"Jindal Steel & Power Limited Q4 FY-21 Earnings Conference Call"

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MANAGEMENT: **MR. V R SHARMA – MANAGING DIRECTOR, JSPL**
MR. HEMANT KUMAR – CFO, JSPL
MR. KAPIL MANTRI – HEAD (M&A AND BUSINESS DEVELOPMENT), JSPL
MR. NISHANT BARANWAL – HEAD (INVESTOR RELATIONS), JSPL

MODERATOR: **MR. ANUPAM GUPTA – IIFL SECURITIES.**

Moderator: Ladies and gentlemen, good day and welcome to the Jindal Steel & Power Limited Q4 FY 21 Earnings Conference Call hosted by IIFL Securities 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 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. Anupam Gupta from IIFL Securities. Thank you and over to you sir.

Anupam Gupta: Thanks, Rutuja and good afternoon everyone and welcome to JSPL's 4th Quarter FY21 Earnings Conference Call. I would also like to welcome the senior management of JSPL who have joined us, and I hand over to Mr. Nishant Baranwal – Head of Investor Relations at JSPL to introduce them and take the call forward, over to you Nishant.

Nishant Baranwal: Thank you Anupam. Good day everyone. I hope you and your families and loved ones are safe and well during these unprecedented times. We can understand it has been trying times for all of you there and us. But we can say with your support and prayers of our well-wishers we continue.

So, to introduce the management today we have with us our Managing Director – Mr. V R Sharma, our CFO – Mr. Hemant Kumar, and our Head of M&A and Business Development – Mr. Kapil Mantri.

Without wasting more time, we would request Mr. V R Sharma for his opening comments.

V R Sharma: Hello, good afternoon ladies and gentlemen, I'm V R Sharma – Managing Director of JSPL. So, first of all, I welcome you on this particular call and I'm thankful to all of you for your support all the way to JSPL in last so many years, and I am proudly announcing that we have done a wonderful business last year. In the COVID year we started with a lockdown and then we kept on working and we exported a lot. And finally, we made a record EBITDA and record sales in the first quarter that is April, May June, which was surpassed in quarter two, that is July, August, September and again, we surpassed our financial in quarter three and quarter four had been super-duper. We could reach to (+2) million sales in quarter four. and similarly, in the whole year, we could do 7.51 million tonne of production and 7.26 million tonne of total sales.

And this has led us to a different league of steel makers in the country. Your discreet support had been eminent and very pertinent, it is seen by the records that more than 800% is the overall growth in the stock market of JSPL. We started the year with Rs.63 rupees per share and we reached to Rs.500 per share in 13 months' time. So, this is a super growth in terms of street is concerned. So, that means, the street has a lot of confidence in JSPL.

In 2012 we were declared as the second largest wealth creator in the world. Today, I'm proudly telling you that we are the largest wealth creator or biggest wealth creator today in the country in steel sector and perhaps maybe in the world also. So, the data for the world is not yet published. So, Mr. Nishant will share with you maybe after one week or two weeks' time.

So, overall, the things had been doing very well. We have a plan to reach to next year more than 8 million tonne production. Last year growth was 19% in production and 20% in sales. Prior to this we had 6.3 million tonne of production and in 2019 we had 5.5 million tonne of production. So, whatever we committed to our shareholders, investors, we have delivered. So, 5.5, 6.3 and 6.3 to 7.5 and now we are aiming for more than 8 million tonne without adding any equipment in this 8 million tonne we will achieve. There will be a small CAPEX to reach to (+8) million that is just the fill in the blanks wherever some modifications are to be done that we will be doing.

This year was full of challenges, the lockdown and then finally, the domestic market was all time low but our able team in the export department and with our context in the international market, we could do a sale of more than $1.3 billion from exports and this revenue from export $1.3 billion is about 30% of the total revenue, what we had generated.

1900 crore is the profit what we are on in the Q4 and if you see the overall JSPL standalone the PAT is 7154 crores in the complete mentioned year and then we have going to, we have already planned to do the divestment of JPL and this will bring JSPL as a very vibrant steel company and we will be in a position to focus more-and-more on steel and we want that we should be a true Numero Uno means number one steel company in the world not in India. Number one does not mean that in terms of quantity and tonnage, the number one means in efficiency and productivity in ethical behavior and maintaining the right amount of concern to CO2 emissions, ESG and the overall business ethics so this is what our aim is.

Our Chairman, Mr. Naveen Jindal is a very dynamic and vibrant leader, under his guidance and able leadership, we all are working with one mission, one objective, one goal and that is "we will be a net debt-free company in times to come".

We had given a slogan to the street and to our lenders and also to our plant people and our team that, "we will be a 15,15,50 numbers company". What is 15,15 and 50? 15,000 crores of total debt or below, 15,000 crores of EBITDA or above and 50,000 crores of sales turnover. So, with this if we achieve which is likely to be achieved in this financial year then JSPL will be in the top seven companies in terms of its ratios workability with the different kind of ratios what we calculate, so we will be in the top seven companies in the country. So, this ranking may change because other people are also working very hard and opportunities they do exist in India, India is a happening place and we believe in the India growth story and with the reason we have done the divestment of our Oman plant and whenever there is a right opportunity we get, we will not be hesitant in divesting any other entity if it comes in our way, but we want to be a very high worth and very efficient conglomerate within country.

The country is aiming to reach to 300 million tonne of steel production and today there are only five families or five business houses those who are very prominently making steel for the nation. So, one is Naveen Jindal Group JSPL, the other is his brother Sajjan Jindal Group. And the next is Tata Steel and fourth is Government of India Company – Steel Authority of India and now recent entry of ArcelorMittal. So, these are the five companies which are commanding a market of about 55 to 60 million tonne today, out of 100 million tonne what we produce. Balance 40, 45 million tonne is being produced by the other people those who are in a group of (+1) million and there are a lot many companies in the country, more than 240 companies in the country they are induction-furnace based organization and they produce 200,000 tonne to 400,000 tonnes per year.

So, the challenge today in front of nation is, how to reach to 300 million tonne is the biggest challenge and these five business houses they have a great amount of possibility to meet out the expectations of Government of India to reach to 300 million tonne by 2030. Our neighbors China they have 1.5 billion people or 150 crore people as against to 135 crores in India and they are consuming 1000 million tonne steel and this year they may consume 1.1 billion that is 1100 million steel. And we are just at a level about (+100) million. So, there's a big gap in between number two and number one, whereas the gap in population is very minimum. This means the more and more spending from government side will come in the infrastructure and we are a special infrastructure steel company. Today, we are not in general commodities like roofing sheets or automobiles or two wheelers or three wheelers we are not in that business, we are in the business of special steel to produce steel for infrastructure projects. So, whatever honorable government, ministers and our Honorable Prime Minister and Honorable Finance Mrs. Sitharaman, they are aiming to give a boost to the Indian infrastructure. So, we are the solution, we make cranes. We have already produced 1080 head hardened rails**,** we have already produced 1175 head hardened rails for the high haulage to carry 75 tonne of weights, this will be first implemented in South Central and South Eastern Railway. And soon it will be a commodity which will be a special product which will be utilized and used in India. Today we are the only company in the country who has produced 1080 grade for the metro rails and who has produced 1175 for Indian Railways for heavy haulage.

