"Jindal Steel and Power Limited Q2 FY-21 Earnings Conference Call"

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MODERATOR: **MR. AMIT MURAKA, MOTILAL OSWAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY21 Earnings Conference Call for Jindal Steel and Power Limited hosted by Motilal Oswal Financial 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Muraka from Motilal Oswal Financial Services. Thank you and over to you sir.

Amit Muraka: Thanks Ayesha. Good afternoon ladies and gentlemen, thanks for dialing in to JSPL's 2Q FY21 Earnings Call. We have with us the management of JSPL to discuss the results. I will now hand over the call to Nishant Baranwal, Head of Investor Relations to take the call forward. Over to you Nishant.

Nishant Baranwal: Thank you Amit and Ayesha. Good day everyone. We welcome you all on this call to discuss the 2Q FY21 Financial Results for JSPL. Today we have with us our Managing Director, Mr. V R Sharma, Also, it gives me immense pleasure to introduce you all to our Chairman JPL and Director Finance for JSPL, Mr. Akhauri Sinha. Just to give you a brief on Mr. Sinha, He has more than four decades of experience with the banking industry in India and the US. In public sector and the private sector, including foreign banks. He's also headed the Royal Bank of Canada in India for over 12 years. Mr. Sinha has vast experience in banking, international finance, debt markets, derivatives and a lot more. So, with that, I would request our MD, Mr. V R Sharma for his opening comments, please.

V R Sharma: Good morning ladies and gentlemen. The Q2 had been excellent in the history of JSPL. Fortunately, with the blessings of everybody and with the markets we could achieve ever highest EBITDA, ever highest sales turnover and ever highest production. So this was an excellent quarter and in H1, we have done 3.5 million tonnes of production and H2 we are in-line as per our earlier declaration, we will be doing another 3.8 million tonnes in H2 and that will be about 7.3 million tonne, maybe a little more we'll try to reach to 7.5 million tonne as a whole. So, company is doing extremely well & the market is supportive.

We have done a lot of reengineering in our working, we could reduce our costs, we could increase our EBITDA level the demand has picked up, auto sector has picked up, infrastructure sector has picked up. Thanks to government of India, they are spending a lot of money in infrastructure projects especially the pipelines, water pipelines, cryogenic storage tanks, shipbuilding, Indian railway. So, these are some of the areas where we are reaping the benefit. And first time in the country, we have made an import substitute in rails that is called grade 1080 Head Hardened rails for metro rails and 1175 HT that is for Indian Railway. We are also now approved by RDSO and Indian Railway to be a regular supplier to them. And already we are approved by metros and for metro we already started the supply. The Indian Railways as well as Metros are getting immense benefit associating with us because we are delivering material within six to eight weeks' time whereas they used to import and they used to open letter of credit for six months in advance and then there was always an issue that minimum order quantity should be 5000 tonne. We are delivering material to their sites even 500 tonne material we are delivering so it is like Amazon concept. So whatever people need we are in a position to supply on time. So you have seen the EBITDA margins are 31% at standalone and overall on consolidated basis we have done 2702 crores of EBITDA and on standalone basis it's 2435 crores so which is a record perhaps. And we are the lowest cost producer in the whole world. And this is what we want to maintain.

The company is doing extremely well at labor front, at employees front, we are very much comfortable, we are perhaps among the few companies in the country who have not deducted salaries during COVID time and we have paid people on time, we are not restrained anybody and we could take care of the society, we could take care of ourselves and we could manage and we could steer the organization in a right way. Initially, in the beginning of this year, we were dependent on exports because domestic market was closed. So, we had the export of about 1.35 million tonnes in first four months, that is April, May, June, July and after that we have tapered off the exports. And now our earlier it was 70% to 72% came down to about 56%, came down to 45%. And now, in October it is only 32% and in November will be just exporting about 20% of the total produced and that will maintain till the end of the year. And this is because the domestic market is pretty good. Earlier for exports we were primarily selling semi, now these semis are being converted into finished goods or value-added goods and we are not selling semis at all now. So, whatever we are exporting like plates in exports, we are doing to Europe, then beams to Europe as well as South Africa, rails to the adjoining countries like Sri Lanka and Bangladesh. And we also exporting to Saudi Arabia for the transmission lines. And that is specialty high strength steel angle, so that is our major market now. So, we'll continue reaping the benefits of the value-added steel, and this is what our aim is.

