

## **Jindal Steel & Power Limited [JSPL]**

### **Q1 FY21 Earnings Conference Call**

**23072020**

- **Management: Mr. VR Sharma - Managing Director - Jindal Steel & Power Limited**
  - **Mr. Bharat Rohra - Managing Director & Chief Executive Officer - Jindal Power Limited**
  - **Mr. Nishant Baranwal - Head (Investor Relations) - Jindal Steel & Power Limited**
  
- **Operator:**
- Ladies and gentlemen, good day and welcome to Jindal Steel & Power Limited, Q1 FY21 Earnings Conference call hosted by Prabhudas Lilladher Private Limited. 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 any assistance during the conference call please signal an operator by pressing star and 0 on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Kamlesh Bagmar from Prabhudas Lilladher Private Limited. Thank you, and over to you, sir.
- **Mr. Kamlesh Bagmar – Prabhudas Lilladher Pvt. Ltd:**
- Good afternoon all of you, on behalf of Prabhudas Lilladher I welcome you all to the Q1 FY'21 results earnings concall of Jindal Steel and Power. I wish you all a very safe and Covid free environment. And without much ado I hand over the call to Mr. Nishant Baranwal, Head, Investor Relations. Over to you, Nishant.

- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Limited:**

- Thank you, Kamlesh. Good day everyone, hope all of you are safe and everyone around you are well. Thanks for joining us for the conference call to discuss the first quarter FY21 results for JSPL. Today we have with us our MD- JSPL, Mr. V.R. Sharma and our MD and CEO-JPL, Mr. Bharat Rohra. To begin the call I will request Mr. V.R. Sharma to start with his opening comments. Thank you.

- **Mr. V.R. Sharma – MD, Jindal Steel & Power Limited:**

- Good morning, friends and dear investors, I am V.R. Sharma, Managing Director of JSPL. The company has been passing through a very challenging time in Quarter 1. On 22<sup>nd</sup> March the government of India declared lockdown throughout the country. We sat together as to what policy we should make to combat the situation. On 4<sup>th</sup> of March Ministry of Steel came to our rescue and declared steel industry as essential commodities industry. That gave us a boost and we started working on how to continue the production. Many of our peer groups had already reduced their production at that time and closed some of their plants. But we continued operations at our plants and we switched over from the domestic market to export market. So that was a changed theory and in 3 to 4 sleepless nights we have book orders from Europe and Middle East, Saudi Arabia, Latin America, Africa and gradually came down to South East Asia and also China. So to our good luck this situation changed further, government of China declared 1.7 trillion dollars for infrastructure growth post Covid in China. And that helped us; as they had a shortfall of 2 million tons steel every month. Being in very close vicinity to China where the delivery time is 7 to 10 days' time with low freight. So they preferred us to be a regular supplier to them during this period. Due to lockdown declared by our nation and we were unable to move the material to the customers within the country. So Government of India came forward, Ministry of Steel came forward, Ministry of Railways came forward, and we started moving our goods to ports and on the return they were bringing our raw material which were at port and also the iron ore from the iron ores mines in the nearby areas. So that has helped us during this Covid time, the entire country was struggling and there was an economical crisis everywhere. The iron ore miners they had a lot of stock and they started selling iron ore at a very, very competitive price. that helped us in bringing down the iron ore costs and to bring the material in our plants. Railway was pretty free, so on-call they were in a position to supply the railway rakes. Similarly when we were exporting material, the Port

Authorities played a very significant role, they didn't stop our operations and they also welcomed our move and we were in a position to dispatch 250,000 tons in the month of April, 401,000 tons in the month of May and another 252,000 tons in the month of June. So put together 900,000 tons of sales we have done. We produced in India 1.67 million tons, we sold from India 1.56 million tons, on consolidated basis we produced 2.03 million tons and we've able to sell 2.07 million tons in this Covid time. So whatever we produced we sold. So there was no inventory carry over by the end of June. The company is working very smoothly with very an aim of fewer inventories. We are maintaining very lean inventory as of now. And the major market for export was Middle East ,Saudi Arabia and In Western European countries like Spain, Germany, France, Italy and Denmark.. And we also supplied rail blooms to France Rail because their steel plant was down, so they were looking at a good partner who could supply rail blooms so that they could produce rails out of the rail blooms and they can satisfy their customers in Europe. So Rail France approached us, we had a contract with them and we signed the MOU for 250,000 tons of rail blooms per year. So we could do 17,000 tons in a Covid time during the month of April and another 13,000 tons in the month of May and now on monthly basis 13,000 to 14,000 tons of vessels are going to France. So similarly there was no suppliers in the markets of Saudi Arabia, Bahrain, Qatar and also to UAE. So all of their oil based pipe plants they were scanning for the plates, so we supplied them plates and so they came to our rescue and we could manage our business very well. All these three months we have done this, we've enjoyed the benefit of economy of scale; we've enjoyed benefits of pricing falling down in terms of coking coal, PCI and other coal, from Australia and America. We could also enjoy a period which was very challenging for the iron ore miners and especially and particularly for those miners who are losing their iron ore mines and they will be handing over mines in the next 3-4 months time. We can reduce our cost of production by virtue of reducing cost of space, cost of maintenance, and overall increase in the productivity. we continued the plant, we didn't stop our steel melting and steel manufacturing, crude steel was at full and this is how we could do a 1.67 million tons. In the current quarter that is July, August, September we are aiming to surpass our previous records. We did 1.67 million tons in these three months of Covid i.e Q1. And we are planning to do 1.8 million tons in July, August, September. In October, November, December, we have planned to reach 1.9 million tons and the last quarter of this financial year that is Jan-Feb-March 2021 will be 2 million tons. So this is how we are aiming to, and we could increase our EBITDA levels from 10,600 rupees to 11,700 rupees per ton. And this EBITDA is because of the sustenance in our operations and

continuity of our mills, continuity of our production, continuity in supplying the goods to the ports and particularly to the destinations, different destinations, has helped us in bringing our overall cost in terms of cost of overheads, cost of transportation, cost of shipping transportation, cost of freights and of course the cost of energy in terms of saving of coking coal. that helped us in reducing our debt by 1562 crore rupees which during Covid time we have paid back to the banks and we are committed that in this financial year we will be in a position to reduce our debt level by 5000 to 5500 rupees basically from our accruals. So this is what we are aiming and we are contemplating to. Oman side you know the news, subject to the approval of our shareholders, subject to the approval by the Oman lenders, subject to the approval of the banks in Mauritius, subject to the approval of the statutory bodies or the regulatory bodies in India or in other countries we are aiming to do this divestment as declared, board has accepted the divestment proposition and with all the approvals this divestment deal will be done. This will also bring down our debt level at least 6,000 to 7,000 crore rupees, our aim is to bring the company to a level of 15,000 crores of debt by 2023, and generating at least 12,000 crores EBITDA in 2023 and our overall sales turnover will be more than 50,000 crores from steel business. So this is what will be our aim and I am sure we will be in a position to do it. It is not a target which is too far away, if everything goes well we will be in a position to do it. As far as the other overseas assets are concerned, we are interested to be a part of the India growth story. Today we have seen that, Prime Minister last night spoke to the US business houses, he has invited the US business houses to come to India to invest in insurance sectors ,housing sectors, infrastructure sectors & different sectors. So not in insurance but the three areas what he spoke other than insurance are of great interest to us, one is the housing sector, in the housing sector if FDIs comes that means more and more steel will be consumed, more and more steel cement will be consumed. And the world is moving, India is moving to structural steel, housing structural steel, commercial buildings and office spaces. So the company like JSPL will get benefit because we are majorly into the infrastructural steel manufacturing, we are not a commodity steel manufacturer. The other area is defence, if defence FDIs are coming & defence manufacturing companies come in India then the steel plates, specialty steel plates which they require in defence which we are ready to, and we are already approved by the Ministry of Defence and we are already supplying for very, very critical and very, super critical projects in the country and which are very confidential but this is what we are doing already. So these specialty plates, all the plates for the tanks for the armoured vehicles and for everything, we are ready and already

