



“Jindal Steel and Power Limited
Q3 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earnings Conference Call of Jindal Steel and Power hosted by InCred Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Satish Kumar from InCred Capital. Thank you and over to you Sir!

Satish Kumar: On behalf of InCred Capital, I welcome you all to the Q3 FY2021 Jindal Steel and Power results and we have Jindal Steel and Power management and Head of Investor Relations, Mr. Nishant Baranwal with us. I will now hand over the conference to Mr. Nishant Baranwal. Over to you Nishant!

Nishant Baranwal: Thank you Satish. Good day everybody. We welcome you all to JSPL's conference call to discuss our third quarter results. We are today joined by our Managing Director - Mr. VR Sharma, our Chairman JPL as well as Director (Finance) Mr. Akhauri Sinha and I would also like to introduce our CFO – Mr. Hemant Kumar. Just to give you a brief on Mr. Kumar, Mr. Kumar has close to three decades of experience with more than a decade with JSPL itself. He has also worked with companies like Hero Group, Dalmia, and HPCL to name a few. Mr. Kumar has experience in cross-functional domains ranging from corporate finance, treasury, M&A, market compliance, risk management to name a few. With this I hand over the call to Mr. VR Sharma for his opening comments. Thank you.

VR Sharma: Good afternoon everyone. Ladies and gentlemen, it is my pleasure to be with you once again. The company has done wonderfully well in Q3. As you know that we opened the financial year with the COVID situation in April 2020. During COVID the entire country was into lockdown, but JSPL decided to continue its operations and that has given us a dividend and these dividends are coming now in a big way. So we did our ever highest production and our highest sales as well as our highest EBITDA in Q1 that was Rs.2384 Crores then Q2 surpassed the EBITDA of Q1 that was around Rs.2700 Crores. We also surpassed the production in sales of Q1 then in Q2 and then again in Q3 we surpassed the EBITDA of Q2 that is now at a level of on consolidated basis it is 4200 Crores plus and we are seeing that month-on-month basis the company is growing in a right direction.

We started with 1.67 million tonne in Q1 production sales, 1.84 million in Q2, 1.93 million in Q3 and we are hopeful that in Q4 we will be in a position to fulfil what we've promised to the street a year back that we will be reaching somewhere about 7.4 to 7.5 million tonne in the year ending by March 2021 and we will reach those figures of 7.5 million this is what we are expecting. The market is excellently well. The demand pullers are European countries as well as South East Asian countries, we are exporting a substantial quantity now once again in the export market, and the hot rolled coil prices worldwide have recorded ever highest prices. Today in Europe because of the second wave of COVID the demand has increased, the countries like Italy, France, Denmark, Australia, Germany and also Spain and they are

buying in bulk and the demand is pretty high. The selling price in these countries today is about \$816 to \$820 a tonne, which is much higher than the domestic price in India. Similarly, the Chinese Government they are not exporting much to the international markets, so which has created a huge gap from the countries those who are dependent on China, so now they are banking upon the countries like India, Iran, Russia, and Ukraine. Since Iran is under sanctions by UN, so not many countries are buying from Iran, so their preference goes to India because Russians and Ukrainian mills are also facing a threat of COVID second wave as well as the extreme bad weather conditions are forcing them not to supply too much of quantities to the world market, so India has become a hotspot in terms of sourcing the steel and the Indian steel industry is getting dividend of that.

We are in a product of very high value added engineering products whereas we have created a very fine balance between value addition and value engineering, and this is the reason we are getting a sizable quantity of orders at a very good price from Europe. Of course, as a whole the steel market in India has also grown, the steel prices have gone up because of the pent-up demand, which has come. Rightly said by Madam, Mrs. Nirmala Sitharaman about a month back that the pent-up demand has come up and today Indian projects are consuming lot many steel as well as cement so that they can meet all the targets because most of the projects, which were halfway during the COVID time they want to complete during this stipulated period so that they can reduce their losses or they can make some profit, so this is the reason the demand has come up in a big way. Thanks to Government of India and our Honorable Prime Minister for declaring the Aatma Nirbhar Bharat policy. This policy has given a straight impact to the Indian steel industry and we are now in a position to supply steel to various projects, which are coming forward, so the issue is now of course the iron ore prices also gone up in last quarter and NMDC has increased the prices, OMC has increased the prices and finally the iron ore prices have gone up, but this is international phenomena it is not a domestic phenomenon. The international steel prices have gone up, international iron prices have gone up from \$140 to \$165 and also \$170, now in last 10 days time we are seeing some softening, but that was \$3.5 per tonne in last week and this week is about \$1.25 total we got \$4.75, so still iron ore is at about \$165 to \$167 per tonne, the fines of 60 or 61 grades.

Now coming back to coking coal, as a steel industry we enjoyed the last quarter because the coking coal prices were low, so we have booked coking coal till April or May 2021, so our supply chain is very well in line with our policies and now the coking coal prices started moving up, so we are now started thinking as to how to start our coking coal mines in Australia as fast as possible and how to ramp up the production in Mozambique, so today, coking coal prices are \$130 therefore we used to give out \$99 or \$100 about a month back, so the increase is about \$30 or \$31 per tonne, which is giving us an incentive to restart our mines and those mines in Australia, so hopefully our first vessel carrying the coking coal will be touching Paradip port in the early June 2021.