So, coming back on the overall plan for the year, 7.3 million tonne, but we will be trying for 7.5 million tonnes, as against 6.3 million tonne last year. So, this will be about 18% to 19% of growth, which is a phenomenal growth. I'm also pleased to inform you that the whole world during COVID time there was a negative growth except for China, China had a 6% positive growth whereas JSPL led 11% positive growth in India, all of the steel mills they had negative growth, but we were at positive growth at that time also.

So, I would say that the company is doing extremely well. So is the power business. Power businesses is getting back on the track, but the solar, wind, energy and hydro they are still very active and the state electricity boards they had not come back to buy in full. So, we are just waiting the Government of India releases more funds and state governments buying more electricity then it will be good for the nation. Today's news is that the India could do more than 1 lakh crores of GST collection , the maximum peak was 1,14,000 crores, I'm sure in Diwali month i.e for November we will cross 1,10,000 crores that means the money is changing hands and the purchase power is increasing. Another good thing is, in the first time in the history of the country the ATMs withdraw are lower than the payments made to the cards. So, that means the e-economy and the plastic economy is working very well. That shows the people they have the money and they are interested in spending money. So, the spend management is quite lucrative now. So, we are expecting that the steel consumption will go up.

At international front I would like to inform you that the coking coal prices have gone down from $128 to $104 we have done a forward booking up to February and we are expecting that the price will be hovering around about $105 to $110 and the moment the prices go up in the month of December or January. So, we will reap those benefits because we have already booked the orders up to purchase orders, we already placed the orders up to February consumptions.

The coal gasification unit is doing very well and so the DRI and we are now looking at the coal availability by Government of India, the Mahanadi Coal Field as well as Coal India that has increased. The coal prices have also come down, thanks to Mr. Modi, our Honorable Prime Minister who had asked them to produce about 1.5 billion tonne of coal as against of 800 million tonne as of now, so, if they produce 1.5 billion, then the benefit will definitely come to the steel industry and especially to us because we are the only company today in the country having a coal gasification unit. The other area is the coal mining, we are trying to buy coal mines if it is possible, but otherwise if it is not possible, then still you are comfortable.

Then the other area is the iron ore. Today fortunately, we are at a locations in Orissa and Chhattisgarh. For us the iron ore is not in short age, we are doing very well. We are getting material from all over the country. We have our own iron ore mines also as i.e. Tensa mines, but it has capacity of about 3.11 million tonne, We are more than 7 million tonne material lying in the premises of SMPL, that is Sarda mines and there was a little turbulence in last one week. But, I'm sure that from today the dispatch code that will be released so that we can continue our operations. And we can bring our material which is lying which was cleared by honorable Supreme Court in the month of January so, we have about 7.5 million tonne. and we will try to take out the same in this financial year. We consume about a million tonne from that stock a per month. So hopefully next six to seven months' time this all 7 million tonne will be utilized at JSPL which is already duty paid, royalty paid material. So, things will be better we consume about 12 million tonne iron ore in a year, part of that, 3.11 million tonne will come from our own Tensa mines, 7.5 million tonnes we will be bringing from one of our old stove which is stopped in the premises of SMPL, balance about 1.5 to 2 million tonnes, we have so many other plans in the area we can buy there's no problem. So, at railway front, the Government of India has done a wonderful job that rakes are available on coal that is something very good. So, we are in a position to move our material without any pile up of inventory. That's all from my side. And while we discuss during the next one hour, if there's any question I'll be happy to reply you thank you so much.

Nishant Baranwal: I will pass the call to Mr. Sinha.

Akhauri Sinha: Hi there, Good morning ladies and gentlemen. You heard Mr. Sharma, our MD and our flagship company JSPL continues to do exceedingly well. But I'm afraid that I can't say the same thing about our power company JPL. We are doing okay, but not what we wanted to and the power sector in the country as all of you are aware continues to be subdued. And there is hardly any gap left today between the availability of power and the requirement of power. In fact, this is not the scenario today, this pain has been continuing for the last one year now. Country produced close to about 1300 billion unit in the last year and the demand was close to about 1290 billion unit. So, in fact, there was a time when the supply exceeded demand and, in this half, ending September, India has already produced about close to 673 billion unit and the demand is not going up. Now, this is put pressure on the selling price and if we look at the power exchange you will see that the average price has been hovering around Rs.2.45 per unit- Rs.2.50 per unit. And this has impacted not only our company, but almost all the generators across India. And that is also the reason why overall installed capacity in India, which is approximately about 373 gigawatt last year, hardly addition of about 10 gigawatt has been made. And out of this 10 gigawatt, 3 gigawatt has come from thermal coal sector, where the capacity has gone up from 203 gigawatt to 206 gigawatt, solar has contributed about 5 gigawatt from 31 to 36 gigawatt that is the total installed capacity country has and 1 gigawatt each has come from wind and hydro. Where hydro has gone up from 45 gigawatt to 46 gigawatts. So, altogether the situation continues to look quite grim.