Apart from that, transmission tower is another agenda Government of India, Power Grid Corporation of India is going to spend 1000 crores of rupees to upgrade the power transmission lines from 230 kV to 415 kV and then finally 750 kV and this upgradation and graduation from 230 kV and above will definitely use more and more steel in terms of angle iron channel and beams, and this is where we produce the Power Grid Corporation of India (PGCIL) approved specialty angle irons to absorb that kind of wind load and the high tension wire loads. So, this is where we do present.

Then another dream project and very permanent project of Honorable Prime Minister that is ship building and the warship building. So, we are the only company today in the country who are in a big way specialty steel for submarines and also for special vessels. So, our capabilities are beyond doubt and Government of India is buying from us, Indian Navy is buying from us and the private players are also buying from us. We are the only company today in the country having a specialty plate for the cryogenic tankers. Today we are seeing that oxygen is in great demand and, but we need a special plate for the cryogenic tankers. So, we produce cryogenic tanker plates, and which is in big demand now, and I'm sure we'll be serving to nation in a much better way.

So, similarly the other products whether it is specialty beams, fabricated structure, round billets, special square billets, blooms we are in a big way and we are part of Indian infrastructure focus Indian infrastructure boom.

So, in nutshell the times to come are going to witness much more fruits for the company like JSPL and there are not many companies like JSPL in the country, those who have the productivity as we have. We have nine different products, and all these nine products are unique products in itself.

So, this is what we are aiming coming back on the oxygen. As you all know, the country has been passing through a severe pandemic or wave one or wave two people are speaking wave three, God forbid that any wave comes in future, we are combating and we are fighting …**-(Modified)…** ,. The steel industry as a whole has come forward, they are working with shoulder-to-shoulder with Government of India and our Chairman Honorable Shri Naveen Jindal, he has given first Tweet in the favor of nation, that "yes, even by last drop of liquid oxygen available in my plant is available for the nation." He has given a slogan "People First."

So, though we are sacrificing, and we are compromising our total quantity on month-to-month basis after last 15-20 days' time. The total reduction in the capacity will be about 9% to 10%. But that we can make up, we are sure. This does not mean that we will not produce (+8) million tonne in this particular financial year, we will definitely do more than 8 million tonne, but today the navigational approach we are seeing, we are seeing the bad weather and in this bad weather we need to have a little longer route to supply the oxygen to our country men and this is what Shri Naveen ji told that, come what may we have to keep the supplies on and we have to save so many lives, just for our knowledge one tonne of liquid oxygen contains 700 mega, big D type cylinder and, one cylinder, if it gives one life. So, 1 tonne is giving 700 lives. So, we supply everyday about 100 tonnes, we have today stock of 320 tonne, we are not denying anybody, if somebody comes to us for the oxygen we are always, we are pleased to offer oxygen to them. But Government of India has already fixed up a nodal agency and we are working under the nodal agency under the Ministry of Steel and Ministry of Home and through the local Commissionerate they allocate us as to where the supplies will be delivered and this is what we are doing.

So, in nutshell, we are contributing in Nation's growth, we are also combating with the current situation, we have already installed more than 1200 beds to accommodate the COVID patients in our plant or in and around the villages from our plant, in and around the vicinity of our plant and 400 beds arrangement we are done in Angul, 400 we have done Raigarh including for this hospital we run. Then 200 in Patratu and 200 in Barbil. So, as a whole company is working in line with the government requirements. And whenever government will need more from us, we'll definitely, will be the front runner and we'll be supplying all those gadgets or all those resources, whatever we can share and whatever is possible.

So, coming back on the steel business:

Steel business I'm sure is going to stay similar way and at least for next two years the reason being is a lot of stimulus packages have been declared by different governments in the world. And around $17 trillion are going to be spent by four major economies. The America of course, and the another is China and the third is Europe and fourth is India. So, it is $17 trillion with four economies and Europe of course it's cumulative that I told you, that means at least $7 trillion to $8 trillion will come into steel and $7 to $8 trillion coming to steel is a huge sum of money which is to be spent by different governments and different countries in next two to three years' time. So, this means the health accommodating. Today looking at our Indian scenario and looking to the **(Inaudible) 18:10** by our various customers, at JSPL we have maintained the price difference between exports and domestic that is up to $200 or $250 per tonne. So, we are supplying today to Europe at about $1,050 per tonne, to Southeast Asia about $1,000 per tonne, to America and to Canada it is $1,300 per tonne and we are selling in India at a price about $800 per tonne. So, that potential difference JSP has kept for our long-term customers so that they survive and sustain. We take care of our MSME customers, so that they survive and sustain. It is not only minting money in a difficult time, but it is also seeing the social cause and the social responsibility in terms of maintaining good relations with our customers, those who are going to be with us for a long time.

And we will maintain about 30% to 35% as export market and 60% to 65% or maybe 70% will keep on supplying to the domestic market. So, that the very purpose of the India growth story is maintained very well.

We are sitting in the hub of iron ore zone that is Odisha and Chhattisgarh. So, we are blessed with the companies like OMC that is a government company, **NMDC** and by many other small and big players in the vicinity those who are supplying us iron ore. So, there is no shortage of iron ore for JSPL, We can source whatever quantity of iron ore is available we can buy. Of course, the prices are different, in last seven months' time the total input cost has gone up by Rs.15,000 that is about $200 a tonne. And this $200 a tonne has been passed on to the customers also internationally and also domestically. But we have not tried to do any profiteering business and unreasonably we had not tried to make money or to earn money. So, the directions from our Honorable Chairman Mr. Naveen Jindal is very clear that we have to be very considerate, and we have to see that in thick and thin our customers are together, we are together with the customer. We support them, they support us and whenever there is an opportunity in export markets to earn more money so we can play with 30% to 40% maybe 10% additional and we can earn profit for the nation and we can also earn precious foreign exchange for the nation.

And this is what we are aiming to, we have very strong reserve, people available with us, the total directly, indirectly 100,000 people are working with JSPL group and we have strong 30,000 people on our roll. So, for their health safety, everything has been taken care of, of course we had two deaths due to COVID in one plant and two deaths due to COVID in another plant. But we are trying to mitigate this risk by taking the preemptive action and all these four deaths what has happened, these are mainly because the people they started their treatment much later than what was required.

