



“Jindal Steel & Power Limited Q1 FY 2018 Conference Call”

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MODERATOR: **MR. ABHIJIT MITRA -- ICICI SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Jindal Steel & Power Limited Q1 FY 2018 Earnings Conference Call hosted by ICICI 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 telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Abhijit Mitra from ICICI Securities. Thank you and over to you, Mr. Mitra!

Abhijit Mitra: Yes, thanks, moderator. Good afternoon to all the participants. We have with us today the management of Jindal Steel & Power to discuss Q1 FY 2018 results.

Without further ado, I will hand over the conference to Nishant -- Head of Investor Relations to introduce the management and then we can go to the introductory session directly. Over to you, Nishant.

Nishant Baranwal: Thank you, Abhijit. Good morning, everybody. And thanks for joining us in here today.

Today we have with us Mr. Ravi Uppal -- our MD and CEO and Mr. Gian Bansal -- Chief Financial Officer, JPL on the call.

Without wasting more time, I would hand over the call to Mr. Uppal for his opening remarks. Mr. Uppal, please.

Ravi Uppal: Thank you. A very Good afternoon, Ladies and gentlemen, it is a great pleasure to have you online and giving us an opportunity to speak to you about the results of the quarter which was just announced yesterday.

I suppose that all of you got a copy of the Press Release that we had released after the results were announced. I suppose that all of you have had the opportunity to go through them. I would be pleased to take any questions from you. But before that let me just put on perspective the results that we have announced.

Q1 basically represents a continuation of our steadfast journey for a complete turnaround of the company which we started in a big way in Q3 and Q4 of FY17 and we have tried to maintain the same momentum. There has been an all round improvement in the results of the various segments of the company's operations, be it steel, power or mining.

Just a few highlights; the market conditions have been pretty volatile when it comes to steel both in terms of prices as well as the cost of the raw material but in spite of that we have been

able to maintain our EBITDA numbers as percentage of sales and I dare say that our EBITDA numbers are actually the best in class.

Our EBITDA is at a level of 20% for standalone and for the consolidated results we are at a level of 22%. We have improved our standalone EBITDA by about 14% YoY and consolidated EBITDA has gone up by 33%.

The performance on the power side has been quite encouraging notwithstanding that our PLF still continues to be far away from where we would like to see it. But it definitely shows the potential JPL has for offering. Even with a PLF of 43% in the last quarter, our revenues shot up by 62% and our EBITDA increased from Rs. 182 crores last year to a level of Rs. 468 crores. This is a remarkable improvement of about 157% YoY. We have the reputation of running machines between 95% to 100%, so we have the potential of doubling the revenue and EBITDA once we get more loads to dispatch.

All efforts are being made to dispatch more power. As of now, there are not much of PPA enquiries in the market, but we are trying to make the best possible by dispatching power on bilateral and to the exchange. We are highly focused on reducing the operating cost of power production be it fuel cost, O&M cost or the auxiliary power consumption. All of them taken together have created more space between the cost and the price.

Fortunately, the NSR in the last quarter has been better than the same quarter last year but perhaps was not as good as Q4 of last year. We are very selective when we dispatch power and we dispatch only when the rates are good.

So, power has shown a lot of improvement, I hope this momentum continues. We are all braced up to make sure that we are able to deliver the power whenever the opportunity comes up.

Oman unit is one of my favorite units. It continued to show a very promising performance and the EBITDA level has been maintained to \$32 million in Q1. We normally do not produce much in Q1 because the power tariff rates are very high. We are focused more for Q2, Q3, Q4, so I am sure that the subsequent quarters are going to bring us more cheer as far as EBITDA earnings are concerned. So, there is good headroom when it comes to Oman in terms of their EBITDA results. We have come to occupy the highest share in the rebar market in Oman in a very short span of time. Not only in Oman but we are also at the second position in the neighboring state of UAE. We continue to penetrate into different markets and focusing on the ramp-up of volumes so that the combination of volume and better price realization paves the way for higher EBITDA realization.

Pellets have been contributing a new share to company's earning and once again, in the first quarter they have not held it back. The total volume of pellet production went up by 8% and the total EBITDA by 71% YoY. Our exports were somewhat lower in the first quarter because

our internal consumption of pellets has increased. But in the second and third quarter the outlook is the pellets should again come back to the same robust export performance.

We had dedicated our Angul Steel plant to the nation on 27th of May this year, but thereafter we were trying to run the initial trials of the whole of Phase 1B to bring it to a stable production mode.

We have commissioned our blast furnace on 7th August which happens to be India's largest blast furnace into service. And as we speak, our daily production has tested a level of 5,000 tonnes of hot metal. And this will pave the way for more robust performance of the company within the steel segment.