Nonetheless, JPL did give a good EBITDA, and I will come to the financial figures later. And, as Director of Finance of JSPL. I would like to first go through the financial parameters, and financial results of JSPL followed by the financial results of JPL.

So, coming to just adding to a little bit more to what our MD have said, You are aware that, the JSPL recorded a turnover of 8677 crores on standalone, which is 29% increase on quarter-on-quarter basis. And EBITDA went up by 33% and stood at 2435 crores. And the PAT went up from 505 crores to 998 crores, recording growth of almost 98%. So, I must say that, the results have been spectacular and the EBITDA this quarter has been ever highest in the history of JSPL, we never had this kind of the EBITDA before. And this becomes more important in this trying time.

Coming to phase volume, standalone like what our MD sir said that it went up by 24% and we recorded a sales volume of 1.93 million tonne and on a consolidated level i.e including Oman entity it just stood at 2.4 million tonnes. So, for the consolidated turnover is concerned it stood at 9804 crores showing a growth of 24% on Q-on-Q basis. And EBITDA stood at 2702 crores showing a growth of 23% on quarter-on-quarter basis. PAT went up from 291 crores to 903 crores on a consolidated basis. Now, if we compare the same results on year-on-year basis. So, coming to JSPL, our EBITDA went up by 94% from 1255 crores to 2435 crores year-on-year basis

And In JPL we are almost at the same level as compared to what we were in the quarter two last year. In fact, there is a very minor a dip in our EBITDA just 1.1%. On the overseas front it is not looking very healthy at this point of time, but nonetheless we are taking measures to divest our overseas assets like, the market is aware we have already taken the steps so far, one is completed and down the line, we have been discussed that gradually we'll keep divesting our overseas assets and we'll focus on our core strength which is steel. So, this is what I have to say about the JSPL and coming to JPL.

At JPL in Q2 we generated 2744 million units, I do not have much to show up sign on the JPL front and whatever PPAs we have close to about 900 MW, we hope that will continue to remain same because the PPA which we assigned earlier did not went through, we could not find, the new PPA, also we are not very hopeful when this will be signed ,because already seven, eight months has passed since we became L-1. So, this is the overall scenario about JPL.

And now we will be open to discussion questions. So, Nishant over to you now.

Nishant Baranwal: Thank you sir. We would open the lines for question and answers. My humble request here would be please limit your questions to one and also kindly request you to ask more strategic questions. We at IR are always there to provide you with the data. Operator over to you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: My question is with respect to debt, if you can walk us through, how the net debt level was reduced, I know this is a wonderful chart but apparently it is not very clear if you can walk us through that net debt reduction level and also why interest cost went down significantly in this quarter both Y-o-Y and Q-o-Q?

Akhauri Sinha: Thank you very much. We have started with about 35,000 crores of opening debt in the company. And after the divestment, the debt comes down to 29,500 crores we already paid in this particular H1 about 2600 crores to the banks, we have planned to pay another 2400 crores in the next H2. And once we do it and finally, we'll land somewhere about 24,500 crores by the end of the year or opening of the next year. So, this is what our plan is, interest rate has been reduced if you see the overall finance cost, we could negotiate with the banks. Wherever we had interest rate more than two digits so we could find out and we could negotiate with them to bring it down to less than two digits or I would like to say, less than 10% or we are about 9%-9.5%or so. And we'll continue talking to the bankers to reduce it further. We are also looking at our rating should be improved further after seeing all these results of Q2 and I hope I have replied your question.

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Moderator: The next question is from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Sir you gave a guidance for the volumes for the second half. Sir, how should we look at for the next year because we are achieving now rated capacity and as a group we have focused on deleveraging?

