table 2: Valuation methodology, change in P/B to reflect a potential sector derating**

	Valuation Methodology	Key risks – Upside	Key risks – Downside
Tata Steel	0.75x FY24E book.	Higher steel prices for longer period. Better than expected deleveraging. Resolution of Tata Steel Europe.	Cycle corrects itself. Higher capex announcement / Inorganic acquisitions.
JSW Steel	1.2x FY24E book.	Higher steel prices for longer period. Better than expected deleveraging.	Cycle corrects itself. Higher organic capex announcement.

Source: I-Sec research

## Operational performance

Table 3: Operational capacities

JSW Capacities	Capacity (mtpa)	TSL Capacities	Capacity (mtpa)
<b>Domestic</b>	<b>27.0</b>	<b>Domestic</b>	<b>20.6</b>
Vijay Nagar	12.0	Jamshedpur	11.0
Dolvi	10.0	Meramandali (Bhushan)	5.6
Salem	1.0	Kalinganagar	3.0
BPSL	2.8	Gamharia (Usha Martin)	1.0
JISPL	1.2		
<b>Overseas Capacities</b>	<b>6.1</b>	<b>Overseas</b>	<b>13.7</b>
Plate and Pipe Mill in US	1.8	<b>Europe Capacities</b>	<b>12.0</b>
- Plate Mill Capacity	1.2	UK	5
- Pipe Mill Capacity	0.6	Netherlands	7
Hot rolling mill in Ohio US	3.0		
Long product mill in Italy	1.3	<b>South East Asia</b>	<b>1.7</b>
		Thailand	1.7
<b>FY22 crude Steel Production</b>	<b>19.5</b>	<b>FY22 crude Steel Production</b>	<b>34.0</b>
<b>FY22 steel Sale</b>	<b>18.2</b>	<b>FY22 steel Sale</b>	<b>29.5</b>
<b>Capacity Utilisation</b>	<b>~89%</b>	<b>Capacity Utilisation</b>	<b>~90%</b>

Source: Company data, I-Sec research

Table 4: Key operational highlights -- JSWS vis-a-vis Tata Steel

JSW Steel	Tata Steel (Indian Operations)
<ul style="list-style-type: none"> <li>During FY22, ~43% of iron ore requirement of JSW steel (~32.13MT) was met through captive mines.</li> <li>As per the annual report, standalone (ex-BPSL and JISPL) conversion cost during FY22 was US\$136/te (vs US\$110/te in FY21).</li> <li>Iron ore sales (from captive mines) contributed Rs2,065/te to EBITDA in FY22 (iron ore sales/steel sales volume).</li> <li>Share of export in overall standalone volumes stands at ~28% (8% YoY growth) while branded product sales stood at 47% of total retail sales (25% YoY growth).</li> </ul>	<ul style="list-style-type: none"> <li>For Indian operations, 100% of iron ore requirement was met through captive mines and almost ~21% of coal requirement was met through captive mines in FY22. Iron ore production during FY22 stood at 32mtpa (taking care of all Bhushan Steel needs).</li> <li>100% requirement for ferro manganese was met through captive mines (in FY22). Further, TSL is the largest producer of chromite ore in India and one of the largest producers of ferro chrome in the world, which is being exported to stainless steel producers worldwide.</li> <li>Total exports (standalone) during FY22 declined to 2.6mnte as against 3.5mnte in FY21.</li> </ul>

Source: Company data, I-Sec research

## Product-wise turnover of TSL and JSW – 60-70% of sales is HRC

Product profile comparison shows a trend – all expansions focus on HRC with only incremental push sales happening in CR in flats. Both Tata and JSWS still sales only 10-11% of mix as CRC, while 60 (JSWS) to 70%+ (TSL) of sales is HRC. India had already become a net exporter of HRC in CY18. Longs is (still) largely a secondary/unorganised market. While CRM expansions are still happening, volume off take is extremely limited.