Our total volumes in Q1 have not gone up as much as you would have expected as it was a transition quarter from DRI and arc furnace to the blast furnace route. So due to the stabilization issues we could not come to the volume that we have been targeting. But now the blast furnace is commissioned and quarter three and four should see increased volumes.

The basic target for Q3 is to achieve a daily production volume from blast furnace of about 8,000 tonnes and as we enter the fourth quarter of this year we should be at a level of about 10,000 per day.

Our outlook remains positive when it comes to steel business. Internationally the raw material prices have been quite fluctuating. The coking coal prices which had plummeted to a level of \$140 towards end of June, they have again gone back to a level of about \$190 for the prime hard coking coal and the iron ore prices at the home pitch are still moderate. But internationally thermal coal prices have also gone up by about 10% to 15%. Under these fast fluctuating conditions, it is always a challenge to price your product in the market. But the overall trend is fine.

Right now, the net sales realization for the steel products are again looking up for two reasons, one to take care of the increased cost of the coking coal, another input materials and the second is that internationally the steel prices are higher than in India. There has to be some kind of catch-up there as well. The prices offer promise to the domestic steel industry.

Let me briefly touch on the international and domestic outlook. You know the first six months of this calendar year have been good for the global steel industry. The demand has gone up by 1.8% in first 6 months, while the production has gone up by 4.6%. And the developed countries including United States, Japan, Canada, and Europe, have shown good promise. China also had done well. Although China is closing down some of their capacity for reasons of low productivity and poor emissions but their existing units are delivering more. There is buoyancy in the export market. Even the developed countries of Europe are offering a lot of opportunities to companies like JSPL, by importing high grade plates, etc. which are premium

products. We are all absolutely ready to deliver that with our Angul&Raigarh, plate units. So, that bodes well for the steel industry.

This year exports should offer a good potential. If you look at the statistic the Government has recently brought out, it says the exports have gone up by 66% while the imports have come down by 8% and the domestic demand had grown at a rate of 4.5% in first quarter. So, if you take net combination of higher exports and growing domestic demand and lesser imports, they put a growing opportunity for companies in the steel sector at home and hence the production of the primary players in India is looking up.

We at JSPL remain quite upbeat for two reasons - buoyancy in demand and the prices starting to look up. We are on top of our management of raw material. We are trying to make sure that they do not create any adverse impact on our bottom-line. We will continue to work for the target that we have set for ourselves for this financial year. We did loose sometime in stabilizing the unit of Angul. But we are in the fast catch-up mode at this moment and therefore, may not change our guidance at this moment compared to what we have shared with you earlier.

Our EBITDA per tonne in the last quarter was about 9,300 compared to about Rs. 8,400 per tonne last year. We have taken a project which is underway now to jack up the capacity of our pellet plants. Hopefully, it should be on stream in the next 6 months' time as it continues to offer great export opportunities. Therefore, we are taking necessary steps to see the production capacity of pellets gets enhanced. The pellet prices have started to look up again, so they also create a possibility for us to realize better margins in the pellet market.

So, the outlook as we speak is positive and I just hope that we are able to achieve the target that we have set for ourselves. We are constantly focused on improving our operational efficiency and we have just now embarked upon a very comprehensive and ambitious project for operational improvement in the company whether it is about our marketing efforts or our efforts to reduce the production cost and working capital. We have engaged the best in class consultants and we have a very large team within the company which is mobilized to take this massive initiative within the company only to make sure that we come to the next orbit of efficiency and hopefully in the next 6 to 12 months of time we will start seeing the positive impact of this massive total improvement project..

So, this is all and you are most welcome to ask any questions if you have.

Nishant Baranwal:

Before we open the line for questions, just two points, it will be great if you could stick to more strategic questions. We at IR are here to help you after the call with the data ones. And also, kindly limit yourself to 2 questions per participant. Thank you. Operator, we can take the questions now.

Moderator: Sure. Thank you very much, sir. Ladies and gentlemen, we will now open the floor for Question-and-Answer Session. First question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, my first question is on your comment about the pellet plant capacity expansion. So, currently this is a 9 million tonne capacity, it is going to increase to what extent once this expansion is complete?

Ravi Uppal: The effort is to increase the capacity by about 15%. Let us hope we succeed with that.

Atul Tiwari: Okay. So, it is incremental improvement in the same looking?

Ravi Uppal: Incremental improvement by making some changes in the process.

Atul Tiwari: Okay and how much was the CAPEX and the working capital debt that you have to take to fund this increase in the working capital in the first quarter?

Ravi Uppal: I cannot tell you the exact number. But the changes merit into a payback of 3 months, I think that should comfort you.