We have the stocks available today up to May and we will be maintaining a good flow of coking coal from our own mines in Mozambique as well as in Australia and also we have Anthracite mines in South

Africa, all these 3 mines will be feeding coking coal and its alloy products to us, hopefully we will be self reliant from June onwards maybe we will be buying a little quantity because at the moment we are buying about 6 to 6.5 million tonne, we will be buying from outside maybe about 2 to 2.5 million tonne and balance 4 million tonne will be from our own sources, so we are on a path of getting self reliant. As far as the iron ore is concerned, since we are lucky that we are sitting at the iron ore hub of India, we have the maximum iron ore existing and mining is being done more than 120 million tonne of mining is done over there, so we are in Odisha, so we have three phase of working one we have own mines that is Tensa mines where we produce about 3.1 to 3.2 million tonne as per EC norms available, the another is we have some stocks lying in our SMPL premises we have now about 4 to 4.5 million tonne and this 4 to 4.5 million tonne of the total quantity, which is available today this will be consumed over the next two quarters. So, we are comfortable for the next two quarters and then another good factor is that we have long-term agreement with OMC that is Odisha Mining Corporation and they are supplying regularly to us, there is no problem in terms of iron ore, of course the prices are up, but so are the prices of the steel. So we have also signed agreement with NMDC so that our Chhattisgarh plant can be tried substantially from NMDC side, from Bachel and Jagdalpur and that is also feeding us in a good way. We have also made some arrangement in Jabalpur, Jabalpur in the central India where the Iron Ore Beneficiation Plants are already existing and we are making out our demand, so in nutshell we are not looking at any shortage of iron ore in the next two, two-and-a-half years' time. In the meantime, we are also scouting for the iron ore mines if we can get the right price then definitely we will do it. SMPL, we have a long-term agreement with them, as we are one of the 21 customers of theirs, so they are meeting out their commitment to us there is no problem at all.

So, as far as raw material side is concerned basic two major raw materials one is coking coal, the other is iron ore we are comfortable. The other consumables, etc., like refractory and other consumables that we have lined up, we are not dependent on China now, we are buying our refractory from Austria, Spain and Brazil and this is where we feel that we are overall self reliant in terms of not banking upon the Chinese firms, so this is what the overall scenario. The numbers are in front of you and we are expecting a very good quarter that is Q4 and full load by Q1 and Q2 of the next year, so the street has shown a lot of faith in us from Rs.63 per share in April you have seen that the share prices have moved to Rs.305 barring today's stock market down because the profit booking done by people yesterday and day before yesterday, but yes that is normal in such kind of situations, so we feel that the company is in a very, very footing. As far as the human resources are concerned, fortunately I am glad to tell you that not even a single case of COVID today existing in any of our plants, so all of the plants are working very well there is no issue and we are working with the government as to how we can contribute in the growth of the country.

Country is looking for 300 million tonne steel by 2030 and we intend be a part of that growth, there are however 3 to 4 points what we have raised to the government number one, there should be a structural

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financial institution for the steel industry and coal sector industry in times to come to reach to 300 million tonnes by Indian steel producers, number two any advantage given to the fresh investors as a first time plant or a fresh plant or a new location like from 25% corporate tax to 15% corporate tax we are expecting government should also give to the brownfield projects, which is very much in demand today and the entire steel industry is looking that if the government allows for the Brownfield projects expansions also the same sops what they are offering to the new investors and I think this would be excellent, so today the shortfall is 164 million tonnes and if 164 million tonne shortfall to be bridged then at least we need 16 or 17 plants of 10 million tonne each and if you say 5 million tonne each plant then we need about 32 to 33 plants in this country, which is an uphill task today, if you do not do then by 2025 the importing steel will be worth of \$50 billion and if it is still not done by 2030 the imported steel will be about \$150 billion. I think no government can compromise on these things because \$150 billion of goods if we start importing in 2030 or \$50 to \$70 billion of goods you start importing in 2025 that will totally imbalance the situation, so steel, energy, power everything drives the economy, we are so lucky that we are in both drivers that is steel and power and this is the region we are expecting that the country will definitely grow and company JSPL grow. We are not a commodity steel player, we are producing steel for Indian Railways, we are producing steel for Power Grid Corporation of India, we are producing steel for the ship building, warship building, we are producing steel for the Cryogenic plants and Cryogenic storage plants, so we are little different than our peer group because we are not in a product, which is commodity, so this is the reason the value addition from one stage to another stage that plays a vital role so we have devised a mechanism in our company as to how to take a proper balance in between value engineering and value addition and this is what we are doing.

Our Honourable Chairman, Mr. Naveen Jindal, he has already told us that we have to keep reducing our loan or debt burden and this is the reason that from opening of more than 35000 Crores we have come down to 25621 Crores now and we are expecting that by year 2022 we should bring it down to 15000 Crores or below comparing to or seeing the conditions as of now at par in overall parameter and our EBITDA should be more than 15000 Crores and hopefully by 2022 we will be doing a sales turnover about 50000 Crores, so the company's slogan now is 50, 15, 15 and this is what we are aiming and if we do this with the help of all of our investors and support from the Government of India with Atmanirbhar approach what Government of India has taken and the kind of support the Government of India is giving for the new projects I think we will be among the top 7 private sector companies in the country keeping away the public sector group, but the domestic private companies we will be in the top 7 companies.