supplying also and we can ramp up production in times to come. The other good thing is that first time in the history of the country we could give a big challenge to the companies from Japan and also from Western Europe in the head hardened rails. We have got the first order from the Kolkata Metro Rails that is for supply of head hardened rails, 50% of order is bagged by us and 50% has gone to a Japanese company, similarly from Pune Metro we have got the order. We have got 50% order from Pune Metro for the head hardened rails which are specialty rails which nobody else produces in the country; even the Steel Authority has not yet started this production and 50% has gone to an European company, so we are getting 50% business from the most of metro railways. Now thanks to Honourable Prime Minister and Ministry of Steel they have declared that upto 200 crore rupees of project the Indian companies are to be preferred, and there is no need to go for the global tender. If they don't go for global tenders then I am sure the 22 metro rails which are coming in the country in the next two years' time so we will get majority of this share, if not 100%, at least 90% we will get. 10% may go to Steel Authorities of India because we feel that in the next 2 to 3 years' times they will also start manufacturing the head hardened rails but otherwise 100% business will be within the country. And since we are the pioneer in this particular project we will be in a position to service them faster. So this is how we are managing the business, business outlook looks very good and we would be in a position to maintain our EBITDA level in the times to come also. And we will be in a position to reach to about 15,000 crore debt level by 2023 and aiming to reach our EBITDA levels to 12,000 crores. We are not finding any difficulty in this. As far as the Capex is concerned, we are not entering into a major Capex area, we have spent only a very meagre amount of 110 crore rupees, and we don't intend to spend too much money on Capex. We want to reach to 8.5 million tons from India and we are sure that we will reach to 8.5 million tons in 2021-22. And once we reach to 8.5 million tons our sales turnover will reach to 50,000 crores. And by 2023 we should be in a position to reach to 50,000 crores. Not many companies in the country are existing today which have given 50,000 crores sales of turnover. So the company is in the right path and the India growth story is working very well. The more Prime Minister Modi speaks about the infrastructure, more blood is transfused to our vein; so this is what we are thinking about. We are interested to do the divestment of all foreign entities and foreign assets. Like for example we have mines in Mozambique, we have mines in Australia; we have mines in South Africa. So mines in Mozambique are self-reliant, they are doing positive EBITDA and net profit also. Similarly, the mines in South Africa are self-reliant; self-sufficient they don't need any support from India. Now the

only area of concern for the company that is the Australian mines. We are now working to get the all kinds of approvals from the government of New South Wales and also from say the Central Government of Australia and the moment all these clearances are in place, we'll start mining operations. And normally the monsoon season anywhere in the world, I mean this season is a little bad for the coking coal and I think by the end of this year when there is a dry season October, November, December; we should be in a position to look out for some of the partners, maybe 50% partners or maybe 75% equity holder so this is what our aim is. It depends on the size of the business and what kind of deal we do get. So we will try to retain a small portion as a minor investor so that we can keep getting our material coking coal which is very much required for our plants and blast furnace in Raigarh and also in Angul. So this is how we are aiming to, we'll look towards a India growth story, we will not leave any stone unturned in terms of capacity utilization, in terms of EBITDA margins, in terms of debt reduction plan and in terms of overall efficiency of the business. So that's all from my side, thank you very much. In case of any questions we'll take it in the following session. And now I'll request our Managing Director- JPL, Mr. Bharat Rohra; he will be speaking to you, thank you.

- **Mr. Bharat Rohra – Managing Director, JPL:**
- Thank you, sir, good morning, friends. The 1<sup>st</sup> quarter of the current financial year for Jindal Power has been under the impact of once in a lifetime epidemic, for which no one has any readymade quick fix solutions and the entire power sector has been seriously impacted. However, in spite of this adversity I have great pleasure in informing you that JPL has come back into profitability and JPL has reported a net profit of rupees 39 crores on a standalone basis and a net profit of 55 crores on a consolidated basis for this quarter. It is remarkable to know that from a net loss of 134 crores in Q4 of FY19-20 we have come to a net profit of 39 crores on a standalone basis. I'm sure this robust performance shall continue also in the coming quarters. Now the impact of Covid, especially on JPL has been on 2 counts, one, by which the generation in sales volume has gone down and the 2<sup>nd</sup> in which operating expenses have gone down. The impact of the reduction in operating expenses has been greater than the impact of the reduction in generating volumes and hence the EBITDA has improved. During the quarter we continued to supply power to our long term PPA contracts to Tamil Nadu, Kerala and Chhattisgarh without any disruption. And in addition to that for small quantum of power we continued to supply on the exchange solely during peak hours to get better rates. However, despite the marginal lower PLF, EBITDA has increased from 333 to 368 on a quarter on quarter basis and on a year on year basis from 360 to 368. As far as the sector is concerned, the stress in the power sector still continues and has been

aggravated by the current quarter because of the Covid epidemic. To our company the effects of Covid there are several measures announced and foremost the RBI has declared a moratorium of 6 months on repayment of loans. This has been of great help to all of us; the central government has also announced the sanction of loans to the defaulting states to the value of 90,000 crores to enable a onetime settlement so that all previous dues of generating companies discounts get liquidated. We are eagerly waiting for the same to get our dues from Tamil Nadu, there are no other areas from Kerala or Chhattisgarh. JPL has ensured that the increased cash flows are utilised in purchase of additional quantities of coal and at the end of the quarter we had a stock of over for 15 days of coal required for running the plant which was a dream a few quarters back. The future outlook for JPL it continues to be good because the measures that we have taken to optimize the operating cost will continue and the pilot scheme too which was conducted by the PTC is reaching finalization and maybe towards the 3<sup>rd</sup> quarter it should start getting operationalized. The coal availability has been very good during this period because the demand was good and now the government has announced auctions of coal mines for commercial use. JPL has plans to participate in these auctions and bid for some blocks to ensure fuel security at a reasonable price for a major portion of our requirements. The current debt in JPL stands at 6500 crores, company has availed the moratorium in interest and loans of payment as allowed by RBI and we have used this, increased that by buying coal and also we shall participate in the coal auctions. JPL has fully paid back the NCDs of 335 crores partially in the 4<sup>th</sup> quarter of 2019-20 and the 1<sup>st</sup> quarter of the current fiscal year. The settlement our dues from Tangedco is in final stage. Earlier we had reported that Tangedco has paid 170 crores in instalments towards our dues, for the balance amounts and further amounts falling due, the hearing in the Appellate Tribunals are over and reconciliation with Tangedco are likely to be over before the next date of hearing which is on the 29<sup>th</sup> of July 2020. So on an overall perspective in spite of the Covid we are sure that the further quarters of the current financials are going to be either similar or even better and we are optimistic that the entire year will be on a positive note. Well, that is all and I would hand over to Nishant to continue.

- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
- Thank you, sir, before we dive straight into question and answers, as you all know we have been talking to a lot of people and a lot of questions have come to us which are common across all the brokerage houses and analysts.. One of the pertinent questions that are coming up is regarding the other expenses that you are seeing which is down, I would like to list out a few things there. One of the items has moved from other expenses to the cost of materials consumed. it is approximately 100 crores item. This is the PCI coal which used to be a part of our other expenses earlier and now has rightfully

- moved to cost of materials. So that is one of the items. The other impact on other expenses has been due to the thermal coal benefit which forms the part of power and fuel and as you all know as Mr. Rohra has also stated the thermal coal cost coming down, that benefit is also showing in. Also on a sustainable basis there has been a lot of efforts that has put down in bringing the efficiency to the system and that also includes bringing the spares and everything down and that has also impacted the other expenses. This was on other expenses and we believe we can sustain all these reductions here on.
- Some of you had asked us on the depreciation on the consolidated coming at 981 crores and if this is the sustainable number to take going forward, I would say yes. What you saw in the last quarter was also had an impact of a write back in the consolidated depreciation number which we had detailed in our books of account last quarter. So this is the number which you can take going forward.
  - The next question that has been coming up has been on the NSR fall. I know lot of you when you are looking at the numbers, are looking at probably at 2200 rupees coal that we are calculating the NSR fall is at 4,600 rupees per ton. To reconcile it with what you are seeing there was a stock in trade item that is there that you have seen this time which has gone up. Now just to take a step back as part of a marketing strategy in becoming one-stop shop for a lot of our customers and buyers, we are trading in certain items to fulfil those orders. So basically holistically provide a solution to all the customers, these are you see like you would know would be EBITDA neutral items in nature but the idea is to become the preferred seller and therefore that is the stock in trade item that you are seeing.
  - **Mr. V.R. Sharma – Managing Director, Jindal Steel & Power Ltd:**
  - Yeah, I will add one more thing here, I am V.R. Sharma again, you see the NSR when we say we like to write the NSR fall is not too much, may be only 1,000 rupees or 1500 rupees because we have slight different products because we supplied majority of the products in blooms, billets so those products they are lower comparing to the final value chain in the company that's why when we see in per ton, yes, the NSR has gone down to 4,000 plus but because the value addition was not done on those items, so if you see the apple to apple there is no NSR down and the moment the Indian steel consumption started in the month, of kind of June, so the NSR switched back to 34,200 rupees. So that means, for the finished goods the NSR is very well protected but only for the semi because when the value addition was not done that's why it looks that NSR is down but in real terms the NSR is not down because up to that place that NSR is correct NSR.
  - **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**



- Also to give you some colour on the cost we have substantially got down our cost and there is an impact on the EBITDA that you most of you have actually taken out from the Financials apart from that we have brought down our cost by more than 2500 rupees per ton which includes round about 1100 rupees on the raw material which is in iron ore, fuel oil, furnace oil and their alloys, and then an efficiency of 1400 rupees per ton.
- **Mr. V.R. Sharma – Managing Director, Jindal Steel & Power Ltd:**
- Yeah, I would like to support once again my colleague, the cost of making steel used to be in our company 23000 rupees a ton and today it is 21,000 rupees a ton. We are aiming to bring it down to 20,000 rupees a ton and everything goes well maybe below 20,000 rupees a ton. So when the costs were high we were thinking that selling price is high. When the prices started falling down we had reduced our cost because of iron ore price is down, coking coal price is down, economy of scale, so that was stable. This is the reason we could protect our EBITDA level.
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
- And to finish the benefit of the coking coal is still to show up, and this will show up in the coming quarter, a benefit of round about 25 to 30 dollars on the coking coal. It is still to show up which will show up in the coming quarters.
- The next question that has come up to us is regarding the enabling provision of 5000 crores as all of you actually covered us for so long you would know that this is just an enabling provision which we have always taken in the previous years' also, every first quarter you would find this enabling provision that we take.
- On the supplementary item regarding the debt to equity, I would just like to make this comment to bring more clarity. This is a clause that is there in some of the financial documents of the company, and it is standard clause nowadays after the NCLT has begun, especially if you look at public sector consortiums like SBI and it is more so in capital intensive industries like coke, infra, steel and power, and across all other sectors and industries also. And the clause merely says that in case of a pertinent default or in case of a default, there is an option to convert the loan to equity. So this is just an optionality clause which is there. Like you all know, in all cases, the corporate finance teams are always working to bring the debt cost down and that is the endeavour. And therefore this is just a general clause that is there in the documents. The endeavour always remains, as every person in the company has also said, to bring the debt down quarter by quarter. So every quarter you should see the net debt coming down.
- **Mr. Vidya Ratan Sharma – MD, JSPL:**

- Yeah, in case the company goes into liquidation because of any reason, then this is a very standard clause because when they want to protect themselves, but we are not having that risk, because we have already come out from those kind of situations in the past. With all of your support and everything, the company is now in the safe mode and we have our own protection in terms of financial stability, and we are not susceptible to any kind of situation where the debt will be converted into equity. It will never happen, but yes, like Nishant said, there's a standard clause and our stakeholders, shareholders, investors, should trust the company that the company is doing well. So now we open the house for questions. If you have some questions, we all are sitting here. So the respective people will reply to you, those who have the domain knowledge. But I being the Managing Director of the company, I'm available to you at any point of time.
- **Operator:**
- Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Reminder to the participants, anyone who wishes to ask a question may press \* and 1. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow up question, we would request you to rejoin the question queue. The first question is from the line of Amit Dixit from Edelweiss. Please go ahead.
- **Mr. Amit Dixit – Edelweiss:**
- Thanks a lot for taking my question and congratulations for a good performance. I have two questions. The first one is on the sales mix. So in this quarter, i.e. the quarter gone by Q1 FY21, we saw a high proportion of exports. So how is it going to change in Q2 and Q3? And also, what would be the proportion of value added products in this particular quarter Q2 and how much was it in Q1? So that is the first question. Should I ask the second question also?
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- Yeah, please ask.
- **Mr. Amit Dixit – Edelweiss:**
- So the second question is, on power division, we saw that realisation improved QoQ despite the exchange rate going down. While it might be due to the higher proportion of