Table 5: Comparison of TSL and JSWS' product portfolio

(mnte)	JSW Steel		Tata Steel*	
	FY21	FY22	FY21	FY22
MS slabs	0.1	0.2		
Hot rolled coils/steel plates/sheets	9.0	9.4	12.4	12.4
Galvanised coils/sheets	0.5	0.6		
Cold rolled coils/sheets	1.5	2.0	1.8	2.2
Steel billets & blooms	0.7	0.4	1.5	1.4
Long rolled products	3.1	3.9	1.9	1.9
<b>Total</b>	<b>14.9</b>	<b>16.5</b>	<b>16.7</b>	<b>17.6</b>
Iron ores	4.7	11.9		

Source: Company data, I-Sec research \*production has been taken as proxy for sales

## Capacity expansions

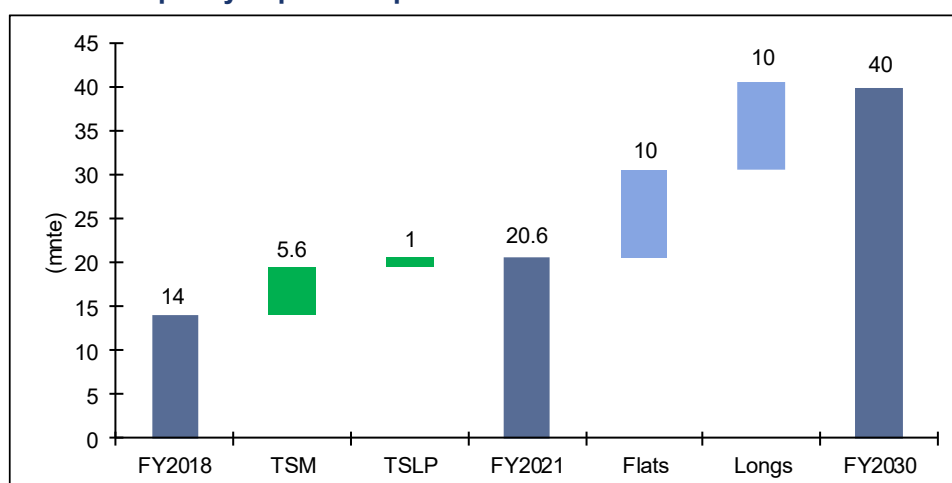
**JSW Steel:** JSW has earmarked capex of ~Rs488.5bn over the next three years to increase Vijaynagar capacity by 7.5mnte, BPSL capacity by 2.25mnte, JISPL capacity by 0.3mnte. The capex also includes sustenance and other capex.

**Table 6: Capacity expansion plans of JSWS**

(mtpa)	FY22	FY23E	FY24E	FY25E	FY25E Total
JSW Standalone	11.00				<b>11.00</b>
Vijaynagar Expansion	12.00	1.00	5.00	1.50	<b>19.50</b>
BPSL	2.75	0.75	1.50	0.00	<b>5.00</b>
JISPL	1.20	0.30			<b>1.50</b>
<b>Total</b>	<b>26.95</b>	<b>2.05</b>	<b>6.50</b>	<b>1.50</b>	<b>37.00</b>

Source: Company data, I-Sec research

**Chart 1: Capacity expansion plans of TSL**



Source: Company data, I-Sec research

TSM: Tata Steel Meramandali, TSLP – Tata Steel Long Products

**Table 7: Upcoming capacities of Tata Steel Limited**

<b>Upstream</b>	Pellet	Pellet capacity to increase from 7 to 13mtpa (TSK Ph II)
	Iron ore	Iron ore mining to expand from 30 to 60-65mtpa
<b>Flats</b>	CRM Complex	2.2mtpa CRM complex close to commissioning (TSK Ph II)
	Kalinganagar	5mtpa expansion on track (TSK Ph II)
<b>Longs</b>	NINL	NINL acquisition to facilitate rapid growth
	EAF	EAF to drive scale through multi locational expansion
<b>Downstream</b>	Tubes	From 1.0mtpa to 2mtpa
	Wires	From 0.45mtpa to 1mtpa
	Tinplate	From 0.38mtpa to 1.0mtpa
	DI-pipes	From 0.2mtpa to 1mtpa