Today, I am also pleased to inform you that worldwide our rating has improved, we are 15th company in the world today as a steel producer in terms of effectivity, efficiency and cost of production and hopefully we will be coming to two digit or single digit immediately may be 10 or number 9 in the world, so today if you see JSW is at about 9 and Tata Steel is at 10, so I think our rating will come maybe at 8, 9, or 10 number in next one year time, so this is what we are aiming and contemplating that as to how to reach to

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those levels. Finally, if we see overall power business, power business also done extremely well and you are seeing that the PLF has come to about 56% to 58% and finally we are getting our coal mines that is JPL, the JPL mines is likely to start somewhere about 6 months down the line or may be 8 months down the line, so this is all from my side. Now, I will request my colleague, Mr. A.R. Sinha, Chairman of JPL and also Director (Finance) JSPL to give elaboration on JPL. Thank you.

Akhauri Sinha:

Good afternoon gentlemen out there. Let me start with wishing you a great 2021 and hope that all well at your end like Sharma our MD said that there is a situation here where we do not have any COVID case in our company, anywhere in the plant, head office anywhere I hope you people also safe. I do not feel very happy to say that the challenges, which we had in the last 2 to 3 quarters in the power sectors in India we continue to see the same challenges and in fact the challenges are becoming more and more acute in my opinion when we go forward. The challenges with regards to the exchange price on the power exchange market, the challenges related to the availability of the mid-term and the long-term PPAs, the challenges of DISCOM dues and just to elaborate on this. The power demand remains quite modest. In FY2021 the demand in the country as of November I am giving you this figure it is just 314 billion unit, just 6% to 7% more than the last year, so there is hardly any impressive increase in the demand and if we look at the prices, which were there on the spot market in the last 3 quarters there has not been much increase, in the first quarter the average rate was about 2.40 kilo per watt and in Q3 it is 2.52 per kilo watt, so average for 9 months it is hovering around 2.47 per kilo watt. The PPA status remains a challenge because no new PPA has been signed, these are in the mid-term not the long-term, DISCOMs are not in a position to sign the long-term or midterm PPAs, we are still struggling with the 420 mega watt PPA, which we won quite sometime back now. Though we are not giving up hope, but we do see this as a big challenge. DISCOM dues continues to be challenge for us and the figure we have as on November 2020 that the dues of DISCOM against the Gencos has gone up to and stands at about 1.2 lakh Crores, which is a substantial amount and it is impacting all the Gencos very, very adversely. One redeeming feature was the support, which came from the central government, which announced after the parliament infusion of about 90000 Crores for getting care of the DISCOM dues, out of that good thing, which happened with JPL and with other generators also that from our total dues in the first tranche we received 430 Crores still our dues with DISCOM and especially with TANGEDCO continues to over 1800 Crores to 1900 Crores, which we find it as a challenge to recover, but we are hopeful that part of it should come by way of tranche 2. Now coming to some of the important figures relating to our production and our income figures though we generated about 120% more million unit in the third quarter and our PLF also went up from 25 to 56, but our NSR and I am again not very happy to share this figure, NSR came down despite a higher production, despite higher exports, selling on the exchange from 3.83 last year the NSR per kilowatt has come down to 3.27 recording a negative growth of 15% and this is mainly on account of higher production which we did just to keep our plant going on the spot exchange and like I give you the figure earlier that spot exchange rate the rate which we get at spot exchange is pretty competitive. On the income front I will come straight to the EBITDA, our EBITDA compares to last quarter recorded just a

modest growth of 18% and our net profit is negative by 32 Crores and on quarter-on-quarter basis again our generation went up like I said by 52% on quarter-on-quarter basis, PLF also went up from 37% to 56% recording a growth of 19%, but our NSR went down compared to the last quarter from 3.6 to 3.27 and this is bothering us as it is impacting the overall sustainability of the company. We made a provision of 327 Crores this quarter, this was a combination of 2- 3 provisions. This was continuing on our balance sheet for quite sometime and we wanted to make our balance sheet clean up and after discussion with the auditor we crystallize these figures and then it was decided, a conscious call was taken by the management to make a provision in Q3. We may have to make some provision in Q4 also, but we have not been able to crystallize those figures because we are still looking at those figures and once the figures take some shape and get the slide nicely then we will be able to take a call on that. Other thing, which we wanted to bring to the notice of you all was that JPL has decided to issue RPS of around 7000 Crores, this will be done in two tranches, in tranche one we will be issuing 4000 Crores and in tranche 2 it will be for 3000 Crores, so overall I will say that while JPL standalone is doing well so far its operations were concerned, but we are constrained by the factors, which are beyond our control like realization of our dues plus demand for power in the country and all scenario has become slightly better now, but still coal procurement is a challenge because logistics in those areas where we have our coal plant and most of the coal plants are located the infrastructure continues to be very poor, so logistics continues to be a problem like before, so overall I will say that it is a modest kind of a scenario and I am not very optimistic and upbeat that going forward things will really improve drastically, but of course I always keep my fingers crossed. Thank you very much for the patient hearing and back to Nishant.

Nishant Baranwal: We would request our CFO, Mr. Hemant Kumar.