V R Sharma: We will be producing somewhere about 7.3 to 7.5 million tonne by the end of this financial year. And we are not doing any CAPEX and we have still some value added steel, they play a very vital role like we have five meter wide plate mill, if we produce more than 3 meters that is more quantity, that means we can increase the capacity. We have today the largest plate manufacturer in the country and similarly the sections like angle, channel all these sections when we go for the heavy sections, we can increase the production. So, what we are doing, we are now working that which are those products which can definitely bring a higher EBITDA and simultaneously we can increase the productivity. So, our blast furnace is running now at 10,000 tonnes per day, we are going to produce about (+11,000) tonnes per day with a little more modification. And since we are not adding any CAPEX, so whatever we will do, we'll do by excelling with the existing operations.

Rahul Jain: No, sir some color for next year, you think that?

V R Sharma: Next year we will be touching about 8 million tonne.

Moderator: Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bagmar: Sir referencing to your balance sheet, if I see the debt payable sir it come down by roughly around 6%. If I see other current liability that has come down by roughly 800 crores, is going to fact that, it has gone up. So, I am very surprised that how the debtors and the current liabilities have gone up. In the current liabilities you have component of customer. What has been the movement in that particular?

Nishant Baranwal : Kamlesh, would request you to repeat your question as there is a lot of disturbance.

Nishant Baranwal: Yes, we couldn't not understand the question fully, there is some technical problem. I request you please repeat it or otherwise we can go to the next question and come back later.

Kamlesh Bagmar: I am telling that in other current liability the figure has comes down roughly around 800 crores as compared to the March 20. And even if we see the trade payables that has also come to around 600 crores, to some March level. So, why there has been such a shortfall that has resulted in our debt numbers not going down that significantly.

Nishant Baranwal: you are asking about the trade payables going down from 600 crores?

Kamlesh Bagmar: Yes.

V R Sharma: In the first half?

Kamlesh Bagmar: Yes.

V R Sharma: Right. So, Kamlesh basically what we have done is that whatever trade payables were there, we have made repayments or supplied materials against those things and therefore the trade payables have come down. The endeavor will be to bring them down sequentially quarter-after-quarter.

Nishant Baranwal: Yes, next question please.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: My question is pertaining to Jindal Power, sir just wanted to get some color on pilot-to-PPA status. I understand that we have two PPA's of 315-megawatt, 105 megawatts, that was bided for. So, if you can just give us an update on that?

Akhauri Sinha: We bid for 420 megawatts in February 2020 and we won that 420 megawatts, the aggregator was PTC but somehow because there's not much demand from the DISCOMS. So, we have not been able to find the PPA and chances are not bright because it's the second time the same story is getting repeated. If you recall, we had signed a 515 megawatt PPA when the NHPC was aggregated in 2019 which could not materialize, which we could not sign and that was shelved off and the another under pilot two scheme 2500 megawatt was put for sale and the aggregator was PTC where we got 420 megawatt but still no PPA has been signed. So, I do not feel that this is going way through in the near future. So, I'm not very optimistic about it.

Moderator: Thank you. The next question is from the line of Preet Nagarsheth from Wealth Financial Advisors. Please go ahead.

Preet Nagarsheth: Can you give us an impact on the iron ore mine that you had one and on which some show cause notice has come out, could you give us a picture of what is going on there and what the trend is?

V R Sharma : Thank you. Yes, it is a question which I was expecting from any one of you, actually, we won this mine, but unfortunately when the possession was likely to be given, we found that there is a mismatch in the physical possession and versus the drawings. So, we discuss with the government of Odisha that you please rectify it, because we cannot take some liability tomorrow that we start functioning the mine and then finally, somebody comes and stops us and tell us that you are illegally doing the mining. This is the reason we raised our concern to Odisha government. And they are given a show-cause and we have already replied that our reason is this either you correct it, or we cannot take it.

Preet Nagarsheth: Okay. So, what will be the outcome of this? Did you see the mine going back or do you see that the corrections happening and then yes, we'll be able to use that iron ore?

V R Sharma: Actually, we have taken the opinion of various legal authorities and legal advisors and government of Odisha is also taking, it is very difficult for them now to recollect it because for all last 15- 20 years this was going on as it is, without any map so that there is a mismatch in the map in the total mining area. So, because upside there is some forest & downside there is forest, they have started mining the downside which was not acceptable to us because it's not as per the layout. So, this is the region, now it is up to the government because we cannot decide on behalf of government. If they rectify it, welcome then we will take, if they don't rectify then they have to offer us some alternate.

Moderator: Thank you. The next question is from the line of Jimesh Sanghvi from Principal Mutual Fund. Please go ahead.