Source: Company data, I-Sec research

TSK – Tata Steel Kalinganagar, CRM – Cold Rolling Mill

## Investment and loans to related party

Table 8: Investments and loans to related party

JSW Steel	Tata Steel
<p><b><u>Investments</u></b> Total investments of the company increased by Rs55.7bn during FY22. <b>Major changes include equity investment of Rs15.8bn in JSW Vijaynagar Metalics (setting up of 5MTPA brownfield integrated steel plant)</b>, investment of Rs1.2bn in JSW Utkal Steel Limited (was formed to set up an integrated steel plant of 13.2MTPA steel capacity and 900MW captive power plant in Odisha), increase in the investment value of Rs18.4bn in JSW Energy (increase in the fair value of investment), equity investment in JSW Paints (fair value-Rs5.5bn) and additional investment of Rs3.4bn in Crexient Special Steels Limited (a jointly controlled entity of JSW Steel and AION Investments Private II Limited).</p> <p>Also, during the year, JSW Steel had exercised the option of conversion of 4.1bn OFCDs held by the company in Piombino (holding company of BPSL) into 4.1bn equity shares of PSL. Post which, JSW Steel holds 83.28% equity in PSL and JSW Shipping and Logistics Private Limited (JSLPL) holds 16.72% equity in PSL.</p> <p><b><u>Loan to related parties</u></b> During FY22, loans to related parties increased by Rs15.6bn (gross basis), which mainly include increased outstanding loan of Rs5.6bn to JSW Steel (Netherlands) B.V., increased loan of Rs4bn to Periana Holdings, LLC and Rs7.2bn to Acero Junction Holdings, Inc. <u>The loan amount decreased by Rs4.2bn in JSW Steel Coated.</u></p> <p>Also, in FY22, the outstanding amount of allowance for doubtful loans to related parties increased to Rs26.26bn as against Rs16.15bn in FY21. These provisions relate to Periana Holdings LLC (Rs7.2bn) and provision of Rs2.8bn transferred from guarantee towards incremental loan to lenders of a subsidiary (financial guarantee obligation).</p>	<p><b><u>Investments</u></b> Total investments of the company increased by Rs143.1bn during FY22. Major changes include preference share investment of Rs127.1bn in Tata Steel Longs, investment of Rs7.6bn in Tata Steel Utilities and Infrastructure Services Limited, investment in preference shares of Rs1.5bn (fair value Rs1.7bn) in Creative Port Development Private Limited and investment in preference shares of Rs0.5bn in Medica TS Hospital Private Limited.</p> <p><b><u>Loan to related parties</u></b> During the year, TSL extended loans of Rs215.1bn to Tata Steel Holdings (loans to Europe to pay down debt), loan of Rs10.8bn to Tata Steel Mining and loan of Rs3.9bn to Bhubaneswar Power.</p> <p>Further, in FY22, loans given to Tayo Rolls Limited (Rs0.7bn), Tata Steel (KZN) (Rs5.58bn) and TRF (Rs1bn) were fully impaired.</p>

Source: Company data, I-Sec research

## Ageing of capital work in progress

**JSW Steel.** Out of CWIP of Rs167.6bn at the end of FY22 as against Rs324.3bn at FY21 end. CWIP includes project of Rs9.7bn suspended temporarily.

- Rs92.9bn will be capitalised in FY23, Rs37.3bn and Rs26bn will be capitalised in FY24 and FY25, respectively.
- Projects worth Rs102.3bn are overdue or have exceeded their costs compared to the original plan.
- During FY22, JSW completed expansion project at Dolvi (including the coke oven), expansion of Cold Rolling Mill 1, Colour Coated Line- Kalmeshwar and Pickling Line and Tandem Cold Mill-Vasind.
- Limited progress in 175 MW and 60 MW power plant project of the company.

**Tata Steel.** The outstanding CWIP was Rs212.3bn at the end of FY22, which includes project of Rs2.8bn suspended temporarily.

- Rs80.6bn will be capitalised in FY23, Rs38.0bn and Rs35.1bn will be capitalised in FY24 and FY25, respectively.
- Further, projects worth Rs179bn are overdue or have exceeded their costs compared to the original plan.
- During FY22, we observed progress in Tata Steel Europe's growth projects while we have seen limited progress in sustenance projects.

## Borrowings

**JSW Steel.** The gross debt of the company increased by Rs54.3bn over the past two years (FY20-FY22). However, net debt position of the company has been stagnant in FY20-22 at ~Rs525-526bn.

**Table 9: Debt position as reported by the company**

(Rs bn)	FY20	FY21	FY22
Total Debt	645.4	643.8	699.8
Cash and equivalents	120.1	128.2	173.9
<b>Net Debt</b>	<b>525.4</b>	<b>515.6</b>	<b>525.8</b>

Source: I-Sec research, FY22 annual report

## Tata Steel Limited

**Tata Steel.** The gross debt of the company has declined by Rs405bn over the past two years (FY20-FY22). Also, net debt position (ex-lease liabilities) of the company declined by Rs534bn over the past two years. There has been a significant pay down in overseas debt in FY22.