Hemant Kumar: Good day everyone. Let me start by wishing you a very happy New Year. Hope all of you are safe and well. Although first half of this year was extremely challenging as the pandemic caused disruption of unprecedented level demand recovery has been equally surprising though helping JSPL ends year 2020 on a solid footing, but steel industry still struggles from high input prices especially iron ore. If we see domestic demand for most our products has been rising month after month in the second half of the year, which is reflected in our rising share of domestic volumes and a better product mix. Continuing on strong performance in the first half of FY2021, we are pleased to report our numbers for the Q3 of FY2021. We are happy to report that company posted a record standalone steel production of 1.93 million tonnes in Q3 FY2021 compared to 1.84 million tonnes in Q2 FY2021 an increase of 5% and 1.61 million tonnes in Q3 of FY2020, an increase of 20%. JSPL standalone steel shares also increased by 12% on year-on-year basis to 1.87 million tonnes in Q3 FY2021 compared to 1.67 million tonnes in Q3 FY2020. On a nine month to nine month period, we have seen around 14% growth in production 5.43 million tonnes in FY2021 versus 4.76 million tonnes in FY2020 and 15% sales growth can be observed by seeing our nine months performance. As our Angul plant capacity ramps up we will see volumetric expansion in our

Indian sales so the theme or the business direction is absolutely intact I would like to assure you in this call.

I further would like to move to our consolidated financials of the company. The company has reported gross total income of Rs.12070 Crores in Q3 of FY2021 versus Rs.9951 Crores in Q2 FY2021 an increase of 21% and quarter-on-quarter Rs.8430 Crores in Q3 of FY2020 an increase of 43% on Y-O-Y basis. I am extremely happy to report EBITDA of Rs.4252 Crores in Q3 of FY2021 versus Rs.2702 Crores in Q2 FY2021. PAT of Rs. 2432 Crores as against Rs. 903 Crores in Q2FY21 and Rs.257 Crores of loss in Q3 FY2020. On the full year basis gross total income stood at Rs.30071 Crores versus Rs.26633 Crores an increase of 13%. EBITDA for the nine months Rs.9157 Crores against Rs.5085 Crores last year and PAT of Rs.3626 Crores against Rs.656 Crores loss in the last financial year, this relates to our consolidated financial performance. If we move to standalone financial we have reported gross total income of Rs.9907 Crores in Q3 of FY2021 versus Rs.8667 Crores of Q2 FY2021 and EBITDA of Rs.8171 Crores in 9MFY21 against Rs.4215 Crores last year.

If we move to our overseas performance I would like to mention Mozambique business sales has grown by 16% on quarter-on-quarter basis and similarly if we talk about our South African mines the sales has increased by 20% on Y-O-Y basis. I am again pleased to inform you on Australia there is an update in December the development application on Russell Vale revised preferred underground extension project UEP has been approved by Independent Planning Commission of New South Wales IPC subject to certain conditions. I am again pleased to inform you on a net debt basis at the end of this quarter we are reporting a net debt figure of Rs.25621 Crores, which reflects Rs.3289 Crores reduction over the net debt figures reported in the last quarter of Rs.28910 Crores. We are pleased to highlight that in the nine months of this year we have been able to reduce our net debt by Rs.10298 Crores, which is in excess of the guidance, which we have been sharing over the call with our investors who are our financial partners. This is in line with our reason to bring the overall debt level down. Now our debt to equity gearing stands at less than one. I just wanted to give you an update on interest cost also. If you see our results interest cost is also gradually coming down on quarter-on-quarter basis whether it is a standalone or it is a consolidated basis. As you know JSPL was AA rated company in the past and that rating of the company is progressing well. I would like to assure you that we are pleased to inform you that here in ICRA upgraded the rating by two notches from BBB- to BBB+ on stable outlook. Further company's rating has been moving to regain its rating, which the company used to enjoy earlier, which will definitely result into a cost reduction in interest at least to the extent of 30% odd, which will result into the interest saving of around Rs.80 to Rs.100 Crores going forward per month and we have learnt in the last couple of years the company endeavor will remain for capex out of the internal accruals going forward it is pertinent to note.

Now let me shift my commentary to capex side, as we have been sharing with you every quarter the management team has been focusing on a much disciplined response from each fiscal environment we

have been lined with expectations done very minimal capex. Our guidance has been in between Rs.600 Crores to Rs.800 Crores in FY2021 we are in line with that guidance going forward. We have incurred a capex of around Rs.304 Crores, which is mainly sustenance capex.

I would like to move to Oman investment. We are very, very confident that it will happen by March 2021, it is just we are waiting for certain permissions for approvals and I hope that it will get concluded by March 2021. So with this, I would like to conclude my initial commentary, over to all of you for your questions and answers. Thank you very much. Operator we would now request for question and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah:

Thanks for the opportunity and congratulations on excellent set of numbers. Sir my first question is on JSPL structuring, I just wanted to understand the rationale of creating the structure and specifically if the company has the option to reduce debt at JPL itself what is the need of giving this 5% to the parent why not retire debt, which is at 8% to 9% plus that is the first question, so if you can explain it very simplistically on what are the line items, which would change on the balance sheet on back of this and it means that there is no reason I am thinking of debt if you could provide clarity over here that will be very good, so that is the first question? Thank you.