Atul Tiwari: Okay. And sir, lastly on this total improvement project that you mentioned. So, what are some of the key areas that you can still cut costs on because we understand that over past two years company has already taken a lot of measures to improve cost efficiency which is visible in both JPL as well the parent company's number to a large extent.

Ravi Uppal: In overview, in the past we have taken multiple initiatives to improve the operational efficiencies taking it up as an island, and trying to look into each island to see how we can tone up the efficiency. But what we are doing different this time around is that we are looking at the whole value chain and their mutual dependence with each other and trying to optimize the whole thing whether it is about the organization structure, the financial structuring or supply chain management, our effectiveness in the market place to create a deeper reach out to various customers, cost of production, the cycle time. This is being done together with people who have done similar projects in the past. So, we have mobilized multiple teams which are going to work on this one together and take it forward with a sense of urgency.

Moderator: Thank you. Next question is from the line of Ashutosh Somani from JM Financial. Please go ahead.

Ashutosh Somani: Sir, what is the sales volume guidance for fiscal 2018 and where do we see the incremental growth coming from for the steel space I understand you mentioned some buoyancy in exports. But if you could share some more color on the domestic demand especially with regards to plates and bars, it would be great.

Ravi Uppal: When we talked to you at the end of fourth quarter, we told you the budget guidance for this year. And we mentioned that last year the total steel we sold at domestic market was about 3.5 million tonnes and we said that we will try to increase it by about 50% which means it will be somewhere between 5.4 million tonnes - 5.5 million tonnes for the domestic market. And much of it as you know will come from Angul getting operational. So, all guns are trained on Angul at this moment. And Angul is going to produce the billets, plates and multiple products. And there are a lot of takers waiting in the wings to take Angul products because when Angul gets operational it is also going to complete the supply line to Patratu plant which was not getting its full requirement of billets in the past but that is all set to change. And we are also sending a lot of semis in the market. So, all these things will make sure that Angul's capacity gets fully utilized. We are also highly focused on making sure that Oman is also able to deliver between 1.6 MT- 1.7 MT of total steel. So India plus Oman together should touch more than 7MT.

AshutoshSomani: And sir, secondly, on debt repayment schedule, what are the repayments lined up in fiscal 2018?

Ravi Uppal: You know the debt repayment will be based on the agreements that we have with them. Our effort therefore is to make sure whatever becomes due as per the schedule that we have with them we honor it. As far as the standalone is concerned, I reckon that we will be paying in the range of about Rs. 1,000 crores and when it comes to consolidated the total debt we will repay is about Rs. 1,875 crores.

Moderator: Thank you. Next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Two questions. One is on that we had some short-term 200-megawatt PPA with Tamil Nadu, there is news item which said this PPA is extended, and so can you confirm that? And secondly, want to understand the status of Angul project, progress where we are in terms of crude steel production on daily basis as of now? And when are we expecting our blast BOF furnace to get commissioned?

Ravi Uppal: Okay. Our 200-megawatt agreement is due to expire in end of August, but the customer has intimated us that they are keen to extend this further and it is a matter which is in progress now and should get closed up in the next month or so. As far as Angulis concerned, I already mentioned that we have commissioned into service our blast furnace on 7th of August and its volume will gradually get ramped up, right now it is about 5,000 but I suppose from, the start of the third quarter this volume should look up to a level of 8,000 tonnes of hot metal and when we enter the fourth quarter we would aspire to touch 10,000 tonnes. The BOF furnace hopefully should be commissioned before the end of this year. Then you will have 2 routes to make steel, one of them is through BOF and the second one is through the arc furnace. It is a huge transition my dear friend. When you are migrating from one model to the other, it is sea change. So, we are trying to see how the period of this change is kept to the barest

minimum. We are also trying to bring the DRI route back on track once the blast furnace stabilizes so both of them produce steel in parallel.

Sanjay Jain: Actually I was asking for crude steel production and I think you mentioned hot metal production.

Ravi Uppal: Okay, let me say that our total target for this year for Angul, the steel production will be in the range of about 3 million tonnes that is what we are working towards. So, in the third quarter and fourth quarter I think we will be in full swing and during intervening period we will be taking steps to see that we reached that level. So, 3 million tonnes from there; 2.5 million - 2.6 million tonnes from Raigarh is what should bring you to a level of 5.4 - 5.5

Sanjay Jain: Okay. So, totality you are guiding for 5.6 million tonne crude...

Ravi Uppal: 5.4 million tonnes to 5.5 million tonnes total which I said 2.5 million tonnes to 2.6 million tonnes will come from Raigarh and 2.8 million tonnes to 3 million tonnes should come from Angul.