Jimesh Sanghvi: Sir if you can throw some light on the next phase of growth for the steel business. I understand you guided that probably next year we are targeting around 8 million in terms of volumes. But considering that we are deleveraging our balance sheet that complete next year also the iron ore sourcing might get exhausted at Sarda mines like the low cost over that we have already paid for. How should one look at the steel business in particular for next financial year both in terms of iron ore sourcing as well as kind of any CAPEX that you might be considering in business, if you can throw some light on that from a longer term perspective.

V R Sharma: Thank you very much. Very right question in today's context the issue is, first of all iron ore availability is in abundance today in the country, there was some problems because of the very heavy rains and mining was disrupted. The other problem was because, the iron ore mines have changed hand, and the new promoters have come, and it takes little time to ramp up the production and also the old iron ore mine owners there are holding the stock now. So that has put some problems in the country. But since we are in Odisha and also in Chhattisgarh, so we didn't face this problem. We have our Tensa our own mines that produces about 3.11 million tonne, we are more than 7 million tonne of stock lying in the premises of SMPL. We consume about 1 million tonne per month. Also we have the Orissa mining Corporation OMC 's MOU in place and they are ready to supply whatever quantity we want to buy and there are some private miners as well those who are in the very close proximity of our plants, so that we can we can bring the material at a very low freight cost. So, this is what we are doing now.

Jimesh Sanghvi: So basically, you mean to say that ones the Sarda over and everything is over the 7 or 8 million tonne which is lying, probably we will be largely dependent on merchant or sourcing, right?

V R Sharma: Yes, and you're right. This is the reason we are trying to acquire another iron ore mine. And this is the region we participated, and we got this Guali mine. But unfortunately, because of technical reasons we couldn't start it and I am sure Odisha will definitely consider it and they may rebid it. And with a correction in the map, or we will try to participate in some other mines which are likely to come for the auction in very short time. And since we have been maintaining our production in last six years' time, when the SMPL's inventory was not awarded, it didn't impacted our business, our business will continue there is no issue at all and there is no shortage of mine, no shortage of iron ore. As far as the overall production is concerned, the growth in steel industry is likely to be more than 5% year-on-year basis and will not be surprised if the growth goes a little more than 5%. And JSPL had done a growth of 11.4%.

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

Chintan Shah: So, I just wanted to update on Sarda mine basically on mining what's the status on that and suppose if the mining doesn't start and we don't have access to inventory then what is the backup plan for that?

V R Sharma: As per the decision of the honorable Supreme Court in the month of end of January. The SMPL started their operations. And it's going on very well, barring some issues in last two weeks' time when the local authorities they visited the mine, and they have advised them, and also they all issued a show cause that how to stack the material. So, those things, I'm sure SMPL must be taking care and we are not impacted because of this. They have more than 20 customers, so we have one of them. And these are the normal issues in any mines, and since India is a very large economy and always minerals is in a very hot talk, so this happens, there's no problem. I'm sure this will be resolved very soon.

Chintan Shah: Okay, and sir if I could squeezing in one more question, if you can provide update on basically when can we expect over months full and final sale of the Oman assets and if there are any procedural or legal hurdles that we anticipate or there are currently?

V R Sharma: My colleague, Mr. Nishant will reply you just a minute.

Nishant Baranwal: Hi, Chintan thanks for asking that question. In our initial estimate we did think that we'd be able to do it a lot earlier. But as you know a transaction of this size does take its time, especially in these COVID times. So, I believe there are no legal hurdles or other obstacles that are there. The only last few approvals are to come and therefore we believe we should be able to complete this within the third quarter.

Moderator: Thank you. The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Sir, two questions one is any update on the status of refinancing of the JSPML debt and would you have permission from the Indian lenders to transmit money overseas just in case if it is not getting done by March and second question is more on a strategic line at what point in time or at what debt levels would you like to reconsider the CAPEX or the expansion plan for JSPL steel operation. Thank you.

Nishant Baranwal l: Gaurav, let me take your first question, which was regarding the refinancing, as we've already said. So first of all, you'd be happy to know that in the past six months, we've paid more than $200 million of overseas debt. Just pointing that out, because at the March repayment that you're talking about is just $250 million and these six months are the better half for the steel industry in the country. And therefore, we do not foresee any problems in paying up the $230 million that's upcoming in March. Having said that, we've already spoken to the markets and we have pointed out that we would be looking at refinancing it through a USD bond deal. It is in the works and as and when the advance we have to come forth. If that answers your first question, if you could repeat your second question please Gaurav.