But we are very much concerned, and we are travelling to our plants regularly to give the confidence to our people. Similarly our people in finance department, banking, our people in supply chain, our overseas staff and our people in the head office, they all are with the grace of God they all are safe, and we are taking care of people and people are taking care of our company. We believe very strongly Mr. Naveen ji he always says that “it is not company who makes people, it is people who makes the company good or bad.” So, his trust and believe in people is paramount. And we all are committed to make our company a company of our dreams to make India the company of our dreams. That’s all from my side we’ll be discussing on the question answer session.

Thank you very much and Jain Hind!

Nishant Baranwal: Thank you, sir. I would now request our CFO – Mr. Hemant Kumar.

Hemant Kumar: Good day everybody myself is Hemant Kumar – CFO of the company. I trust that you, your family and friends are staying safe, and following all necessary precautions against the spread of COVID-19 pandemic in the country. The second wave of COVID-19 has impacted millions of fellow Indian citizens. The intensity of second wave has taken all of us by surprise. However, Indians have faced every situation with strong determination and have come together to help each other. First half of this year was a challenging period with uncertainties and complexities brought on by COVID-19 pandemic.

Indian economic and domestic steel demand have been improving since then, with accommodative policies, government spending and relaxation in mobility restrictions. This quarter performance has been a standout in terms of both operational performance, EBITDA and the cash flows and help the company to report one of the highest underlying performance for the full financial year in spite of pandemic related disruptions. During the first half of the year, there is a distinct improvement in the company’s operational and financial performance. The company is showing improved economics, better operations, better stabilization of inputs, enhanced capacity utilization and sweating of assets. I would like to mention as our MD sir rightly mentioned, that there is an unprecedented performance, even during COVID period 19. And he also touched upon five key points nation being the first endeavor of JSPL and also the employees health. And we are also at the same time, focusing on highest ever steel production and delivery and resulting into making our balance sheet very strong by expeditiously deleveraging our balance sheet. And most of the cost optimization initiatives deployed across our steel plants are already visible in our financial performance, yielding desired results. We will continue to strengthen the foundation of our operations with unwavering focus to deliver on financial excellence and generate value for all stakeholders in these uncertain times.

Coming to an update on financial performance of the fourth quarter, and fiscal year 2021 we are happy to report that the company posted a record standalone steel production of, as our MD rightly mentioned 2.07 million tonnes in quarter four FY2021 compared to 1.93 million tonnes in quarter three tailing quarter 21 increase of 8% and 1.54 million tonnes in quarter four, corresponding quarter of 20 increase of 25%.

JSPL standalone steel sales is also shown a growth to 1.92 million tonnes in quarter four of current financial year compared to 1.87 million tonnes of quarter three, 21. In quarter four of 20 was 1.4 million tonnes, showing and registering a growth of 37% Y-o-Y. On a yearly basis, I am also pleased to inform that we have seen around 19% growth in our production numbers also mentioned by our Managing Directors, 7.5 million tonnes in FY21 versus 6.3 million tonnes in FY20. And registering a growth at 20% in sales growth can be observed from 7.28 million tonnes in FY21 versus 6.06 million tonnes in FY20. As we follow the strategy of sweating our asset and harvesting investment in Angul Steel facilities in the current financial years, we will see substantial volume expansion in our Angul steel facilities in the current financial year. We will see, so the theme or the business direction is absolutely intact by sweating of asset continuous, deleveraging to continue.

Now by commentary on the consolidated financials, we have reported gross total income of 13,213 crores in quarter four, 21 versus 12,017 crores in quarter three of 21, increase of 9% on quarter-on-quarter and 7,658 crores in quarter four, 2020, registering a growth of 72% Y-o-Y. Primarily driven by increase in sales volume and improved sales realization, I'm extremely happy to report EBITDA of 5,287 crores in quarter four, current financial year versus 4,252 crores in the trailing quarter of current financial year increase of 24% on quarter-on-quarter basis versus 1730 crores EBITDA in quarter four of financial year 20 registering a robust growth of 206% Y-o-Y.

I would like to reiterate that the focus cost saving measures on all fronts including operational, contractual and procurement has resulted in sustained reduction of cost resulting record EBITDA in quarter four FY21 PAT from continued operations stands out at 1911 crores on full year basis gross total incomes stood at 43,284 crores versus 34,291 crores again registering a growth of 26% and EBITDA on a yearly basis was 14,444 crores against 6,815 crores last year. Increase of 112% is showing a robust growth, PAT of 5,527 crores against a negative in the last financial year.

On a standalone, I would like to move to a standalone financials we have reported gross total income off 12319 crores in quarter four FY21, versus 9907 crores in quarter three, increase of 25% in quarter-on-quarter. 6,767 crores in quarter four, FY20 increase of 83%. EBITDA it is 4884 crores in quarter four FY21 versus 3908 crores in quarter 3 FY21, increase of 25% quarter-on-quarter and 1,562 crores in quarter four FY20 increase of 213%.

And in quarter four PAT is 3,426 crores against 2,226 crores of quarter three FY21 increase of 54% on quarter-on-quarter as against 282 crores in FY20. On full year basis the gross total income stood at 37,717 crores against 30,021 crores increase of 26%. And again I'm pleased to inform that EBITDA recorded was 13,055 crores in the current financial year against the last year of 5,777 crores reporting a healthy growth of 126%. And similarly, I would like to mention my steel business has reported PAT of 7154 crores against 618 crores in the last financial, it is key to note that the PAT has moved 10 or 12 times of the PAT which I made last year. On overseas performance. Mozambique, South Africa are doing good, we have given those numbers in our press release, you may refer those numbers from there.

Let me shift my commentary on that side, as we are mentioning that we are clearly focusing on deleveraging JSPL balance sheet by achieving its immediate goal of 15,000 crore net debt, eventual goal to become a net debt free company. The company has been working with a clear focus of sweating it's assets, improving capacity utilization and deleveraging over the last few years. On a net debt basis at the end of the quarter we are reporting a net debt figure of 22,146 crores which reflects 3,475 crore debt reduction as compared to last quarter of 25,621 crores. And we are pleased to highlight that in financial year 21 we have been able to reduce our net debt by a figure of 13,772 crores which is in excess of our guidance that we have been sharing in addition we have gone above and beyond on that strong free cash flows we to make a pre-payment of 2,462 crores to our term lenders which is in-line with our last dated financial strategy of debt reduction and building the most robust balance sheet in the steel sector.

Now our debt-equity is below 1, standing at 0.92 and net debt stands as on today below 20,000 crores. I would like to repeat, it is very important to note that JSPL standalone is strongest balance sheet in the Indian steel sector with a net debt of 10,142 crores and a net debt to EBITDA less than one, less than one I would like to use that, the remaining debt comes from our underperforming overseas and power business that continue to have a substantial debt burden and drag down not only our return ratios, but also calculating an ESG score and I can say with immense confidence divestment of JPL. I would like to repeat divestment of JPL will be a game changer for JSPL. We will bring our entire focus to our primary steel business in India, where we continue to have strong operating and financial performance and working tirelessly to become net debt free company at the earliest. post divestment, JSPL will have a much stronger balance sheet enabling upgrade, in calibrating lower interest cost and a re-rating of our stock as well.