Akhauri Sinha:

Coming to your first part of your question that why we are doing it. We have not been able to give any dividends to our shareholders for the last four years, prior to that we have consistently giving dividends to our shareholders. So as a one-time measure it was decided that some incentive needs to be given to our shareholders who have been very patient with us for quite some time and so that was the main rationale for declaring this preference shares and like I said that it is not related to debt and this will be done in two parts and as per the standard accounting standard the part one will be treated as part of the liability, but from the point of view of calculating the tangible net worth the remaining part of 3000 Crores will be part of equity. So it is not going to impact any of the important parameters on the balance sheet. We will continue to be in compliance with all our covenants and the operation will continue as it is. Now coming to the second part of the question about the divestment thing I am not in a position right now to tell you that divestment will take place, but definitely we are exploring all the options available on the table and then for a right price we will take our call when to divest and how to divest. Like you know everything worldwide is up for sale for the right price, so we will also wait for the right price. As of now we are not running a process, but we are open to it and other thing is that the flagship company is our steel company and like I said in my commentary that the thermal energy outlook for the country in fact worldwide I will say why about our country, the worldwide also the thermal energy prospect is not very bright and we have also taken a conscious decision to focus more on our steel business. So this will also give a stream of income to our parent company JSPL coming out of this RPS. So in the entire scheme of things this fits

in very well. Focus will gradually shift from thermal to steel and we want to remain focused on developing our steel business while continuing with the JPL also and above which we are not very optimistic about the future. Thank you.

Ritesh Shah: My second question is for Sharma Sir what we figured out is we had ground breaking of a new pellet plant in Odisha I just wanted to understand how much is the capex over here we have not spoken about it, does it mean that we are also looking for a slurry line and probably another phase of expansion of 3 million to 3.5 million tonne if one looks at mass balance that is the second question and if it is long term say over three years if you can quantify some numbers and timeline that would be great and just a followup to the prior answer my sense would be that it would definitely impact certain covenants when we are moving from general reserves to another line item so why is it that it will not impact the problems? Thank you so much.

V R Sharma: Good Ritesh. Thank you so much. So first of all your question regarding ground breaking ceremony of pellet plant project you see we have a continuous desire and continuous efforts to reduce our cost of production because at point sometimes it comes at the cost of production or cost of operations cannot be reduced so for that you have to go for a different strategy. So strategy today is why to utilize the high Fe contents of iron ore while to enrich the low grade iron ore and covert into pellets so this is what is tempting us to bring this particular investment as a pellet plant and of course this will be fed through a slurry pipeline. Today our cost of transporting pellets over iron ore is around Rs.1200 to Rs.1500 per tonne. We want to bring it down to Rs.150 per tonne so the net impact will be, the gain will be about Rs.1200 or Rs.1300a tonne is where we want to encash the situation because we already reach to a saturation point that if we do not do such kind of events or logistics we cannot reduce the cost further so this will definitely increase our bottomline, this will increase our profitability and this will give a very healthy sign to the company. So this is the reason that the pipeline and the pellet plants are offering and this is what we are going to do. I hope I have answered your question.

Ritesh Shah: Yes Sir and on the covenants? Thank you.

Akhauri Sinha: Sorry could you repeat your question Ritesh?

Ritesh Shah: Sir my question is specifically on the covenant I think Mr. Kumar made a comment that the covenants would not get impacted, pardon me for my ignorance, but if you are moving to something from general reserve then we are creating two separate line items over here on across equity and probably a liability, should not it impact the covenants or the gearing ratios I am assuming this is not any fresh bet it is just a reclassification on the balance sheet?

Akhauri Sinha: No. There is no fresh debt, which we are going to incur that is for sure and the other part I wanted to answer that it is going to be in two tranches and as per the Indian accounting standard how the balance

sheet treatment will be given, which I have already clarified in my earlier reply, so I have nothing more to add here. Thank you very much. If you need any further clarification please feel free to contact our investor relation head, Mr. Nishant.

Ritesh Shah: Thank you.

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

Sumangal Nevatia: Good afternoon and thanks for the opportunity. Sir the first question is continuing on the previous question on the capex is it possible to quantify what sort of investment we are looking for the pellet slurry pipeline and also since we are reaching to our deleveraging and leverage target over the next two to three years are we looking in terms of further forward integrating into finished steel?

V R Sharma: Yes you are right. You know each company when it has a comfortable situation they will definitely like to do flowing back the funds there is no doubt into it. So first of all we have to understand what our aim is. Our aim is 50, 15, 15. Now meeting out this aim if we are left with some surplus then we will keep on investing in the projects and why projects and which projects that is a big question. The projects, which can definitely bring down our cost and which can make us the lowest cost producer of steel in the world will continue to be in our agenda. So this is the slurry pipeline and the pellet plant is part of that. There are two reasons one is the environment friendly transportation as you know that slurry pipelines are buried under the ground. There is no open trucks or open trains or goods trains or carrying the iron ore fines transporting all the way to 500 to 600 kilometers or 800 kilometers and then bring to the plant and then again loading unloading it creates a lot of problems. So 3% to 4% is wastage in terms of loss during transit and handling and over and above there is a loss of about additional Rs.1200 to Rs.1300 in terms of transportation. So we want to be environmental friendly first, number two we want to be cost effective company, so this is one reason. The other reason as I told you pellets when we produce we have our own DRI plant, which consumes pellets and also blast furnace. So we want to feed our blast furnace and pellet plant with the best of the pellets available in the world so that the efficiencies can be improvised and once the efficiencies are improvised then we will get at least Rs.500 to Rs.700 per tonne low steel cost this is the reason that we are looking in this. Now as far as the investments are concerned, we are going with a humble beginning. One we will not compromise on our Rs.15000 Crores EBITDA level, number two we over and above whenever we get the chance we will keep on spending some money maybe some Rs.50 Crores to Rs.70 Crores to Rs.100 Crores on month-on-month basis finally say about maximum Rs.1000 Crores or Rs.1200 Crores this is what in the anvil now there are no more expansion plans as of now.