PPA, I just wanted to understand how do you see it going forward in Q2 and possibly in q3?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

- Thank you very much. So I will take the first question first, i.e. product mix and the value added products. You see as rightly pointed out by you, in April-May-June, since it was the lockdown period, and the Indian consumers were not in the market to shop the material, especially the plates, hot roll coils, blooms, billets, coil rods, it was under great stress because we were unable to move the material to the godowns of the customers, and their workforce was also not available since everywhere there was a lockdown. So we thought why not to switch over to the markets of those who are ready to accept our goods. So the Western part of the world i.e. Europe and Middle-East and also countries like Saudi Arabia and Egypt, they have preferred to buy plates from us. These are the value added plates, very specialty plates for machine building. And then in South East Asia, in Indonesia, they started buying wire rolls/rods and billets for the wire rods which are again value added. China, they started buying commodity billets that is used for further rolling. So this was the product mix. If you see the overall, out of the total exports we have done, we have done around 30% in the form of commodity billets and around 10% is speciality billets. Another 20-25% is the billets for the wire rods and the balance is Wire rods/rail blooms and plates. So these are our value added items. And also, the speciality billets are value added items, where we enjoy about \$10-50 or maybe sometimes around \$20 additional prices. So this is on the last quarter. This quarter we have already brought down our exports from 300,000 ton average to 180,000 tons, that is in the month of July. So July to September we'll close to around 500,000 tons as against 900,000 tons in the 1<sup>st</sup> quarter. So our dependence on exports has reduced. And, the volume of value added products will be increased. So this is what we are aiming for. So, with new projects coming like railways, like the defence sector, the companies like L&T and Godrej and also KEC and BHEL, they have already come with a shopping list. We have already started supplying material to them. These are all highly value added items, so there should not be any problem. So, the dependence on exports is minimised where we were supplying as a commodity, but the dependence on exports will be there only for those products which fetch more value addition, which are better pricing. As far as the power is concerned, I will request Mr. Bharat Rohra. He will speak to you.

– **Mr. Bharat Rohra – Managing Director, JPL:**

- Amit, your question regarding the realisations for the power, we have a stable income from the PPAs that we have with Discom in Kerala, and we are supplying to them from our 1,200 MW plant. The PPA is for 800 MW. So, the base load is there for these two units. So whenever we see opportunity on the exchange, daily there is a 15 minute

module on which the prices are given. We do not sell all through the day, we sell selectively – in the morning peak hours, in the evening peak hours, In fact, during this COVID period, if somebody was selling power on the exchange, he was selling a paltry Rs. 1.50, Rs. 1.60 per unit, which was a loss. We haven't did this. We selected the time slot in which we would sell & earn more. Rest of the times we ran the unit at our 800 MW load. And we were able to derive a price on the exchange in excess of Rs. 2.75. That is why my rated average of the NSR is in the range of Rs. 3.69. So going forward, as the power demand increases, the round the clock prices will also increase, and we will increase the volumes like we used to do earlier. I hope I have answered your question. Is that fine Amit?

– **Mr. Amit Dixit – Edelweiss:**

– Yes sir, that's fine. Thanks a lot for the elaborate answer and all the best!

– **Operator:**

– Thank you. The next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

– **Mr. Deepak Narnolia - Birla Sun Life Insurance:**

– Hello. Good afternoon sir and many congratulations for a very strong... Hello?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– Yes Deepakji, please carry on.

– **Mr. Deepak Narnolia - Birla Sun Life Insurance:**

– Good afternoon sir and congratulations for a very strong set of numbers for the quarter. Basically I have only one question regarding your profitability in this quarter. Basically, you have explained lot of this. It was due to some product mix also, there were some overhead benefits also and then you saved raw material also. But effectively I wanted to know, can you elaborate on the overall impact ? Amount wise... I see that you said that the NSR has gone down by Rs. 4,600. But still your EBITDA is almost flattish quarter on quarter, or maybe it has improved a bit. Can you please throw some light on this, on your product mix and...?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– Yes, I got your question. That's a very valid question because people always ask this question, as to how the EBITDA is protected inspite of the NSR being down. There are 3

stages of steel making. The 1<sup>st</sup> stage is liquid steel, that is called hot metal. Then the next stage comes from hot metal to pig iron. Then the next stage comes to hot metal to steel. And the next stage comes from steel to casting and the next is casting to rolling into different shapes. So here, when we do the complete value chain, rolling into different shapes, at that point, the NSR is the highest. Why? Because the steel has been moulded, casted and rolled into different kinds of shapes, and those shapes fetch higher prices. When we see the Final product here, the NSR level, at that time you see that our NSR is pretty high, because we are doing 90% of the value addition upto the last value chain, in the mill. So, the steel making as I told you, the steel making was at about Rs. 23,000, and if we make the speciality plates or speciality beams, we can sell as high as, at a price of Rs. 35,000-36,000-37,000. But when we do not reap/reach that level of the last value chain, because the demand was not there, the companies in the country were down and had closed down, then we had to do only 3 stages of activity. These 3 stages of activity were the different stages of steel making, then pig iron in case it is required, then it is steel making or refining and then casting. So casting into blooms, billets, slabs, and then the 4<sup>th</sup> stage was productively used wherever we had customers, for example, from Europe, as I told you. Otherwise, the 4<sup>th</sup> stage was not used. The 4<sup>th</sup> stage products bring highest value in terms of NSR. But up to the 3<sup>rd</sup> stage, if the NSR looks low, then we compare it to the 4<sup>th</sup> stage. But, it does not mean that we have compromised on our profitability or EBITDA, because up to that place, the EBITDA is consumed up to a level of about 65-70%. So, we have got that EBITDA, we could protect that EBITDA of 10,000 plus, which has finally come to 11,750 because of this region. So, there is no direct relation of NSR and EBITDA here because the product mix changed. Have I answered your question?

– **Mr. Deepak Narnolia - Birla Sun Life Insurance:**

– How much of that was because of the product mix and how much was because of raw material savings?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– Yeah, very valid. So Rs. 3,000 we are saving in terms of reducing the cost of making steel. From Rs. 23,500 we have come to Rs. 20,500.