In addition, with an improved ESG score, JSPL will be able to expand its pool of capital raising via international bonds and reputed equity investors who are keen to part take in company's future growth vision, especially our expansion plan for Angul from 6 million tonnes per annum to 12 million tonnes per annum, that is presently ongoing and will help expand the growth India steel capacity in excess of 15 million tonnes per annum.

Now, let me give you a quick commentary on standalone interest costs. As you may have seen from our results, our interest cost has already come down by 20% on Y-o-Y basis. And if we see on a yearly basis, it has come down from 2611 crores to 2187 crores, this is largely due repayment interest rate reduction and on consolidated basis as well the interest cost has come down by 12% in quarter-to-quarter and on trailing quarters by 28%. On full year basis there is a reduction of 18% as interest has come down from 3768 crores to 3093 crores. The reason behind this is, decrease in reduction in interest rate coupled with reduction in debt.

As you all know that JSPL was AA rated company in the past. debt rating of the company is progressing well, and we are pleased to inform you. The company has successfully upgraded its Credit rating under A category, A rated family from BBB rated family during financial year 2021. During financial year 2021, credit rating of the company has upgraded from BBB- to A by ICRA, to A- by CRISIL, A- by Care. I hope with the combination of our efforts including strong financial performance, continuous and substantial debt reduction, the divestment of our non-core assets, JSPL will again be AA rated very soon.

Update on CAPEX, we have incurred a CAPEX of 160 crores in quarter four and in 12 months 459 crores which is mainly sustenance CAPEX. Further, I would like to add that considering present beyond steel industry scenario and strong outlook company is embarking such capital expenditure to expand its presence in steel market our next two to five years to strengthen and improve its current operations also implement expansion projects. More importantly, confirmation of JPL divestment is going to result in a cash flow of 3000 crores for JSPL, which proceeds likely to be used towards spearing that on fund expansion plans of our steel capacity of Angul plant 6 million to 12 million tonnes, thereby taking us in excess of 15 million tonnes per annum.

While the detailed plan for the said expenditure is yet to be charted out, CAPEX outflow is likely to be in a phased manner. In addition, divestment helps that streamline company's operation by becoming a pure play steel player with all its steel operations within India, one of the fastest growing economies in the world. This divestment is expected to bring more management focus to the steel operations in India in achieving better operational efficiencies and aim for higher profitability. We believe that focus coupled with improved return ratios could act as a stronger trigger for credit rating upgrade, and a re-rating of the company.

Closing, I would like to make my closing remarks with the ongoing super cycle in the steel, over the near term, substantial debt reduction owing to divestment of non-core assets, including JPL, JSPL is expected to generate adequate cash flow for meeting all of its debt obligations or repayments. Funding the Angul expansion project and funding requirements of our overseas businesses. Now with the enhanced management focus on Indian business, I'm confident I would like to repeat that I am confident we will soon be a net debt free company in the coming months.

So, with this headline commentaries, I would like to complete my initial commentary. Over to all of you for your question-and-answer section. Thank you very much.

Nishant Baranwal: Thank you, sir. And thank you very much- it is good to have Mr. Kumar also back with us. I would like to tell the audience that he too himself was suffering with COVID. But it's good to have him back here. In the same, with the commentary, I know we have extended a bit of time, but given that we are all happy about the results. As well as we are appreciative of the time, we would want to actually extend the call by 15 minutes. So, operator we will extend the call by 15 minutes to take as many questions as we can. With this, I open the floor for questions. As always a request. Please do not ask data questions, we the IR team are always there to help you with those questions. Let's keep our questions on the most strategic level. Operator, thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashish Kejriwal from Centrum Broking. Please go ahead.

Ashish Kejriwal: So, while power divestment is our concern, I have two questions on that one, is it possible that we can offset our RPS and ICDs together at one place, at one go or is there a possibility that we can change the moratorium of ICDs also in line with RPS so that at least we don't have to go for all this context**?**

Hemant Kumar: Ashish thank you very much for your question, Hemant this side. We need to understand that both instruments are independent and different and here in I would like to invite Mr. Kapil Mantri our head of Corporate Strategy and M&A. Kapil please if you can come in, please take up this question.

Kapil Mantri: Thank you Hemantji. Hi Ashish good afternoon. So, Ashish comparing RPS to ICD/capital advance, we are here comparing apples to oranges. Please understand both instruments are independent, completely different and were done at different point of time. We first and foremost, we'll have to understand that ICD in capital advance at 9.7% interest was given to JSPL by JPL when JSPL was going through challenging time, in fact that's repayable on demand by JPL and now with JSPL performing very well. JPL is debt servicing, draws substantial comfort from the interest income that accrues from this ICD.

Coming to RPS and this is a large amount from JPL's standpoint, given that JPL has been making losses over the last few years. However, I'm happy to share that our team at JSPL has been able to stitch an excellent deal with the buyer in favor of JSPL where if JSPL misses any two coupon payments of the RPS, then JSPL will automatically take over more than 80% voting rights of JPL. Therefore, JSPL is not only going to receive the 3015 crores upfront cash from the deal at the time of closing, but has also completely protected itself with respect to timely servicing of RPS coupon payments. So, there is no risk or uncertainty from that perspective. In addition, I would also like to clarify that during the sales process, we had given all the bidders the option and flexibility to also buy RPS along with equity to ensure maximization from JSPL standpoint, it so happened that all the bids that were received, they were, they all decided to continue the RPS as it is with JSPL. We believe it's credit positive from JSPL's perspective, especially the 3,000 crore cash receipts, we've had discussion with credit agencies after announcing the transaction, the feedback is positive on sale. And obviously the next steps will be seeking approval from banks that should be done in next two, three months hopefully, right. And also what I explained you so far is this, conceptual thing also just coming to a practical challenge on ground in this thing, please understand both JPL and JSPL are governed by loan agreement, right and neither JPL or JSPL banks would allow payment or offset of a subordinated unsecured ICD. And needless to say, we have to obtain the NOC from the lenders to complete this transaction. Hope it answers, Hemantji please see if you would like to add something.

Hemant Kumar: Definitely Kapil. You really explained well about the rational and all, I would like to take it from there only. In fact, I'm happy to share that the proposed divestment was well received by our consortium of lenders who were quite happy given the premium value and all cash offer of 3015 crores that would further strengthen JSPL balance sheet. In addition, as I mentioned in my commentary also, the divestment of JPL accelerate our vision to deleverage the company quite rapidly, and the board's vision to become a net debt free company in the coming months. More importantly, we have given expansion, with an expansion of Angul from 6 million tonnes per annum to 12 million tonnes per annum, as I mentioned in my initial commentary, where we intend to partly fund the CAPEX from Rs.3015 crores proceeds and strong operating cash flows owing to super cycle which we are witnessing you are also maybe seeing in the steel sector that has empowered us to even prepay Rs.2462 crores to JSPL lenders recently, I hope to share many such more positive developments on prepayments with you or in the upcoming quarters. I hope Ashish this answers your query.