**Table 10: Debt position as reported by the company**

(Rs bn)	FY20	FY21	FY22
Total Borrowing	1093.1	806.7	688.3
Current Investments	115	131	245
<b>Net Debt</b>	<b>977.6</b>	<b>675.5</b>	<b>443.2</b>

Source: Company data, I-Sec research

## Interest rate risk

**JSW Steel.** The borrowings of the group are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest. It hedges its US dollar interest rate risk through interest rate swaps to reduce the floating interest rate risk. **The group hedges up to 20% of interest risk in US dollars, remaining is unhedged.**

**Table 11: Borrowings of JSW**

(Rs bn)	FY21	FY22
Fixed rate borrowings	291.4	376.6
Floating rate borrowings	312.9	328.5
<b>Total borrowings (adjusted for upfront fees)</b>	<b>600.5</b>	<b>705.1</b>

Source: I-Sec research, FY22 annual report

As per the annual report, if interest rates had been 100bps higher / lower and all other variables were being constant, the group's profit for the year ended 31 March, 2022 would decrease/increase by Rs3.12bn (for the year ended 31 March, 2021 would decrease / increase by Rs2.85bn).

**Tata Steel.** The group is subject to variable interest rates on some of its interest bearing liabilities. The group's interest rate exposure is mainly related to floating rate debt obligations.

**Table 12: Borrowing of TSL**

(Rs bn)	Fixed rate	Floating Rate	Total
INR	161.6	138.7	300.4
GBP	0.1	24.7	24.8
EURO	0.9	42.1	43.0
USD	248.4	45.6	294.0
Others	25.8	0.3	26.1
<b>Total</b>	<b>436.8</b>	<b>251.5</b>	<b>688.3</b>

Source: I-Sec research, FY22 annual report

As per annual report, based on the composition of debt as of March 31, 2022 and March 31, 2021 a 100bps increase in interest rates would increase the group's finance costs (before considering interest eligible for capitalisation) and thereby, consequently reduce net profit and equity before considering tax impacts by approximately Rs2.2bn for the year ended March 31, 2022 (2020-21: Rs4.21bn).



## Forex impact

### JSW Steel

The company is exposed to exchange rate risk under its trade and debt portfolio. Volatility in exchange rates affects its revenue from export markets and the costs of imports, primarily in relation to raw materials. The company uses foreign exchange forward and other derivative instruments to hedge foreign exchange and interest rate exposure.

According to annual report, 1% increase in US\$ will impact the profits of the company by Rs6.6bn, 1% increase in EURO will impact the profits of the company by Rs0.3bn and 1% increase in Yen will impact the profits of the company by Rs0.05bn, assuming other elements remain constant.

### Tata Steel

The risks primarily relate to fluctuations in US\$, GBP, Euro, Singapore Dollar and Thai Baht against the respective functional currencies of the company and its subsidiaries. The company uses foreign exchange forward and other derivative instruments to hedge foreign exchange and interest rate exposure. Any weakening in functional currency may impact the respective entities' cost of imports and cost of borrowings and consequently increase the cost of financing the group's capital expenditures.

As per annual report, 10% appreciation/depreciation of foreign currencies with respect to functional currency of the entities within the group would result in an decrease/increase in the group's net profit and equity before considering tax impacts by approximately Rs10.92bn for the year ended March 31, 2022, (2020-21 Rs11.91bn).

## Commodity price risk

### JSW Steel Limited

According to the annual report, group's sensitivity to a 5% movement in the input price of iron ore and coking coal net of hedge accounting will impact the profitability by Rs11.6bn in case iron ore, Rs13.9bn in case of coking coal, with all other variables held constant.

### Tata Steel

To address the short term price volatility, the company hedges certain commodities in the derivatives market. Total exposure of the listed entity to commodities (including commodities based on materiality) was Rs227.3bn, and out of this exposure to coal was Rs172.8bn during FY22 end (no hedging done). Thus, we assess that 1% change in coking coal prices would have impacted profit by Rs 1.7bn in FY22.