– **Mr. Deepak Narnolia - Birla Sun Life Insurance:**

– This includes your raw materials saving?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

- Everything put together, raw material saving, coking coal, energy saving, oil saving, gas saving, spare parts management, electrodes, everything.
- **Mr. Deepak Narnolia - Birla Sun Life Insurance:**
- Sir raw material savings... a lot of these would have come from lower cost... use of lower cost iron ore and inventory?
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- No. You see, SMPL inventory is lying for the last 7 years. And that inventory, it is impossible for anybody to move that material overnight. So we have used a blend of materials from various sources. So this is the reason we cannot consume overnight. So this would take about 1 year or maybe more than 1 years' time to bring that material fully. Next question please.
- **Operator:**
- Thank you. The next question if from the line of Rajesh Lachhani from HSBC. Please go ahead.
- **Mr. Rajesh Lachhani – HSBC:**
- Thanks for the opportunity. Sir, I basically have two question. No. 1, if we look at your net debt, you have been reducing it significantly over the last 3 years, from FY18 of around 45,600 crores to now close to 35,000 now. This is a sharp decrease of more than 25%. Sir, if we look at your interest cost on an annualised basis, they have actually increased by 5%. And this is not only the case for consolidated, the same trend could even be seen for standalone. So I just wanted to understand the divergence between the interest expense and the net debt. Sir, that would be my first question.
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- And the second question also please ask.
- **Mr. Rajesh Lachhani – HSBC:**
- Yeah. Sir, the second question is just a follow up of a colleague on Sarda Mines. I just want to understand how much was Sarda Mines over consumed in this quarter, and what is the monthly runrate that we are consuming currently?
- **Mr. Vidya Ratan Sharma – MD, JSPL:**

- Okay. So first of all, I will tell you about SMPL. We cannot bring more than 20,000 tons material per day from there because it takes lot of hassles by truck or my conveyer. So what we do is, we try to bring as much as possible, but we can maximum bring 20,000 to 30,000 tons. But during COVID, we could not bring much. And, we had an opportunity to buy iron ore from the adjoining private sector mines, because they were also under pressure because there are going to be change in the ownership. That’s because most of these mines are bought out through the auction by some other mills or some other areas. So that was an opportunity for us to consume more and more from the outside sources. As far as your first question around the interest rate is concerned, I will ask Mr. Nishant to reply to you. Just a minute please.
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
- Thank you for asking that question. So, if you were to look at our annual numbers also on the finance cost, it is coming down, albeit slowly. So if you look at for the YoY basis, it has come down by 100 crores approximately on the consolidated level. And similarly, on the standalone level also. We are bringing the cost down. Like we said, the corporate finance teams are always working towards getting that interest rate down. We can even share with you that, even for this quarter the interest rate has come down. There are other charges that are also not built into these finance cost, which are generally associated with certain debts we try and pay up early. These are also associated with 10 other items which are there regarding the LCs and the BGs we open. So that is also actually flowing into this, which is probably distorting the number for you. Just as a point, I can tell you that the interest rate has actually come down for us in FY20 whereas it was at a consolidated level at 8.8%. This quarter we have been able to bring it down to 8.36%. Similarly on a standalone level where it was 10.95% in FY20, it has been brought down to 10.54%. Also if you see, our ratings have now materially changed since 2018. That is something that we are working on, and hopefully soon, as we bring the debt down as well as work with the rating agencies, we will be able to bring this finance cost number further down.
- **Mr. Rajesh Lachhani – HSBC:**
- Surely sir. But I would really appreciate if you could tell us what would be the interest cost share. You know, the interest cost for the LCs and the other normal debt.
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
- Sure. We’ll share that data with you separately.
- **Mr. Rajesh Lachhani – HSBC:**

- Thanks.
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- Thank you very much. Next question please.
- **Operator:**
- Thank you. The next question is from the line of Prashanth Kota from CGS-CIMB Securities. Please go ahead.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
- Hello. Sir, congrats for the excellent results. Sir my first question is, the Sharda Mines iron ore that we use, how does the accounting work sir? Let's say we use 1 million ton in a quarter, theoretically, so how is it priced or valued on our balance sheet, or how does the cost come into our P&L, if you could just explain that sir.
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- You see, this Iron Ore is already duty paid, royalty paid, basically. So now rest all is book keeping. That's because we have paid it 5-6 years back. So, I don't think there is any issue in that, because they are book numbers only. That's because, already the money is gone.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
- I'm not talking about the cash, in fact. I just wanted to see in the P&L, what is the cost? It is zero cost on the P&L or is it...
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- No, it will come as zero cost. Normally, for our internal use, what we do is, whatever prices are prevailing in the market, we take the same price.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
- So to that extent, our cash flow would be higher. Am I right?
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- Naturally.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**



- Sir, in this quarter, there was negligible amount of iron ore used from SMPL. Am I right?
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- Yeah, as I told you, because this is a reserve quota for us now and there's a huge pile of stock. So what we have to do is, we have to keep on bringing it down because there is no point in transporting a mountain from one place to another place. So whenever we need it, we use it. So it is reserve material for us. Whenever we see that yes, this is the right time, today we can take out 20,000 or 30,000 tons, we use that. And whenever iron ore is available from the vicinity and whenever iron ore is available from the Orissa government, then we use that iron ore. Also we are buying from NMDC and OMC.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
- Okay sir. So to that extent, whenever we start using more of SMPL ore...
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- No no, we cannot use more because there has to be a blend. So we cannot use 100%. These are defined. We also need lumps, we also need high grade like 64%. This is somewhere about 60%, 59% and 61%, like that. So we have to blend it, otherwise we cannot produce the pellets or we cannot use it in Blast Furnace . And there has to be a proper blend.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
- Got it sir. To summarise...
- **Operator:**
- This is the operator, sorry to interrupt you. May we request that you return to the question queue for follow up questions.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
- It's not a follow up, I'm just confirming this. I just want one summary answer from Mr. Sharma. Sir, you have used whatever you could technically use this quarter, am I right?
- **Mr. Vidya Ratan Sharma – MD, JSPL:**
- See, I'll tell you. This is a product and this is a stock of pile which is lying in the SMPL premises. We have to transport it by trucks or by conveyer. So we are not putting full pressure on this to bring it, because millions of tons of material if you move, where do

- you keep it? So we use it very selectively, and we use it technically when the blend is required. So it is a reserve quota for us.
- **Mr. Prashanth Kota – CGS-CIMB Securities:**
  - Got it. Thank you sir. Thanks for the elaborate answer.
  - **Mr. Vidya Ratan Sharma – MD, JSPL:**
  - Next question please.
  - **Operator:**
  - Thank you. The next question is from the line of Vishal Chandak from Emkay Global Financial Services. Please go ahead.
  - **Mr. Vishal Chandak from Emkay Global Financial Services:**
  - Thank you for taking my question sir. My first question is to Mr. Rohra. Sir, how do you see your utilisation at the power capacity going up over the next 1 year, 2 years? Currently I guess we are at about 1,200 MW. 3,400 MW how do we plan to ramp it up to its peak capacity?
  - **Mr. Vidya Ratan Sharma – MD, JSPL:**
  - Yeah, my colleague Mr. Bharat Rohra will talk to you.
  - **Mr. Bharat Rohra – Managing Director, JPL:**
  - Yeah Vishal, since the last 5 years when the mines got reallocated, we were waiting for an opportune time to get coal from the vicinity of the plant. We have always been saying that, because this is interior located plant, it has to depend on coal from the surrounding areas. Now the government has come out with auctions and there are quite a few mines which are in the vicinity of JPL. So we are very optimistic that we will take a few mines in this commercial coal mines auction, and then we will be having a very very low coal cost, and we should be able to run at plant at even 3,400 MW within the next 2 years. So this is the opportunity I was waiting for, and it has finally come. Is it okay Vishal?
  - **Mr. Vishal Chandak from Emkay Global Financial Services:**
  - Sir, just a follow up on that. When we say that we'll bid the coal on the auction and we'll get it cheap, we've seen in the iron ore auction that nothing has come cheap, especially people who wanted on the captive have driven every bit of cost on the higher side. Will the commercial coal... Because, what we are doing is now, we are going to bid for the