V R Sharma: The second question you have asked for the CAPEX in the steel plant. Our Board has taken a decision not to invest for the expansions till we bring down our overall debts. So, our first aim is to bring down debts to a reasonable level about 15,000 crores which is likely to come by 2023 as per the today's plan. And once we are working on this, and we bring down our debts by below 15,000 crores then only we'll think for the next CAPEX otherwise you do not think for the CAPEX.

Moderator: Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Sir, I see in your cash flows that you have extended somewhere around a 1300 crores soft loan through your subsidiary. So, can you just explain which subsidiaries we have given this loan and after Oman hive of how would this figure would change?

Nishant Baranwal: So Vikas, this is a data question, I would urge everybody to please ask more strategic questions, these can be taken up by the IR team separately, just for your question Vikas, like we said, we've paid off debt in Mauritius and this was extended to Mauritius for the paymentVikas, this was for payments in Mauritius and Australia.

Moderator: The next question is from the line of Vishal Chandak from Emkay Global Financial Services. Please go ahead.

Vishal Chandak: Sir, my question was with respect to the Guali mines, we have been at a premium of 144% and since that time, we have bid for the mine the prices have runaway by about like Rs.1000 per tonne. So, how do we plan to, in case the government of Odisha rectifies the defects in the mining plan and the maps, and we still end up owning these mines. How do we plan to bring down our overall iron ore cost because when we compare to the Sarda ore coming to the Guali mine zone there could be a quantum jump in the cost of iron ore and if the iron ore cost is going to remain the same what kind of differential do we see?

V R Sharma: Thank you very much. We put this bet on the table after having a very, very good due diligence and after considering everything, but the point here is, it's not a matter of cost to premium is a matter of that legally can they rectify or not. We feel that they cannot rectify it they have to go for rebidding this is one, number two, in case they rectify then we have a very comprehensive plan to transport the Guali mines material through Slurry pipeline, and which is going to make us very, very competitive in terms of cost of iron ore to our steel plants. Hope, I replied you.

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

Pallav Agarwal: Sir, I just had a question on the Shadeed divestment. So, the entities that are buying this Templar in Vulcan so, we would not be extending any advance to them right, so they would be funding this totally from your own sources of funding, just want to clarify that?

Akhauri Sinha: What you said is absolutely right, we are not funding them, the buyer would be paying from its own resources, so JSPL doesn't have to do anything with this funding.

Pallav Agarwal: Sure sir, because in the Sarda mines, I don't know whether my understanding is correct. You extended an advance to them and against that we get the raw material right. So, as we lift iron ore from them, we are adjusting the advance against that, is that a correct understanding of that.

Nishant Baranwal: I think you are mistaken Pallav, so like we've said that 12 million tonne that belongs to JSPL there is no advance, that belongs to JSPL which was paid for earlier, the advance like the adjustment which you're talking, we are buying from SMPL and other miners and wherever we have extended advances we generally adjust that towards it.

Moderator: Thank you. The next question is from the line of Sachin Roy from B&K Securities. Please go ahead.

Sachin Roy: I have only one question sir, that is if you get the coal asset and how that will improve the working of power business?

Akhauri Sinha: See, if we get the coal mine our coal cost will come down. Right now, we have secured about of take of 3.1 million tonne of coal, which is kind of beneficial situation, a good situation for us to be in. And if we get coal mines, probably our coal cost will come down further. So we have about close to 1.77 per kilo watt coal cost and we expect that if the coal mine comes and we start doing the coal mine, then it will lower our cost, for how much exactly we are not in a position to pinpoint but it will definitely come down.

Sachin Roy: Okay, if you don't mind, I just want to ask a follow up question?

Akhauri Sinha: Yes, go ahead.

Sachin Roy: Actually, I have one follow up question that lastly you mentioned that if the Guali mines came into the play then the premium that you are playing that 144% that will compensate but by the Slurry pipeline that you are going to come in, so what is the magnitude, what is the amount that we will compensate with that premium, if you convert that transportation by Slurry pipelines and all?

V R Sharma: Iron ore today is available in abundance & if we compare with the international prices of iron ore Indian pricing are still very low. So, we don't foresee any challenging times to come in the country because we have more than 20 billion tonne of iron ore in this country. the Slurry pipeline given advantage of at least minimum Rs.1100 a tonne, which is substantial money at a product of having Rs.4000 per tonne of value and if you get Rs.1100 just on the transportation, then you can imagine it is around 25%. So, there is no problem at all.