## Governance: Board structure

## Tata Steel: &gt;50% independent directors on Board

Table 13: Composition of Board Committee of Tata Steel Limited (March 2022)

Board has 2 Executives, 3 Non-executive and 6 Independent Directors		
Key Committees	Chairman	Description
Audit Committee	OP Bhatt (Independent Director)	7 members with 6 Independent Director
CSR & Sustainability Committee	Deepak Kapoor (Independent Director)	4 members with 2 Independent Director
Nomination & Remuneration Committee	Malika Srinivasan (Independent Director)	3 members with 2 Independent Director
Stakeholders Relationship Committee	VK Sharma (Independent Director)	4 members with 2 Independent Director
Risk Management Committee	Farida Khambata (Independent Director)	9 members with 3 Independent Director
Safety Health & Environment Committee	Peter Blauwhoff (Independent Director)	6 members with 4 Independent Director
6 Committees have Independent Director as Chairman		
0 Board committees with 100% of Independent Directors		
Source: Company data, I-Sec research		

## JSW Steel: &lt;50% independent directors on Board

Table 14: Composition of Board Committee of JSW Steel Limited (March 2022)

Board has 7 Non-executive Directors, 2 Women directors and 2 Nominee Directors out of 11 Directors** (5 independent directors)		
Key Committees	Chairman	Description
Audit Committee	Seturaman Mahalingam (Independent Director)	3 members with 2 Independent Director
CSR Committee	Nirupama Rao (Independent Director)	6 members with 2 Independent Director
Nomination & Remuneration Committee	Harsh Charandas (Independent Director)	3 members with 3 Independent Director
Stakeholders Relationship Committee	Seturaman Mahalingam (Independent Director)	3 members with 3 Independent Director
Risk Management Committee	Malay Mukherjee * (Independent Director)	6 members with 3 Independent Director
Project Review Committee	Malay Mukherjee * (Independent Director)	4 members with 2 Independent Director
Sustainability Committee	Malay Mukherjee * (Independent Director)	6 members with 3 Independent Director
Hedging Policy Committee	Dr Punita Sinha (Independent Director)	3 members with 2 Independent Director
Finance Committee	Seshagiri Rao MVS (Executive Director)	3 members with 0 Independent Director
ESOP Committee	Malay Mukherjee * (Independent Director)	4 members with 3 Independent Director
Code of Conduct Committee	Seshagiri Rao MVS (Executive Director)	3 members with 0 Independent Director
9 Committees have Independent Director as Chairman		
2 Board Committees with 100% of Independent Directors and 2 committees with no independent directors		
Source: I-Sec research, FY22 annual report		
* Demised		
** The company has appointed Ms. Fiona Paulus as an Additional Director (Independent Category) with effect from May 27, 2022. With this, the Board of Directors comprises of three women directors out of total strength of eleven directors, at present.		

## Remunerations to key management personals

Table 15: Tata Steel

Name (Rs.mn)	Designation	FY21	FY22	YoY % Chg
<b>Non-Executive, Non-Independent Directors</b>				
N Chandrasekaran	Chairman	0.4	0.4	22.2
Noel Naval Tata	Vice Chairman	-	-	
Saurab Agarwal	Non-Executive Director	0.7	0.7	0.0
<b>Independent Directors</b>				
VK Sharma	Non-Executive Director	10.4	-	(100.0)
Malika Srinivasan	Independent Director	14.5	17.5	21.0
OP Bhatt	Independent Director	21.3	23.9	11.9
Deepak Kapoor	Independent Director	12.2	14.2	15.7
Farida Khambata	Independent Director	-	10.3	
David W Crane	Independent Director	-	9.3	
VK Sharma	Independent Director	-	11.8	
Peter Blauwhoff	Independent Director	12.3	3.2	(73.9)
Aman Mehta	Independent Director	11.2	6.3	(43.5)
<b>Executive Directors</b>				
TV Narendran	Executive Director	155.8	195.0	25.1
Koushik Chatterjee	Executive Director	126.1	151.7	20.3
<b>Total</b>		<b>364.8</b>	<b>444.4</b>	<b>21.8</b>

Source: I-Sec research, FY22 annual report

Remuneration to KMPs has increased by ~21.8% in FY22. Also, remuneration to KMPs as a % to overall employee cost has increased to 0.19% in FY22 as against 0.18% in FY21.