Sumangal Nevatia: Understood and the second question is on the volumes this year we are pleased to achieve our guidance of 7.5 and next year you have shared earlier about 8.5 million tonnes so for this year what will be the mix in terms of exports and how do you see this mix say in percentage terms changing in FY2022?

V R Sharma: On spot decisions sometimes you know it is a strategic planning and you know overall plans are like for example we had a 7.5 million tonne of overall plan and in overall plan we thought that okay this much will be the finished production, this will be category A, category B, category C products, but all of a sudden you have to have navigational changes in life. So like all of a sudden we start with the COVID lockdown situation on March 22, 2021 when the government declared that there is a lockdown so we were in a big fix what to do, the problem was how to survive, so how to run the plant, how to keep lakh of people those who are working directly indirectly alike so that was a navigational change, it is like a flight, which hits the high clouds then you know the route has to be changed, so is the planning. So we changed the plan from domestic market to the export market and in export market we again changed the plan that instead of looking for the rail buyers, looking for the plate buyers, looking for the auto requirement buyers whatever whosoever comes in line we should supply to them and we started selling semi's, we started selling pig iron, we started selling plates, auto requirements and everything. So the product mix it is very difficult today to decide, but yes over a period of situation whenever some situation comes we will address the situation accordingly and we will change our product mix as and when required. The second factor is that which product mix gives us the best EBITDA like you see the rails or the high value items, the ship building plates or high valuable items, similarly the plates required for defence applications are very high valuable items. The situation is changed because of the government spending. So whenever we feel that the government is spending in these particular projects, the government is keen to spend on these products then definitely we will change our product mix accordingly. Like for the Power Grid Corporation of India tomorrow if they go for 1200 KV lines or 750 KV lines as against the 440 KV or 230 KV lines then immediately the strategy will change we will go for the heavy angle irons to meet out the demand of the country. So finally the product lines are different, the value addition is different, so this is how I told in my opening remarks that we are finding the right balance in between value engineering and value addition. So our aim is to bring to an equator that the value engineering and value addition they go line in line, side by side and over and above each other. So this is what we are planning.

Sumangal Nevatia: Thank you Sir. I have a few more questions. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Thanks for taking my questions and congratulations for a very good set of numbers that were significantly ahead of competition. I have a couple of questions. The first one is on power business I am actually quite surprised by the circumstance gloom which you have, if you cut the edges for provisions then in the last two quarters we are actually doing an EBITDA of Rs.500 Crores to Rs.550 Crores on average and our generation has also picked up, add to the fact that we have now got our captive coal line also so how do you see this business going ahead, I typically could believe that things should get better here on, but quite surprised by the circumstance gloom, so can you let us know what would be the sustainable EBITDA per quarter going forward that we can look at, in the past it has been around Rs.300

Crores to Rs.350 Crores, but in the last two quarters I have seen despite all the challenges you have mentioned it is closer to Rs.500 Crores to Rs.550 Crores that is the first question?

Akhauri Sinha:

You rightly said that standalone there is nothing wrong with the company. The question is how do we control the macro factors, which are impacting us. The macro factors which are impacting all the Gencos not only JPL we do not have control over the stage response like TANGEDCO it is now everyone knows what is the scenario like. So though we have generated EBITDA of average of about Rs.350 Crores on quarter-on-quarter basis in the current financial year there has been some demand also, but the question is that going forward is the overall demand you know what is per capita electricity consumption in India and which is almost going very, very marginally it is going up for the last so many years now. So this macro factors are something, which are really bothering us and there were certain items on the balance sheet, which the auditors wanted us to look at it seriously and since there has been a consistent performance now not much of an improvement if you look at the EBITDA it has been more or less constant, so we decided that we need to provide for those provisions and where we do not have any option, but if we need to clean the balance sheet we have to provide for. So that is why like I have been said in my earlier commentary that a conscious decision was taken providing for these long outstanding items. It was basically I give you the component also, it was a late payment surcharge, which the concerned agencies refused to pay, and we cannot go to a court of law because they are our regular customers so we decided to provide for that. Then there are changes in law because of that certain amount was there, which they told in no uncertain terms that it will be very difficult for us to pay you, so these things were recognized and a conscious decision was taken to provide for. I am not saying that going forward there is a very bleak kind of a scenario. I will say that is a modest kind of scenario. Thank you.

Amit Dixit:

Okay my second question is on the Jindal Steel has a new transition again so there is a set of related party transactions that Jindal Steel had made with the promoter group that would be settled for \$226 million so is it possible to throw some light on the related party transactions, which is the counterparty involved?

Akhauri Sinha:

Basically the loan is a total contribution deal done \$250 million it has two parts and I just request Nishant to address this.

Nishant Baranwal:

Thanks for the question. So as you know the equity portion was \$251 million out of which \$25 million was to come as cash while the other \$226 million was to be assumed as liabilities by the buyer. Now out of the \$51 million once 49% has happened around \$12.24 million has come home while another \$12.75 will flow in once the 51% gets done. Also along with that the \$226 million worth of liabilities would be assumed by the buyer.

Amit Dixit:

Thank you. Nishant my question was precisely on who is the counterparty to the \$226 million?