- commercial coal mines. So we lock in in our cost entirely, while our supplier side, our customer side, while our PPA side is left out open. Do we plan to hedge it on both, back to back end? As in, when we bid for a cost, we also have a PPA in mind?
- **Mr. Bharat Rohra – Managing Director, JPL:**
  - The dynamics of coal costing and iron ore costing are entirely different. Iron ore is a very costly material and people can afford to transport it long distance. But coal is a very cheap material. And if somebody tries to transport it over long distances, it will become highly uneconomical for them. So that is why, in this mining auction, the people who are going to buy these mines, are going to be end users who are within a radius of 50-100 kms of the coal mines. It will be different from the iron ore mine auctions. People do not want to transport... spend more money on transport than the cost of the coal. So I'm optimistic that only genuine buyers who are in the vicinity of the mines, they will come and they will auction.
  - **Mr. Vishal Chandak from Emkay Global Financial Services:**
  - Right sir. Sir, my second question is...
  - **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
  - Vishal, I'm really sorry, I have to start cutting people. We've got round about 30 people in the queue. I would request that we take just one question just now. And we are always there; the IR team is always there to answer any questions.
  - **Mr. Vishal Chandak from Emkay Global Financial Services:**
  - Thank you sir.
  - **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
  - Next question please.
  - **Operator:**
  - Thank you. The next question is from the line of Vineet Maloo from Aditya Birla Sun Life AMC. Please go ahead.
  - **Mr. Vineet Maloo - Aditya Birla Sun Life AMC:**
  - Hi, thank you for taking my question. I have one quick question. I didn't understand this thing of Sarda Mines that you explained. So, if you could just tell us how much is the quantity that we used this quarter? And what is it that theoretically, with all the

concerns in mind, blending, transportation, etc, what is the maximum that we can use in a quarter?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– I have already replied to this question twice my dear. On an average, 20,000 tons per day.

– **Mr. Vineet Maloo - Aditya Birla Sun Life AMC:**

– So we've used equivalent of 20,000 tons per day during this quarter?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– Yeah correct.

– **Mr. Vineet Maloo - Aditya Birla Sun Life AMC:**

– Okay understood. And, is that the maximum that we can do in a quarter? Is that the run rate that we can maximum do?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– See, as I told you...

– **Mr. Vineet Maloo - Aditya Birla Sun Life AMC:**

– ...with all the practical constraints sir.

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– Yeah, I'm telling you. It's not a practical constraint. We are not there to evacuate or vacate the space overnight. This is material which was laying for many years, 7 years. It was mounting. So we had to dig it, clean it and then bring it to the location. Then it has different values like alumina, silica etc contents. Then, when we use it in our blast furnaces for Iron Making, we have to have a special blend. We cannot make a blend of 100% of the SMPL mines. So we have to use other iron ore also. If you see our buying behaviour, we have brought from OMC, we have bought from other private miners Rohita and Essel Mining from that belt. And since we are sitting in the belt of Orissa, it is good luck to us that we have access to all these different kinds of iron ore. So, the question that you have asked, I think I replied. But I'll tell you one thing in the knowledge of everybody, we are not here to consume or stop buying iron ore from the rest of the world and consume first the SMPL stock, which is our stock lying in SMPL. So

it will take some time because we cannot mix or we cannot blend more than a particular ratio. Now I think I have answered your question. May I request the other questions.

– **Mr. Vineet Maloo - Aditya Birla Sun Life AMC:**

– Thank you so much.

– **Operator:**

– Thank you. The next question is from the line of Palak Shah from Reliance Nippon Life Insurance. Please go ahead.

– **Mr. Palak Shah - Reliance Nippon Life Insurance:**

– Hi. Sir, just one question on this. The constraints that you have spoken about, what was the total cost for transporting this material all the way from SMPL to JSPL including the digging, cleaning and the grade difference that you have?

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– I think it should not be more than Rs. 100 a ton.

– **Ms. Palak Shah - Reliance Nippon Life Insurance:**

– Okay. And sir, just one clarification on the EBITDA numbers. When you say that you have achieved... you have taken the cost of iron ore at market price, so in this current EBITDA, there is now a benefit from procuring from SMPL.

– **Mr. Vidya Ratan Sharma – MD, JSPL:**

– We can share with it, because basically it's a blend. But you know, how we do it? When we buy material from different sources, then some average price comes out, and that average price is the price for the plants, because we cannot give two different prices to a plant posting team. So when they produce steel, they have to produce on the basis of this pricing. So finally in the EBITDA level besides the average, it's based on the average prices. So if the EBITDA is coming to 11,500 rupees so that is based on the average price. It cannot be that material from SMPL will have 14,000 or may have 10,000 and then may have 11.500. So it is a blend of the total. It is a very large appreciation. And since we are, we cannot use some kind of time loan at any point of time to meet out the requirements of the blast furnace.

– **Mr. Palak Shah—Reliance Nippon Life Insurance**

- Okay got it. Can I just ask one more question?
  
- **Operator:**
- Sorry to interrupt you maybe you should return to the question queue for follow up questions.
  
- **Mr. Vidya Ratan Sharma – MD, JSPL** If we have time then you can ask the second time question. Let us first take the questions from the people, our friends who are waiting for long time. One by sure.
  
- **Mr. Palak Shah—Reliance Nippon Life Insurance**
- Thank you.
  
- **Operator:**
- Ladies and gentlemen in order to ensure that the management is able to address questions from all participants in the conference please limit your questions to one per participant. Should you have a follow up question we would request you to rejoin the question queue. The next question is from the line of Mr. Bhavin Chheda from ENAM Holdings. Please go ahead.
  
- **Mr. Bhavin Chheda--ENAM Holdings**
- Yeah good afternoon sir. Sir can you give me the outstanding debt at each entity and how much is repayable at each entity in FY '21, if you can break up entity wise?
  
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd** Sure, we will do that. So if we're looking at entity wise so JSPL standalone is around 14,700 crores. 14,800 actually. JPL is around 7200. JSTML is close to 710 million dollars. WCL would be close to 330 million dollars.
  
- **Mr. Bhavin Chheda-ENAM Holdings**
- 330?
  
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd:**
- Yeah. And Oman would be close to 5500.
  
- **Mr. Bhavin Chheda-ENAM Holdings**

- Sorry Oman would be?
  
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd**  
Approximately. 5500 approximately.
  
- **Mr. Bhavin Chheda-ENAM Holdings**
- So 5500 crores?
  
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd** Yeah. And that is actually better. And then we have cash influence of over 600 crores.
  
- **Mr. Bhavin Chheda-ENAM Holdings**
- And entity wise payment or repayment FY '21?
  
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd** So Mr. Bhavin we can take this question separately. Yeah I'll call you separately Mr. Bhavin. We have quite a long queue therefore we have also extended the time a little bit.
  