Table 16: JSW Steel

Name (Rs.mn)	Designation	FY21	FY22	YoY % Chg
Sajjan Jindal	Chairman & Managing Director	733.8	1,348.0	83.7
Seshagiri Rao MVS	Joint Managing Director & Group CFO	50.8	62.8	23.6
Dr Vinod Nowal	Dy. Managing Director	42.2	48.7	15.4
Jayant Acharya	Director (Commercial & Marketing)	36.2	45.3	25.1
Rajeev Pai	CFO	21.5	24.0	11.6
Lancy Varghese	CS	8.0	9.1	13.8
MS Srikar	Nominee Director	3.5	3.6	1.7
Hiroyuki Ogawa	Nominee Director	3.6	3.7	3.4
Malaya Mukherjee	Independent Director	3.9	4.0	3.6
Seturaman Mahalingam	Independent Director	3.9	4.1	5.1
Dr Punita Sinha	Independent Director	3.7	3.9	5.5
Harsh Mariwala	Independent Director	3.5	3.7	4.0
Haigreave Kahitan	Independent Director	3.7	3.8	4.9
Nirupama Rao	Independent Director	3.6	3.7	3.3
<b>Total</b>		<b>921.9</b>	<b>1,568.4</b>	<b>70.1</b>

Source: I-Sec research, FY22 annual report

Remuneration to KMPs has increased by ~70.1% in FY22. Remuneration to Mr Sajjan Jindal has increased by 83.7% to Rs1,348mn. Also, remuneration to KMPs as a % to overall employee cost has increased to 4.5% in FY22 as against 3.7% in FY21.

## Sustainability

**Table 17: Environmental sustainability at TSL and JSW**

<b>JSW Steel</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>YoY % Chg</b>
Scope 1&2 Co2 (mnmt)	40.52	37.52	44.21	17.83
Scope 1&2 (Co2/tcs)	2.52	2.49	2.50	0.40
Energy Intensity (GJ/tcs)	27.47	26.69	25.30	(5.2)
Water consumption (KL/tcs)	2.60	2.41	2.45	1.66

<b>Tata Steel (Standalone)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>YoY % Chg</b>
Scope 1&2 Co2 (mnmt)	32.20	30.40	47.90	57.57
Scope 1&2 (Co2/tcs)	2.45	2.49	2.61	4.50
Energy Intensity (GJ/tcs)	24.17	24.11	23.62	(2.0)
Fresh water consumption (KL/tcs)	3.10	2.7	2.71	0.37

Source: I-Sec research, Bloomberg

The CO<sub>2</sub> emission of JSW Steel has increased marginally during FY22; however, the company targets to reduce it to below 1.95tCO<sub>2</sub>/tcs by 2030, which is below the India's Nationally Determined Contributions (NDC) for Climate Change at 2.4 tCO<sub>2</sub>/tcs. Additionally, the company is targeting carbon neutrality at JSW Coated by CY30.

**TSL (standalone) witnessed increase in CO<sub>2</sub> emissions during FY22 (mainly due to Jamshedpur)**, but the company plans to reduce carbon emission below 2 tCO<sub>2</sub>/tcs for TSL (India) by FY25 (more aggressive target), achieve CO<sub>2</sub> emission intensity of <1.8 tCO<sub>2</sub>/tcs for TSL (India) by FY30 and achieve carbon neutrality at Tata Steel UK and Netherlands by 2050.

Water consumption had reduced in FY21 vs FY20 for both the companies; however, it increased marginally in FY22. TSL plans to reduce fresh water consumption to <1.5m<sup>3</sup>/tcs across all sites by FY30 and aims for water neutrality by 2030. JSW targets >39% reduction in fresh water consumption by 2030 (vs base year 2005).

The energy intensity of both the companies has reduced over the past three years.

## Steel scrap recycling

- Tata Steel (standalone) recycled ~6.8% steel scrap (internal and external) in FY22 as against 4.9% in FY21.
- Tata Steel Long Products Limited recycled ~4.3% steel scrap (internal and external) in FY22 as against 3.2% in FY21.
- Tata Steel UK ~17.5% recycled steel scrap (internal and external) in FY22 as against 16.9% in FY21.
- Tata Steel Netherland recycled ~17.6% steel scrap (internal and external) in FY22 as against 16.8% in FY21.

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