Ashish Kejriwal: Just one small thing in this, so what I understand is that ICDs which are payable by JSPL, what kind of moratorium we have or its payable on demand. So, just what can be aliened the moratorium period of RPS with ICDs that is 15 years

Hemant Kumar: Kapil, if you can take this.

Kapil Mantri: So, right there was no moratorium it is payable on demand, as we stand today, however as part of the transaction, this will not be payable on demand, this has a seven year term. It will be payable in fifth, sixth, seventh year in three equal installments.

Ashish Kejriwal: Yes, Kapil that's what I'm asking, when we have the flexibility to change the moratorium can't we take this moratorium aligning with the RPS which is 15 years, why seven years because at one hand we are giving us 5% and taking the rest 9.7% and that to moratorium also seven years and that's 15 years at least. So, at least I understand that ICDs at 9.7 was at a different timeframe, but at least in terms of moratorium is it possible to change it to 15 years which can be aligned with the RPS moratorium?**.**

Kapil Mantri: Ashish just to clarify two, three things. One best way to look at the transaction is just not to mix these two instruments which have completely different objective as we just explained that is one, having said that with regards to the moratorium, etc. this is the best result we could achieve from JSPL's perspective. In fact, our board wanted the right, independent directors asked us to have ensure that the JSPL gets a prepayment right if it wants, 9.7% isn't from the way we are seeing isn't cheap from JSPL perspective. And so this not even actually makes commercial sense. I expect all the legal and practical challenges we are doing it. But what you suggesting doesn't even make commercial sense for JSPL to do.

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

Ritesh Shah: Sir, I have two questions, one was as you know the structuring. First is, sir how should you explain or how should one understand the rationale of the transaction right now, we had a pretty good coal block allocation, 6 million tonnes per annum probably it would have taken six, nine months to ramp up, the profitability for the asset could have been better, it could have fetched a better valuations. So, first question amongst related to JPL is one is on timing. Secondly, we have given that it is on back of ESG. I'm a big fan of ESG, but sir then the simultaneous question which comes to my mind is, why is it that the company not divesting its overseas coal assets, which haven't moved anywhere nor does it take from a ESG point, that's the second thing. Third is, we have spoken about growth which is great, but then why are we going ahead with blast furnace first, and then DRI, I am not sure whether DRI is gas or coal based, that's the third question, and when we are talking about growth, why are we not talking about reducing the carbon..

Nishant Baranwal: Ritesh if I can come in, let's limit ourselves since there's a long queue, if we could limit ourselves to two questions.

Ritesh Shah: There are three questions over here, so one is on timing, second is on ESG and third is on capital allocation. All three are pertinent, I have more on I'll get back in the queue, thanks.

Hemant Kumar: Okay. You asked if the deal rationale of divestment and all. I would like to say the rationale behind the deal is straightforward. And in-line with the board's vision to pursue debt reduction via multiple initiatives, including divestment of non-core businesses, especially underperforming ones that are a drag on JSPL balance sheet, performance and growth plans and schemes. By saying this, again I request Kapil Mantri to walk through the larger purpose and the benefits and strategic initiatives taken for divesting JPL for its futuristic growth of JSPL and rational behind it. I request Kapil to take it from here.

Kapil Mantri: Thank you, Hemantji. Hi, Ritesh. So, you asked a couple of questions, let me try to address all of them. One, with regards to ESG that's the first point, that's fundamental for JSPL, we've decided, to be our environmentally conscious company, and obviously we now understand the future is about being clean and green. So, that's the key motivation growth driver for the company going forward. JPL divestment was also part of that, obviously apart from debt reduction and you mentioned about the international coal, etc., we are open, with this point in time we have had discussions with different people. And at suitable time for the right value we may look at divesting those. So, we've been open to that, definitely. Obviously, there will be some ESG angle which will remain because of the nature of business we are into steelmaking but wherever possible, we are making attempts to reduce that. So, that is one.

Second on the rational, the rationale is threefold, which is ESG being carbon neutral, reducing carbon footprint that is number one. Number two which is reduction of debt, that's been our stated position have been consistently working on it. Number three is, focusing on steel in India and so those are the three biggest rationales for us to work on it. Does this answers or you have something else also?

Ritesh Shah: I have follow up questions if Nishant permits.

Nishant Baranwal: Ritesh just to add to this on the ESG point of view and it is for all of us, all will be glad to know that now we actually have a board monitored committee, which is looking at sustainability and the goals and the targets for the entire group. So, that's an addition that we have now and so that's where we are actually heading.

Ritesh Shah: Nishant can I ask a question to Sharmaji and one for Kapil please, if you may allow?

Nishant Baranwal: Ritesh, if I could ask you to get back in the queue. Thank you.

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

Sumangal Nevatia: First question, continuing on the JPL divestment topic. Just want to know what is the comfort level that JPL will be PAT positive and we would turn the dividends on the RPS and also what Kapil mentioned initially the two coupon miss get the voting rights does that also for PAT loss also count as a coupon miss, that's my first question.

Hemant Kumar: Yes, definitely if there is a PAT negative there would be a coupon miss.

Sumangal Nevatia: Give that JPL has been loss making since the time Tamnar 2 was commissioned, given the distribution of the sector. So, what confidence we have that we will basically accrue these dividends in the near future, just some thoughts on that?

Hemant Kumar: Kapil if you can take this?

Kapil Mantri: Yes, Hemantji. I'll take the second part first. Even if JPL misses coupon, they will coupon because of not making profit, even in that case, the voting rights kick in, so we are as JSPL is completely secured from that perspective. Obviously, we all know JPL has been going through a tough time. And it's difficult to find power market, it's difficult to estimate when will a company be become profitable so especially in JPL related with the last seven, eight years we've been hopeful and internal plans year-on-year, we've been estimating higher PLF, we've been projecting timing up of some PPAs and also. So, it's slightly uncertain territory we are in. So, it may be difficult to actually comment on future performance, but if for some reason it doesn't happen, then we are completely protected.

Sumangal Nevatia: Okay and the follow up. Given the deal is involving, this is my second question. So, the follow up, given the deal is you are dealing with promoter entity, what comfort we have with the equity contribution capabilities and will that lead to further pledging of shares of JSPL?

Hemant Kumar: Kapil shall I take it?

Kapil Mantri: Yes, Hemantji please go ahead.