Moderator: Thank you. The next question is from the line of Bajraj Nahar from Mini Consultant. Please go ahead.

Bajraj Nahar: I have one question, in your earlier presentation you have described that you have three mines in Africa region and quality of that iron ore is really the world's best quality, when those mines are likely to be operational. Thank you.

V R Sharma: The iron ore mines, so these are magnetite iron ore mines and these are really is a very good **quality,** Now the country's focus is on India growth story, exporting and we are going to produce in this country and consume 300 million tonne steel by 2030, the gap today is about 160 million tonne capacity-to-capacity and somebody will have to produce this 160 million tonne to bridge the gap in 10 years' time and as you know, that steel plant take about five to six years' time to start production. So, today we are what our aim is that by 2024-25 we should start working on the new plant or the capacity build if we are successful and if we reduce our debt level and our main aim will be to bank upon the Indian iron ore and to produce more and more steel. As far as the Africa is concerned these two mines are very good assets and the market price is also very good today iron ore is about 110 to $112 a tonne in China CNF. So, we are looking some partners who can start these mines and take the material to rest of the world instead of bringing into India. So, this is what in our pipeline is.

Bajraj Nahar: Just one more point, follow up point that in my assumption that if you can because your distance from the port in one of the mines is only 90 or 100 kilometers. So, the cost of your ore even to India importing from those mines will be less than the premium you are going to pay on the auction money. So, are you considering like that on mass footing basis or just on normal basis you are going on?

V R Sharma: Yes, we have rolled out, this is the reason we did this bidding and everything is on paper, everything is well calculated, if we transport iron ore from Odisha to our Angul plant by Slurry pipeline which is now top of the town The Government of India is supporting, the Indian railway is supporting giving corridor and Indian highways authority they're also giving corridor, our pipeline layout is approved, project is approved and we are going to start this project as soon as there is a clearance or the some light at the end of the tunnel for the mines. So, this is what we are we are going to, and the Indian iron ore is cheaper than bringing the iron ore from rest of the world.

Moderator: Thank you. The next question is from the line of Preet Nagarsheth from Wealth Financial Advisors. Please go ahead.

Preet Nagarsheth: Sir you mentioned that the kind of EBITDA that you've seen in quarter two. Now given the kind of changes in iron ore that are there, do you think we'll be able to maintain this EBITDA trend in quarter three and quarter four?

Akhauri Sinha: Quarter three and quarter four our aim is to further elevate the EBITDA level from Rs.12,600 a tonne to be much more. We are now very selective in our product mix. So, the other point is the economy of scale is working very well and since we are ramping up the production, we are debottlenecking wherever it is possible. So we will be in a position to maintain the EBITDA plus side, I do not want to give any number or rosy picture today, but our aim is pretty good like from Rs.11,700 to Rs.12,600, we have ramped up in last quarter Q1 to Q2, so, Q2 to Q3 and then finally H1 to H2 will be much higher as per our plan.

Preet Nagarsheth: Okay, one last question is regarding power, some plans to demerge the power division. So, can you give any color on that?

Akhauri Sinha: See, there is a good opportunity, then yes why not we are looking for a good opportunity and if it comes our way, we will definitely do it. Giving you a timeline, it may not be possible, but we are looking for a good value for our company as and when we get it, we will divest or demerge.

Moderator: Thank you. The next question is from the line of Abhijeet Mishra from ICICI Securities. Please go ahead.

Abhijeet Mishra: I have two questions, first is on iron ore mine which we have won through auction, you said you are pretty confident. I was saying that given the issues with the boundaries at Guali, can I create a bigger disruption in the area because what we have made to understand is that, not only the boundary of this mine is sort of off the chart even given the adjacent mines of Nuagaon which have gone to other competitors, that also sort of facing an issues, can it lead to a bigger disruption for an extended period of time, I would love to know your thoughts?

V R Sharma: We are actually, first of all concerned about our own business; we do not want to look into others business. So, we are expecting that if government of Odisha they rectify the coordinates and rectify the layout and map then it is worthwhile to do the business. And, iron ore as I told you in the countries it's more than 20 billion tonnes and barring last few months, when it was rainy season there was some problem and disruptions, but now the mining companies they were, they change hands and new investors have come in the country. So, it was taking some time, but over a period of time in next two or three months things will be streamlined and there will not be any shortage of iron ore.