Nishant Baranwal: Amit so let me take a step back. So if you were to look in the original structure right JSPLM, which is the Mauritius entity owed \$226 million, which had to be given for Oman so that had to be returned to Oman by Mauritius. What has happened is that the new buyer had actually assumed those liabilities and is going to return those \$226 million to Oman, so that is the part of the equity consideration that was taken care of.

Amit Dixit: Okay understood. Thank you. Thanks and all the best.

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

Vikas Singh: Sir I just wanted to understand if I look at the JPL of per unit EBITDA so even after adding the one off it came somewhere around 1.5 while the realization has gone down by 30 paisa so which portion has contributed such a tremendous improvement in the overall performance?

Akhauri Sinha: I am sorry. Please repeat your question. Sorry about that.

Vikas Singh: If I add back the one off in the EBITDA in JPL and calculate the EBITDA per unit it is actually improving around 30 paisa on a quarter-on-quarter basis while the realization was down by the similar amount, so this 60 paisa improvement on adjusted basis on the quarter-on-quarter basis I just wanted to understand because your coal cost would have gone up also as per your past guidance?

Akhauri Sinha: No, coal cost has not gone up. Coal cost per kilowatt has come down by just 10 paisa. So it is a very modest decrease in the coal cost because of better availability of the coal cost so that is not fair to say that the coal cost has gone up. EBITDA of course has gone up, but if you look the proportion that the million units, which we have sold and the EBITDA, which we have made it and if you look at proportion compared to what the EBITDA was in 2019-2020 you will see that in that proportion EBITDA is not going up because the sale is more on watt exchange where the rate we are not getting. We have to keep our boilers up and because there is some better availability of coal we are selling more on because PPA you know that PPA remains fixed at 810 megawatt for long now. There is absolutely no PPA so what is the option for us. There is absolutely no option for us, but to force ourselves to sell on that spot exchange when we are not getting the rate. So if you do that calculation and you will see that overall it is not going in the same proportion like the way our sales figure is going up so that is why this position is there what you are talking about. Thank you.

Vikas Singh: Sir but it does not explain the 50% improvement in overall profitability so just wanted to understand why that profitability is up by 50% while the additional like you rightly said would have come at a lower price?

Akhauri Sinha: Yes I told you that profitability is up because the demand has gone up and we have sold more units because there is a demand on the spot exchange, which was not there last year. The spot exchange itself

was not active so we have been selling this more, overall if you look at the demand and our sales figure it looked much better, but if you look at the overall yield the yield is going down because we are selling more on the exchange now.

Vikas Singh: Understood Sir. Sir if you could tell us that since June till today what is the overall price increase you have seen in your product portfolio and how much it is factored till?

V R Sharma: No we cannot speak on June because you know April, May and June were a lockdown situation and the country was passing through very bad time, there was no demand from the country, even July and August mid till that time there was no demand in the country there was hardly any demand so we were all banking upon the exports. So the export prices if you see then and export price now there is a delta about \$150 or may be \$200 when we compare export to export that is April to April, but the Indian steel prices were stable or little I would say started moving up in the month of October, October, November and December because the iron ore prices have gone up. The iron ore prices have gone up by 180% in India and that has created the havoc worldwide and so is the situation in the international scenario from \$110 to \$115 it has reached to \$168, so that impacted the entire steel industry globally. The another point was in October first week the scrap prices were \$305 it reached to \$515 in January 2021 so that impact was \$200 more than \$200 if you said that itself is about Rs.14000 to Rs.15000. So the moment the iron ore prices and scrap prices they started moving the steel prices also started moving in line with the raw material cost.

Vikas Singh: Okay Sir just to replace it in other words so your current NSR what percentage is above the average of Q3?

V R Sharma: Current NSR is we say the average of Q3 the average of Q3 is Rs.41500 approximately and if you see the standalone December yes it will be about Rs.46000. January it will remain almost same. We have booked orders till February 28, 2021 our order book is full. We are exporting also. We are in domestic supplies also. We are in line with the NMDC prices and OMC prices. If the prices go down then definitely the price will go down for steel as well, if the NMDC prices increases then definitely steel prices will increase, if they are stable will remain stable. I hope I answered you.

Vikas Singh: Okay Sir. Thank you for answering my question.

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

Ashish Kejriwal: Thanks for the opportunity. Two questions Sir. One you mentioned about coking coal inventory, which we have already, so is it safe to assume that we have taken it at roughly around \$100 to \$105 only?

V R Sharma: Yes your question is correct because we did a lot of spot buying during this time when the prices were in two digits \$90, \$92, \$95 and \$99 and we also did some deals at \$107 and \$110. Now the prices are \$130. The total buyback we take it is about up to May we are fully covered and as I told you we are going to start our presence in Australia and we are going to ramp up Mozambique and South Africa our own mines. So we will be self reliant buying some about 25% to 30%. We keep on buying from different grades of coal from the other sources, but finally we will be swapping the overall business so that our cost of steel manufacturing and overall input cost are kept in control and this is what the company is aiming to.

Ashish Kejriwal: Sir secondly what we are hearing in the secondary market that long product prices or TMT bar prices have started falling and it has fallen by Rs.4000 to Rs.5000 in the last one week though our product portfolio also consists of rails and others, which is somewhat sticky nature but at least in TMT, which we have around 25% of our portfolio are we seeing any signs of price decline and if it is there how much it can be?