Hemant Kumar: As far as JSPL is concerned, I can't talk about on behalf of the acquirer and we don't have any insight in their sources of funds, they have bid considering the availability of funds. However, from JSPL perspective, we are very clear that the promoters at least are very clear, there would be no loan against share, or JSPL share pledges. In fact, intent is very clear to bring down pledge down to zero in coming quarters definitely in next 12 months' time.

Sumangal Nevatia: Sir just to conclude with one suggestion, largely acquiring investor feedback. The transaction is a great step, but it's a complex one given the multiple securities involved, rather than a state of a debt and equity transfer. So, if it's possible, it would be really well appreciated by all communities, if one can simplify the transaction, or at least, what initially Ashish was alluding to, match the tenure and the inflow, outflow of funds of all the outstanding securities the RPS and ICD. Because sir, given the 20 year outstanding tenure, it's quite discomforting to have outstanding transactions with related parties. So, that's the only suggestion.

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

Gaurav Rateria: Thank you for taking my question. So, three key points I had firstly, will JSPL need to give any corporate guarantee for the loans of JPL with respect to this divestment transaction. Secondly, how do you plan to mitigate the risk of rising price of iron ore, my understanding is that the Sarda mine inventory would be largely over in the current quarter and from next quarter we will have to keep buying from outside and thirdly, when you said that you want to become net debt free, this is after taking into account the growth CAPEX after that, you're saying you will become net debt free or there will be some more debt which will be there in the balance sheet because of the new growth CAPEX. Thank you.

Hemant Kumar: Okay. I will take first question of corporate guarantee, I am happy because now is going into a new acquirer or buyer there is no question of now providing a corporate guarantee from JSPL per se as such. And we are in the process of taking NOC from the concerned lenders. And second, iron ore question, I request MD sir, to take that question. I will come to the third one straight away, net debt free. Net debt free we are talking about as we are in as everyone is witnessing a super cycle, as you may be also, our endeavor would remain to use internal accruals to fund our CAPEX going forward. But our overall mantra given by our MD is 15,15,50 that will continue till financial year 2023. Now to our MD on iron ore please. Sharmaji.

V R Sharma: Okay. So, the iron ore availability in Odisha is in abundant as I told you, whether it is SMPL functioning or not functioning SMPL giving to us or not giving to us, that does not matter. Yes, we had stock in SMPL which honorable court has allowed us to pick up and that we have picked up from last year February till now and that has also brought a good amount of **Inventory (Inaudible) 59:52**. And six years we had been working without any SMPL material and we have, as I told you we are long term agreement with the Odisha Mining Corporation and we have some another MOUs with some of the private miners in the state and we are also regularly buying from NMDC. And in times to come as declared by Government of India, the Steel Authority of India has to sell about 25% of their iron ore produce what they do from many areas and so is the Tata Steel. So, this will be regulation that 25% iron ore has to be sold to the people those who do not have iron ore mines. So, there should not be any shortage of iron ore in the country, we have more than 30 billion tonne of iron ore in the country and many of the resources are yet to be explored. So, the consumption of iron ore in India is very low. And we will not face any problem as far as the raw material security is concerned.

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

Vishal Chandak: Sir, everyone is talking about steel super cycle but we all know for a fact that the moment China tightens the money flow, the cycle will dry down within a matter of a couple of months. So, the first question is that if the steel prices were to correct sharply from the current levels, would we still continue with our CAPEX plans and what is the EBITDA level at which we are comfortable given our CAPEX plan, for our CAPEX plans. Second, there has been a lot of discussions about government imposing either in export duty or reducing the import duties to ensure that the steel prices are trending downwards. Now, if the government has as a matter of policy intervenes in rising steel prices, when they have done practically nothing when it came to the bottoming out of the steel prices, then do as steel makers, do we still continue to expand or we look at protecting or balance sheet for downtown. So, what your view on that?

V R Sharma: Yes, I will take your last question first, first of all we should appreciate that India is a free economy. Number two, we are today, we are free to import steel in India, and the duties are negligible from 2.5% to 5% in a product of $800 or $1,000, 2% is negligible $16. So, even if the duties are scrapped and made zero still the Indian steel is much cheaper, at least by 20% cheaper than the imported steel. So, import of today we want to have in the country it will be about $1,000 or $1100 per tonne whereas we are selling steel at a price of about $800 a tonne or $750 a tonne. So, there is no point in importing the steel in the country, even if the duties are brought to zero.

The other point is, the government spending in infrastructure that has to go in a different ways. The price variation clause and the projects are to be incorporated and the overall inflation where does government of India want to reach, that has to be seen. India is not insulated economy, India whenever there is a problem in the world. So, their problem or opportunity they do exist in India also. So, we are part of the free world. And today, we are not dumping steel anywhere to maintain the prices so, it is not that, the fourth point you have asked, China. China is, they have their own consumptions, they are going to spend $5 trillion or $6 trillion in their own infrastructure and they do not stop any plant unless they restart, unless they start some new plant, so they were for the last 20 years if you see their record, so their record is superb. So, they have been growing at the rate of +10% in steel and sometimes 12%, 15% and they are going to maintain it. Here exports are hardly 80 million to 100 million tonne in a year. And this year this will be too less and out of 1100 million tonne. So, 80 million tonne is only 7%, 8%. So, similarly, India also has put together around 10 million tonne of exports and then around India used to import about 10 million tonne steel. So, this was getting us neutralized. So, with the FTA assigned by the government of India with many countries like Korea and Japan and other Southeast Asian countries the opportunity and the facilities still available for the Indian importers to import steel from Japan or from Korea, but they are unable to do so, because the domestic steel is available at a cheaper price.

The next point asked whether if the China slows down, whether the expansions will take place or not, the expansion basically is a country's requirement, it is not the specific requirement of any company, but we are a business house, we need to make profit, we want to be in business. So, if the opportunity is available, then definitely we want to grow. Now, the point here is our aim is to grow without borrowing money from the market or from the lenders. So, when we have decided that we do not want to get into trap of debt, as we were in 2016 and 17 and part of 2018. So, we have learned a big lesson that no expansion is to be done by borrowing money. So, our chairman Mr. Naveen Jindal, he has very clearly given a slogan to us, earn and invest, you earn profit and invest flow back the profit for expansions, modification, modernization, research and development or whatever. We are not a, our appetite is not to become number one. We are not hungry behind the capacities, we will go very judiciously and we will not cross our means to expand. So, if you can expand 2 million tonnes a year we'll do 2 million tonnes, if we can expand 5 million tonnes, we'll make 5 million tonne. If we can expand only 1 million tonne per year, we'll expand 1 million tonne per year. If tomorrow we feel that the expansion is not at all suitable we will not expand, we are a flexible organization. So, this is what our purpose is. And I'm sure under the leadership of Mr. Naveen Jindal we will be in a position to sail through in a much better way. And our overall exposure in the market is limiting and we have reduced our debts from 46,900 crores to this level today, which is 19,300 crores and if we take the other divestments on the angle then it will be only 12,000 crores. So, this is very healthy benefits, so 15,15,50 is about to be touched very soon, maybe this financial year. And rest assured we are not in a race to burden ourselves. We will keep our company safe, secured and very robust. Thank you.