- **Mr. Bhavin Chheda-ENAM Holdings**
- Yeah. Just one more thing if you can share the coal cost savings, both on the report side and the thermal coal side? Did you see the savings that both are just, thermal coal was more and met coke should kick in future?
  
- **Mr. Nishant Baranwal – Head, Investor Relations, Jindal Steel & Power Ltd** Right sir. So Mr. Bhavin like I said the coking coal benefit is yet to come in the numbers which you start seeing in this quarter. Thermal coal was primarily what you saw. The thermal coal has come down from 84 paisa per megacal to 64 paisa per megacal. And it is likely to come down further because Coal India is all way out to lure the customers. So this is something very good. And the coking coal you know there was a dip in the month of April. That benefit we got in June. But the dip what we got in May and June and now in July, that will come in the month of August. So now we can go for the next question if you're satisfied.
  
- **Mr. Bhavin Chheda-ENAM Holdings**
- Thank you.
  
- **Operator:**

- Thank you. The next question is from the line of Sumangal Nevatia from Kotak. Please go ahead.
- **Mr. Sumangal Nevatia---Kotak.**
- Yeah, thanks for the chance. Sir my question is with respect to the Oman transaction. Sir if you could just share details as to what are the next steps and the timeline we're expecting the overall transaction to close? And lastly given that we have another 800 million dollars to, million dollars of debt in Mauritius and Australia, what is our refinancing plan there? Thanks.
- **Mr. Vidya Ratan Sharma – MD, JSPL** Okay. Nishant will reply.
- **Mr. Nishant Baranwal - Head Investor Relations, Jindal Steel & Power Ltd.**
- As Mr. Sharma said in the Oman transaction what we had announced there are certain steps that need to be taken, including we had called for an EGM for shareholders on the 28<sup>th</sup> of July. That is one of the approvals that we're looking for. Apart from that we're also seeking the approvals from Shadeed lenders as well as the JSPML lenders. As per that have talks. So that's also work in progress. Like we had said last that we were endeavouring to close this by July end. The endeavour still remains. But given that we need to get these approvals it could spill over to the next month. But the endeavour is to complete it as soon as possible.
- **Mr. Vidya Ratan Sharma – MD, JSPL** It depends upon the approval
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd.**
- So it depends on the approval. But basically the endeavour is to complete it as soon as possible. So your next question, Sumangal could you repeat your next question?
- **Mr. Sumangal Nevatia---Kotak.**
- Yeah the refinancing given that we've another 800-900 million dollars of international debt. Yeah.
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd.**
- Since we've taken this question I would like to technically point out to people that if you were to look at FY '19 numbers, the global debts, overseas debt was around 1.9 billion dollars which came down to about 1.8 billion dollars in FY '20. The endeavour has been throughout the company to bring this debt down which means after the amount



transaction consummation and other things getting done including some repayments, we should be below 800 million dollars on the global debt, like you rightly said. For that 800 million dollars like we believe we can pay it out though the strong cash flows that we are now generating within India. But there have been refinancing plans. We've already spoken about plans to let the abolishment that we had embarked on in the month of March. But due to uncertain Covid conditions that did not go through. We are ready I can tell you, and as soon as the markets improve we would be happy to go out and refinance the entire debt.

- **Mr. Sumangal Nevatia---Kotak.**

- Got it. Thanks Nishant. All the best.

- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd.**

- Thanks Sumangal.

- **Operator:**

- The next question is from the line of Ritesh Shah from Investec. Please go ahead.

- **Mr. Ritesh Shah- Investec**

- Thanks. Thanks for the opportunity. Sir my question is regarding you gave a number of 5500 crores of debt reduction during the course of the year. Sir I just wanted to understand the concept of this and I'm assuming this is excluding Oman proceeds. And it is heartening to see this number actually go down, but would like to have some colour on the pledge number also going forward, how shall we look at it?

- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd.**

- Okay so Ritesh you asked two questions actually in one. So I'll answer both of them for you. The 5500 yes does not include the reduction from Oman. This is solely on organic basis. But the company believes we should be able to pay off through our cash flows. On the second question regarding the pledge, as you know our peak promoter debt used to be 1150 crores and we've been able to bring it down around 400 crores. The endeavour is to bring that down further and we should as we go forward we should look to bring that debt down to nil. And we will keep you updated as that happens.

- **Mr. Ritesh Shah- Investec**

- And just a follow up sir, what is the Capex number for full year that one should build and the intra stock number. Thanks.

- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd.**
- Yeah Nitesh so Capex we've already guided towards the 600 to 800 crores of Capex for the year. Just to reiterate as Mr. Sharma has said, for this quarter we had done a Capex of 110 crores on the consolidate.
  
- **Mr. Ritesh Shah—Investec**
- Okay and I'm assuming this number does not include the power receivables 1600-1800 crores which is yet to come in the kitty.
  
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd.**
- Yes, exactly. So the 5500 cash flows if you look into yes it does not include the cash flows that we would get on account of the receivables in power.
  
- **Mr. Ritesh Shah—Investec**
- And any update to that? That's the last question.
- 
- **Mr. Bharat Rohra – Managing Director, JPL** Ritesh ji receivables have started coming in. Last month we received an instalment of 160 crores. This month also we're receiving some instalment. the Ministry of Power already has given a scheme by which all old dues have to be settled by the DISCOMs. So I think within the next 3-4 months a substantial portion of the receivables should be with us.
  
- **Mr. Ritesh Shah—Investec**
- Next part if at all it is possible, otherwise I'll take it off fine. Thanks.
  
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd** Ritesh we'll take the other questions offline if possible. And we should probably take the last question now.
  
- **Operator**
- Thank you. We'll take the next question from the line of Ashish Kejriwal from IDFC Securities. Please go ahead.
  
- **Mr. Ashish Kejriwal—IDFC Securities**

- Yeah thanks for the opportunity. One is Oman sale- how much debt reduction will happen post the sale? Is it 6000 or 7000 because in the initial remarks Mr. Sharma said 6000 to 7000 crores; so I was just curious to know whether it is 6000 or 7000.
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd** So, Ashish it will be close to 6000 crores that we can build in.
- **Mr. Ashish Kejriwal—IDFC Securities**
- But point is Nishant 5500 crores there in the book of Oman and we're saying that we're going to pay around 250 million dollars more in that, then how just 500 crores only comes out of it?
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd** Right, so Ashish this is I think about time bring you more colour, we do have an inter-company receivables that JSPML needs to pay back to Oman. And that has been outstanding for long. So that will also be taken care. So if you saw the 251 crores equity, it is a part taking over those liabilities as well as a part of cash which is coming into JSPML. And so therefore when the deal consummates you'll be able to see the impact from the Balance Sheet.
- **Mr. Ashish Kejriwal—IDFC Securities**
- So in Balance Sheet one is debt change will happen to the extent of around 6000 crores. And any other liability portion which will also get reduced? Because in consol my sense is that everything is net all. So how will the Balance Sheet look like after this transaction? One you said about 6000 crores reduction.
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd** Right. So the idea is to bring like you said the 6000 crores that goes off the Oman books directly. You asked whatever goes up the Mauritius books. The idea would be through this transaction like we said we bring down the global debt to close to below 800 million dollars and then keep reducing it. The overall consolidated growth endeavour has always been to come to below 2X net debt to EBITDA. We were at round about 4.5 times as of FY '20, which we are bringing down. And so next year we will aim to bring that down further with the overall....
- **Mr. Ashish Kejriwal—IDFC Securities**