Abhijeet Mishra: Okay. And second question is on this Angul DRI plant. So, I don't know whether you have shared this number, but in the quarter gone by which is Q2 what has been your production rate and what are the triggers to further improve the cost of production, you can also highlight the current cost of production profitability from that plant, and the plants that you have for the next few quarters, that will be great.

V R Sharma: We are producing DRI at a rate of about 4000 tonnes per day and we are going to ramp it up to 6000 tonnes per day very shortly and the cost of production when we say DRI of to the conventional sponge iron rotary kills versus DRI through the coal gasification as of now, there is an advantage given at 4000 tonnes a day, we are at least 5% cheaper than the conventional sponge iron plants, and we generate electricity. Apart from that we also generate some of the very specialty chemicals from the coal gasification, like tar, Phenol, Biphenyl, Ammonia and many other items. So, we are pretty sure that in times to come, this will be adding to the bottom line further, and we'll be generating a good EBITDA level.

Moderator: Thank you. Next question is from the line of Ashish Kejriwal from DAM Capital. Please go ahead.

Ashish Kejriwal: Sir quick two questions. One is on Sarda mines advance payment which we have done, which was around 1200 to 1500 crores at the end of FY20, what could be the status now at the end of first half and secondly, over the last few months we haven't heard anything about monetization of overseas assets like Botswana or Australian land and other things. So, what's the status on that sir?

Akhauri Sinha: Thanks Ashish. So, as you would have seen in our numbers that the advance has gone down by around about 400 crores to 500 crores and as we procure more material from SMPL as the mine, it will go down further, as far as divestment of overseas assets is concerned the focus now to bring down the debt in the overseas entities. If you would remember in FY19 we were at $1.9 billion. As of March, we were at 1.8 if we look at it today it's just $800 million which will come further down once, we divest more assets. You mentioned Botswana yes, Botswana has been there on the block, we trying to increase the value of Botswana as we have illustrated before by getting a PPA also, that would help us monetize it at a better value. The earlier deal which we had signed for $160 million actually got terminated because the buyer did not pay, I hope that answers your question.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Sharma for closing comment.

V R Sharma: Thank you very much. Thank you, dear investors and our stakeholders. I'm sure, whatever your queries were, we have replied very well. In case of any question left, you can always speak to Mr. Nishant and he'll be pleased to share the information's or reply whatever you want to have. The company is doing very well extremely well. And as I told you that we are at a level of Rs.12,600 of EBITDA and with 31% gross margin, EBITDA margin we are the today number one company in the country, in our category and capacity and I'm sure will maintain it, we will be closing this year at about 7.3 to 7.5 million tonne. Next year we'll be crossing 8 million tonnes as all because of the product mix and debottlenecking, the existing bottlenecks wherever it is there, we are not keen to put any money in the CAPEX except for the routine maintenance or small fill in the blanks wherever it is required. The aim is to bring down the debt level to in the financial year 2023 to a level about 15,000 crores, we want to reach to 50,000 crores of turnover in 2022-23 and we want to bring the EBITDA level to about 12,000 crores perhaps, we will be one of the best company in the country and world with our capacity and category when we have EBITDA of about 12,000 crores and the debt level is less than 15,000 crores with a total sales turnover about 50,000 crores. There are not many companies in the country hardly 29 companies those who are there in the country having turnover of about 50,000 crores today, but all of them they are not at the same debt to EBITDA level. So, our aim is to bring the company to a healthier path, much more healthier path and our new businesses which are now approved by government of India, like head hardened rails and 1175 grade of rails, they will bring more EBITDA and more money to the company and financial company is getting sounder and better stronger day-by-day. We have good manpower that no exodus of manpower and we have a strong team available at the top management, middle management, there is a complete succession plan people those who are going to retire. So, the economy, the townships and that has helped us running the plant during the COVID time. Our plants are strategically located we are in a position to move the material to ports as fast as possible and Indian Railway is supporting well in transporting goods in goods out there are no issues. So, if you see overall the company is doing extremely well and we are committed to maintain a very healthy balance sheets in times to come also. And as you know we have already done this divestment of Oman and that has helped us in reducing debt level as a whole and reaching to 15,000 crores or lower debt by 2022-23 will be an easier walk now. So, thank you very much, thank you for listening all the best.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.