Vishal Chandak: Sure sir. Just one more question, we have mentioned that ESG, debt and focusing steel has been our key priorities. Now we have hived off assets, like Oman and JPL which have been servicing their debt through themselves. But while we have retained assets like Australian coal, which is still not even started output, so any thoughts on, would it be more prudent if we would have divested the Australian business to the promoters before divesting the Oman or the JPL, which was still generating EBITDA and were servicing their debt?

V R Sharma: You're right. I agree with you, your point is very well taken. You see, what is sold in the market wherever there is a demand that is sold in the market. And from where the demand comes when we tradeoff is favorable, then only the demand comes today because of political issues between China and Australia. China is not buying any coking coal from Australia and the Australian mines are bleeding because their prices are somewhere about $100 a tonne which is just very near to their cost. The cost of mining in the country is about average I am telling. Average is about $65, by the time it reaches to port or they do the washing in case they need to and they do the blending, the cost goes to about $75 to $80. They're selling today FOB somewhere about $110 or $105, maybe sometimes $120, which used to be once upon a time $310 and $315. So, the amount of profitability was superb at that time. We entered in this particular business when the cycle was really paying cycle we were, when we bought these mines, the cycle was about +$200. So, today the cycle is only $100 or $110. So, we have to see the geopolitical environment. **(Modified)** China has reduced business with Australia, and they have reduced, the first thing they have reduced is the coking coal.

The moment the market improves, or the moment China starts buying coal from Australia, the coking coal prices will shoot up, and they will shoot up to about $170, $180 and the diplomatic discussions going on in between China and Australia hopefully this will be done shortly. And then, it will be right time to find out the right investor or right buyer to diverse these mines. We believe in the India growth story and we are also not interested in having these mines, though we need coking coal, but we may be we will diverse 30% or 40%, or 50%. And we'll keep about 5 to 6 million tonnes or 7 million tonnes coal coming to India from the Australian assets. So, we are not a distressed seller today. If we become a distressed seller, then we don't get value for money. If we wait a little, then the tradeoff can be better. I hope I answered you.

Moderator: Thank you. The next question is from the line of Prashanth Kota from Dolat Capital. Please go ahead.

Prashanth Kota: Sir we have been a big fan of JSPL and the way they do the business and been tracking and covering the company for more than a decade now. And we have always been thinking that the Oman asset, the power asset are all integral to the company. And some of the investors also who invested last year, couple of years ago have been thinking. Sir now all of a sudden management is saying that these are non-core assets and divesting away, and it is not that these are dead and not generating any EBITDA. We are reducing debt, but at the same time we are also losing a lot of EBITDA. So, net debt EBITDA loss versus net debt going away is not that remunerating on the face of it. So, now coming to future, in terms of what are other assets that the management thinks is non-core for example do we think that pellet plant is also non-core, or anything else on the card, just so that we are all well prepared sir?

V R Sharma: So, I can cover investment manager-divestment manager, and the Chief Mr. Kapil Mantri will reply your question.

Kapil Mantri: So, the important thing to understand. And obviously, for example JPL has been one of our premium assets, we were proud of what we built. Now core, non-core asset value, all that is valid and true at one point of time, and it changes. So, we are an agile company, we are forward-looking company. So, what the JPL was a phenomenal, and we've been wanting to revive this, we are struggling for last nine years after de-allocation, the JPL is performing all our efforts as more or less similar plant load sector, more or less similar better generation, then we've seen cycles, elections this that and we are prompt and optimist, and we've been running the transaction for Jindal Power Limited we've done two full-fledged transactions in past. Once we could sign an agreement with JSW, which didn't go through. Other time we did have a term sheet from a foreign investor but couldn't make it work, or the value will just work. So, we've been, this has been some time fortunately, at this time we could complete this transaction and similarly Oman was a focus area because that point of time, but now we want to be focused on India and that's our main fundamental point. JPL even if one considers the score, it's almost 33% of the debt. It only gives 10% of EBITDA for JSPL, right so we do not consider it significant enough, it will not and at some point we're very clear about, we do not consider coal as future for anybody especially for JSPL. And that's why we don't JPL has any value in the scheme of things the way the situations are unfolding to be with JSPL.

Nishant Baranwal: And Prashanth if I could just add, before taking the next question that you would appreciate that as a company, we've been very nimble, we've been nimble with the changing times, we've been nimble to actually better our return ratios after each divestment that we've done. So, that nimbleness will continue and as in when we take steps towards any other further divestment we will definitely keep the markets posted.

Hemant Kumar: Also would like to add Nishant here, as everyone on the call are maybe aware - there are too many stranded thermal power assets, even available in NCLT that remain unresolved. You can take example of KSK Mahanadi, Minakshi, Seemapuri for instance. Some of which have full PPA that are long term. And yet, there are no takers for these assets. This is the reality on the ground, I just wanted to mention this that's all.

Nishant Baranwal: Thank you sir. Operator we will take the last question.

Kapil Mantri: I would like to, just one moment sir. I would list a few add a couple of more points on the previous question, Kapil Mantri here. There are two parts, one and I'll tell you a specific example, three, four years ago we were for almost one and a half year in discussion with a Japanese strategic partner for doing some arrangement, getting some equity stake, getting a joint venture in JSPL, the single most important reason that didn't go through, was presence of Jindal Power Limited with JSPL. And the thermal and coal exposure that is the positive otherwise they loved the asset, they loved JSPL. We engaged with them one and a half years, so that is one there has been a strategic perspective I am talking about.

The second with regards to steel company in India, we believe that India is at all the future of steel in the world its India, for two primary reasons one, the kind of growth we are expecting in the country in general and two the cost advantage which India has because of the cost of iron ore and availability of iron ore. That advance of cheaper iron ore does not exist in Oman for example, and it will never exist because it imports all the raw material and exports most of the finished goods. So, as such situation India is phenomenally well placed compared to Oman. And I told you about the Jindal Power Limited. Thank you.

Nishant Baranwal: Operator we can take the last question please.

Moderator: Thank you. Ladies and gentlemen, this will be the last question which is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: The question is more on Angul acquisition or Angul CAPEX rather on the future CAPEX of 6 million tonnage has been announced. First of all, how to look at this capital cost of $400 per tonne it seems a bit on the lower side. So, when we sort of break it down into components, we see that the downstream has largely been unannounced barring the hot strip mill. So, any thoughts on sort of augmenting it with future downstream or rolling capacities and also to sort of testing some thoughts which might have gone into creating standalone EAF, which is fed by scrap and given so much focus on ESG. So, some clarity on this few issues would be great. Thank you.