- I understand about the growth plan. I was just checking through Oman asset sales you know why only 6000 crores debt reduction and if any other liability gets reduced where we can see in the Balance Sheet? That's the only thing.
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd** See the other liabilities like you said Ashish, it's an intercompany. So if it's an intercompany it gets netted off. You're not able to see it on the consol because both Mauritius and Shadeded form part of the consol Balance Sheet. And therefore it is netted out. Once you're removing Oman into a separate entity you will be able to see that they will be again payable towards Oman. Right? Our liability towards Oman which JSPML will have to basically pay back and then you'll be able to see the entire details. Like I said when we complete it you'll be able to see the Balance Sheet.
- **Mr. Ashish Kejriwal—IDFC Securities**
- Sure, sure. And lastly at what rate we are...
- **Mr. Nishant Baranwal- Head Investor Relations, Jindal Steel & Power Ltd** Ashish if I can, Ashish, I would like to say if there's time we would like to take one last question from somebody who's not been able to ask. We still have 15 people we didn't call. Due to shortage of time we'll be only able to take one last question from somebody else.
- **Mr. Ashish Kejriwal—IDFC Securities**
- Okay then.
- **Operator**
- Thank you. We'll take the next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.
- **Mr. Gaurav Rateria- Morgan Stanley**
- Okay, thank you for taking my question. My understanding is that you continue to maintain utilization rates at a healthy level. Exports would probably come down into few. So where are you seeing the visibility improving on the domestic demand and you expect the inventory built up will not happen in 2Q as well?

**Mr. Vidya Ratan Sharma – MD, JSPL**

- Yes, you're right. Our plan is following. Number One. We will be producing in this quarter in July-August-September 1.8 million ton. Out of this 1.8 million ton our aim is to export only 600,000 ton. Then it's 1.2 million ton it will be consumed domestically. Three major sectors- one is pipes and plates sector. That is basically for the water pipeline. Government of India has come out with a, though it was, the tenders were already placed last year. So most of the cities are being fed to the water pipelines under the Prime Minister's Jal Yojana. So this is one area which is giving us a good business in terms of selling this. The other area is the defence sector as I told you. The third area is the industrial segments like building high-rise buildings through the constructional plates, it's a welded structure. We have in the country now with 40-50-60 storey buildings of steel and with more and more infra projects coming in, so we assume that the steel consumption will increase. Government of India is thinking to reach to a level of about 150 million tons steel consumption by 2020 and which is, the production is not there. We may become the net in both the steel in 2023 because no new mainstream projects are coming because the investment bankers, the Indian bankers, they had a little different view on the steel industry and they were not promoting and encouraging the steel plants, new steel plants. So I think that unless a great amount of FDI comes in the country in the steel biz it will be difficult for the country to reach those levels of 150 million or 170 million. By 2030 Government wants to reach to 300 million tons steel in the country. So I have my doubts that unless the FDI comes out and Government of India forms institutes like earlier it was IFCI and ICICI where these investment institutes, they were supporting the steel industry and the power infrastructure industry, it is unlikely that the existing players will be in a position to do it. So overall if you see why I'm telling you these things, overall the existing steel players they have a very bad future. I'll tell you one thing, there are only five families today, five business houses in steel. So one is Steel Authority of India, the other is JSW, the third is Tata Steel, fourth is JSPL and fifth is ArcelorMittal. These are the companies close to producing more than 3 million ton steel. And the rest of all they produce about 1 million, 0.5 million, 1.5 million, there are about 10 more like that. So if you put together, if you join everybody then the steel production is very low in this country. So if we had to increase and we had to reach the level of not 300 million at least 200 million then we need another 10 plants minimum which can produce 10 million ton each per year. Steel plants come at a span of 5 to 7 years plan. Land acquisition, infrastructure, water, electricity, it takes a lot of time. So 10 years it takes to produce a 10 million ton for anybody in green field. So it is a very challenging time for the country, but very opportune time or big opportunity to the existing players, not only our company. Any company who is producing steel today they have a very

bright future because the steel consumption will increase but the production is not increasing which can commensurate with the consumption. So let us hope the steel industry will earn more benefits, more profits and India will become a next steel importer by 2023. That's what I can tell.

- **Mr. Gaurav Rateria- Morgan Stanley**
- Thank you sir for an elaborate answer. If I can just ask a book written question, what is the total repayment due over 2Q to 4Q? That's it from my side. Thank you.
  
- **Mr. Vidya Ratan Sharma – MD, JSPL** The total repayment due from 2Q to 4Q is around 5000 crores, that you'll have to take. And fortunately that, we had told you that the debt reduction would be close to 5500 crores in line with that.
- So hope we've tried to satisfy everybody. Hope everybody must be satisfied. In case any shortcomings please contact Nishant. He's in a position to search the data. Or any paper you need, any documents you need which is available in the public domain or we can share with you, you're our investors, you have the first right to ask anything from us because we want that your confidence in this company should prevail and we should get support from all of you. So can we now close it or is there any more question left? Otherwise please speak to Mr. Nishant.
  
- **Operator**
- Ladies and gentlemen, due to time constraints we'll take this as the last question. I would not like to hand the conference over to the management for closing comments.
  
- **Mr. Vidya Ratan Sharma – MD, JSPL** So thank you my friends and thanks to the investors on the fraternity. As I told you there is a very good future for the steel industry in times to come. So is the future for the power industry. And with the Prime Minister's declaration last night we're very much bullish. So he has invited FDIs and housing sectors, he has invited FDIs and infrastructure sectors and he did have something, very positive vibes which was given by the Prime Minister. So I think India is at a point of no U Turn. Though we were not affected due to Covid but I always tell the industry and you also play a very vital role as an Indian citizen, let us forget this two and half months of April, May and mid of June. Let us eliminate it from our lives. And we have another nine months to work and nine months to do something good for your nation. So this is how I always speak, I always tell the people that we must try to recover in these nine months' time from July to March and we will definitely come out with fantastic results. There have been some issues at the border, so these issues at the border will be resolved.

Diplomatically Government of India is taking all steps and I'm sure none of the countries wants to war in today's situation. So the ripples will always be there. The strength, to show the strength to the world, those ambitions will always be there with the political leaders and anywhere in the world. But heart to heart nobody wants war. And specially the financial management people, they never like war. So I think the time is good. And in times to come the steel industry as a whole will definitely come out with flying colours and JSPL will definitely be better than peers. This is our promise to you and this is what we want to do. Thank you very much.

- **Operator**
- On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

- **( END OF TRANSCRIPT )**