V R Sharma: You see as I told you these are the navigational decisions what any industry has to take. So the point is not why the secondary market prices are going down. We have to find out the reason. The reason is today the scrap prices internationally we have corrected by \$50. So this \$50 impact is a huge impact and that is creating the price reduction, but the iron ore prices not going down, DRI prices not going down, coking coal prices on the other hand has started increasing, so you know there are two different theories today working in the country. So yes you are right there is softening of prices in TMT and some other products long products, but as you have already mentioned that we are not in the product, which are competing with either with the secondary producers or in the peer group. So we are producing and we are the only company today in the country making 550 grade of TMT re-bars, no other mills producing this commercially we produce only and this is one reason. The other is we have a great mix of products like as I told you rails, structures, and fabricated structures. We have speciality plates, hot rolled coils, we are the widest hot rolled coil producer in the country and for us we are the second or third widest hot rolled coil producer in the world that is 3000 millimeter wide. So overall we are expecting a good time and yes there are some corrections to be taken by us we will take the corrective measures as and when required. So these are the navigational decisions what we will take in times to come.

Ashish Kejriwal: Sir when you are talking about that till February our order book is full so how much percentage mix or you can say how our total volume how much is already booked for us?

V R Sharma: Actually this is a secret business plan and we normally do not disclose, but to give a very broader idea we are now banking upon the export orders from Saudi Arabia, from the Middle East like Qatar, Oman, Bahrain, Kuwait, and UAE and also for the hot rolled coil orders from Italy, France, Spain, Switzerland and Germany and these are the market pullers, so we have booked ourselves till the end of February and hopefully in the next few days time we will book for March also, so our Q4 will be healthy again.

- Ashish Kejriwal:** Sir is it fair to assume that our blended realization in the future should be at least Rs.5000 higher than our Q2 assuming we are already booked from February and we are not seeing any major decline in the future?
- V R Sharma:** This is very difficult to predict all these things Rs.5000 or Rs.4000 because since morning we also read in many of the newspapers such kind of predictions, but it is very difficult as a responsible company in the country. We cannot say that today Rs.5000 prices will go up or go down because that impacts the entire nation. So as I told you we are the navigational decisions, if we hit with a bad weather yes we will take a longer route, if we are hit with fine weather tailwinds then definitely we will reach to the destination faster, so these are the decisions what we take. These are operational decisions and situational decisions, but I am not supporting the idea that Rs.5000 will increase or the Rs.5000 per tonne will be increasing the EBITDA or something I am not supporting that. We are a responsible company. We have to be very responsible in giving the figures and data.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint we will take that as the last question. I now hand the conference over to Mr. Satish Kumar for closing comments.
- Satish Kumar:** On the behalf of InCred Capital, I thank you all for participating in this call. I thank the management and Nishant for giving us this opportunity for hosting this call. Over to you Nishant for any closing comments!
- Nishant Baranwal:** Thank you Satish. Thank you InCred for organizing this call. I would request MD Sir for any final comments.
- V R Sharma:** Thank you friends. Ladies and gentlemen it was a wonderful time with all of you. We have seen topsy-turvy behavior of the market during the last nine to ten months time. We remember the situation in March and now we remember the situation in January. We are thankful to the Government of India. We are thankful to the Honorable Prime Minister who has brought in the COVID vaccine on time I would say and the results are phenomenal. Lakhs of people have been vaccinated in the last one week's time and apart from vaccination Indians the Government of India has also presented aid to adjoining countries like Bangladesh, Nepal, Bhutan, Sri Lanka, Maldives and show the people those who are travelling to those countries and the people those who are coming to our country they will be in a position to do much more business, which was limiting during the COVID time. We are also thankful to Honorable Prime Minister for driving us a campaign of Atmanirbhar Bharat and that has definitely given the dividend to steel industry and the industry as a whole. The economy is moving up. We have seen that GST collection is more than Rs.115000 Crores. The last collection by the Government of India that means more and more funds will flow to the state governments. The area of concern yes of course today morning we read in the news Rs.63,000 Crores is to be recovered by Maharashtra State Electricity Board from Maharashtra and these are the ripples what my colleague Mr. Sinha was telling that these are the uncertain behaviors that is why in one the questions he also told that why we are moving from PPAs to the exchange because

exchange your money is not stuck up though you may get a little less yield, but your liquidity is well maintained and these are the situational decisions what company takes time to time. I repeat again 50, 15, 15 is a target not to ambitious it is achievable. We are already Rs.12000 Crores turnover we have done in the quarter ending December 31, 2020, so if we maintain the same, we reach to Rs.48000 Crores or Rs.50000 Crores. We have seen the EBITDA levels reaching to Rs.15000 Crores EBITDA in a very humble target. We can definitely achieve in support of everybody and bringing down the debt burden of the loans to less than Rs.15000 Crores is our ambition and it is achievable. We have seen in one year time we reduced in nine months time we have reduced by Rs.10,000 Crores and with the kind of EBITDA levels we are going to maintain the kind of lowest cost producer campaign that we want to be the lowest cost producer in the world is the reason we are looking for the slurry pipeline in the pellet plants so that we can be rated as a lowest cost producer in the world and this is what we are aiming for and sure the street will not disappoint ourselves and yourselves, street will definitely take it very positively in times to come and we want to bring Naveen always there that I want the JSPL should be the highest wealth creator in the world not only in steel but across all commodities and products. I am sure with your support we will reach to that level one day very soon. Thank you so much.

Moderator:

Thank you. Ladies and gentlemen, on behalf of InCred Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.