V R Sharma: Thank you so much very relevant question. First of all, expansions what we are planning or what we are declared that will be for the intermediate products and not the finished products. For example, the hot rolled coils it is a finished product for many, but otherwise it's an intermediate product when the cold roller they buy it. So, we are not going to the cold rolling or tube making, pipe making, color coating, galvanizing at the moment. So, we are going to produce hot roll coils which is a very hot commodity as of now and this is going to sustain and remain in times to come also. Because of multiple activities happening in the country, the hot roll coil consumptions as per the projects the market will grow Y-o-Y basis about 10%. So, when the market is Y-o-Y basis 10% then there will be huge vacuum and the people those who are in this business, they will definitely be in a position to sell their goods faster.

The next point here is the overall cost of per tonne of steelmaking and how it sets to a deliver the number what we have declared. This is like a Brownfield expansion and neither the railway lines are to be laid nor the water pipeline to be laid, nor the roads are to be made nor the other infrastructure which is required like electrical substation power. So, these are to be yet to be installed. So, this is a bare minimum requirement for the plant and equipment and we have our own fabrication division, we fabricate the structure and then we have our own civil engineering team. So, civil also done in-house and finally, we have to just bring the critical components for example, if we put a blast furnace and the total input in the blast furnace is hardly about 180 crores, balance everything has to be produced within India and fortunately, we have in India, our own capital goods building facility that is in Raipur where we make the machinery for the steel plants, and we'll be utilizing our capital goods industry and this is also being promoted by Government of India now, that the capital goods must be made within the country. And this is what we have aimed for and we'll be manufacturing our own plant based on some of the basic engineering and based on some of the proprietary items what are likely to be imported.

So, this is the reason that the overall price, overall cost what we are telling it is quite low and had it not been there then definitely, then the international parameters or the Indian parameters or the yardstick, what people maintain that would have been maintained accordingly. So, today, we have the opportunity to grow at a lowest cost and we can grow in a fastest pace. So, this is the reason we have taken these numbers and mostly the equipment's are repetition of the previous equipment's, for example blast furnace will be repeat blast furnace of the existing blast furnace. So, we have the engineering available, we know from where what is to be sourced, we know what we can produce in India and what we can produce in-house in JSPL. Similarly, the DRI plant we can make here because we built our previous DRI plant also here, then to build the previous DRI plant, we had to build a coal gasification unit also. But this time we are going to use at least 60% to 70% of our coke oven gas to produce DRI, we have already tried out and we are now using 50% coke oven gas and 50% syngas in our existing DRI plant. So, this is the reason we do not need any coal gasification. So, that means we do not need any washery and we do not need the so much of big coal gas refining system, which will definitely reduce the cost.

Your next point for the electric arc furnace it is very valid point. Yes, you're right we already have India's largest electric arc furnace today working in Angul. We are three more furnaces working in Raigarh where we want to increase the capacities from 100 to 130 tonnes and that is also under progress and our aim is to produce at least 50% of steel flow through electric arc furnace route. And this is the reason we want to put our pellet plant followed by a DRI plant and followed by another electric arc furnace.

So, the another area where we can use our DRI that is in converter shops, so converter shop worldwide. People don't use HBI or DRI we are first company in the world who has commercially used the DRI in the world. We are using today 12% to 15% of DRI in converter shop, which is unheard by many in the world, this is the reason. And because we do not need any additional coal or coke or electricity, just we need a hot metal and a little oxygen to bring the temperature to that level 1600 degree and add DRI into it. So, DRI is produced through a very environmental friendly route. And to melt DRI and to convert into steel through the converter is much more beneficial in terms of reduction in CO2, then even the electric arc furnace. So, these are the areas where we are working, so many research and development going on in the company, which I cannot share everything in this call. But if anybody's interested in talking one-to-one, we can definitely share and when you visit our plant in Angul you will be happy to witness all those things what we are talking today. Hope I have answered your questions.

Nishant Baranwal: Thank you sir. I know despite of the time and despite that we have extended time. I know there's still a long queue. And there is one pertinent question that's coming forward to me is regarding the spread after the last quarter and so where we are right now and quarter-on-quarter change in spread and what are we looking at, is if you can take that in your final commentary.

V R Sharma: So, ladies and gentlemen on behalf of my company, first of all, I thank you for the patient hearing today is an Eid holiday. So, I also wish you on behalf of our company and on behalf of our honorable Chairman, wish you a very Eid Mubarak, Happy Eid and Eid as a festival in the country where more than 25 crore people they celebrate, and we all celebrate with them like everybody celebrates Diwali and Holi. So, it is a symbolic message which gives harmony and we also pray to God almighty to eliminate this Coronavirus from our country. So, that the country remains healthy and can meet all the expectations of the people.

Now coming back on the spread from Q4 versus Q1 and then in this particular year, you see we all are professionals and we enjoy making steel and we enjoy to be in the business of steel. Anybody whether he or she when you reach to a particular point and then there is no U-turn in life. So, we believe in this theory that there is no U-turn, and no U-turn means whatever we produced in quarter four, we have to produce better than quarter four in quarter one, the prices you know they will vary. Sometimes we get better margins, better EBITDA, sometimes lower margin, lower EBITDA, but the sustainable EBITDA and sustainable margins are always our focus. And if you get something additional that is a bonus and one should always enjoy that bonus during a rally time. So, the point here is, we cannot take a U-turn. And number two, we cannot think for any kind of threat which can hamper or jeopardize our business. So, we have all the Tier-I, Tier-II, Tier-III planning what happens if the pandemic spreads further, what happens if the domestic demand becomes lean, what happens in the domestic industry is struggling for the survival. All these things, we have charted out our plan. And those are very, very meticulous plan. This is what we shown to the industry and to the country last year. And during pandemic time, we are shown such kind of results, splendid results where our investors, our management, our people working in the organization and the stakeholders, they are very happy they're glad and they have given us a reward by way of the stock prices reaching to Rs.500.

Believe in the management, believe Mr. Jindal, Mr. Naveen Jindal and his family, they have 200 years of experience in steel, the four brothers and all of their relatives, they are in the steel business. And I'm sure the country is in safe hands. Company is also in safe hands. So, we also believe that Prime Minister, Mr. Narendra Modi he is the best manager to manage the disasters in the world. So, this disaster today what our country is passing through, none other than Mr. Modi can handle in a better way and what he can do, we have to support Mr. Modi, we have to support our government and we are to support the steel fraternity. And let us wish that this particular year will bring more cheers on our face. And we all will be doing much better trust in Naveen Jindal, trust in our management, trust in our company and trust in the nation, then only we can build a country of orderings. So, I hope. Thank you very much once again, and Namaskar.

Nishant Baranwal: Thank you sir. So, I'd like to thank IIFL for organizing this call and all of you for attending the call. As always, we'll continue performing and wishing you all Eid Mubarak today. Thank you.

Moderator: Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.