Sanjay Jain: So, when should we see this pick-up? If you see first quarter we have not seen any pick-up?

Ravi Uppal: I already mentioned in my opening comments the first quarter we were migrating from one to another. Earlier we were doing with a DRI arc furnace route, and then when we were looking at the blast furnace picking-up step-by-step.

Moderator: Thank you. We take the next question from the line of Abhishek Poddar from Kotak. Please go ahead.

Abhishek Poddar: Just one question on the Angul plant, you had earlier mentioned that BOF will be commissioned by October, so now your statement was more that it will be commissioned before end of the year. So, is that going to October only or there could be...

Ravi Uppal: No, first is the installation. Once the installation gets completed then we do the trial runs, before we come into the commercial production. What I am saying is the commercial production from the BOF should happen before the end of the calendar year.

Abhishek Poddar: Okay. Sir, and in terms of cost at Angul, when should we start seeing the optimum cost, would it be third quarter - fourth quarter or would it only be after the BOF is fully capitalized?

Ravi Uppal: After the blast furnace production picks up, you will start seeing the cost coming down from Angul. And when BOF comes then you will have further reduction. But right now, when you get the hot metal and you take into the electrical arc furnace you make the steel there, that itself should result in some reduction. But the full potential will come when we have the blast furnace hot metal going into the BOF.

AbhishekPoddar: So, that way your realization will be slightly better as your finished product would be improving.

Ravi Uppal: Yes, that is it. You know progressively the cost of the steel produced will reduce with BOF and BF combination coming on stream.

AbhishekPoddar: Okay. Second question is regarding the international mining operations, you know it has been like 7 to 8 months when the coking coal price have improved and in spite that we have not seen much improvement in the earnings and there have been problems here and there. So, what is the realistic level of operations we should assume there and what kind of profitability should we assume?

Ravi Uppal: Coking coal prices have rather been going through a roller coaster. Last year in August they started going up, by November they went up to \$300, then they started climbing down by February, they came down to \$160 then they again went up in April when you had a cyclone which hit Australia and they went up to \$300. And again, by the time we were about to settle down they have come down now. Actually, it went down to all-time low of \$140 but in the last 10 days they have again looked up to a level of \$192. So, therefore the prices of coking coal have been relatively unstable. Mozambique up to October last year was not having any kind of mining operation because coking coal were so abysmally low. But then we started production we are now producing about 140,000 tonnes of ROM every month. Now, we are trying to double the production. So, we have brought the next level of production equipment to Mozambique and new level of production which is close to about 250,000 tonnes per month will start from 1st of October and hence some investment has been made. In Australia, we were chugging along producing between 50,000 tonnes to 65,000 tonnes a month, but in the end of May our Australian contractor by the name of Delta went into insolvency and they were not mining only for us but they were also mining for other companies like South32 and Glencoe. They had to discontinue the mining operation. But we lost no time, we did miss the production in the month of June and July but now we have got the new contractor in place. We have gone for a hybrid model in which we have also taken a lot of experts on our own roll. So, with this competition we are resuming the mining. I am sorry to take you in detail but just to give you a feel there are two major panels where we are mining. One is called N1 and the other is called N3. N3 is for regular production N1 is for development and production. N1 started yesterday. Our team is mobilized and they started development work on N1 and we are just waiting for some permission from the Chief Inspectorate of mines in Wollongong to resume mining on N3 panel which will happen before end of August. So, we are again gunning for production of 75,000 tonnes to 80,000 tonnes. There has been dislocation for Australian production but it has happened for reasons which we had not foreseen and it affected not only us but also affected some other miners in Australia.

AbhishekPoddar: Yes. So, from which quarter should we start seeing the full potential of the international mining operations?

- Ravi Uppal:** Mining is going in Mozambique; Australia had to be suspended due to insolvency of the contractor. But commercial production should start from September and I think you will see full impact of it in the third quarter, Q3.
- AbhishekPoddar:** Okay. Sir, just one last question, in the Press Release you have mentioned there is something regarding write-off loan into equity in case of default lenders to strategic debt restructuring. Could you highlight what that is for?
- Ravi Uppal:** We are restructuring our loans and we are taking some new loans. So, while we have this work in progress one of the security instrument that the lenders want is recourse to some other mechanism like SDR, etc. We therefore have to give this as an instrument of safety to them but there is absolutely no sort of recourse to SDR, we are not going into SDR just in case anybody is thinking about it with the kind of performance that we are putting in that becomes hypothetical thing. It is just one of the conditions that we have to agree to move forward within. Mr. Bansal, my colleague, our CFO is here. So, would you like to add something to it?
- GianBansal:** The only thing I can add Abhishekis that this SDR clause is standard clause on the loans which are restructured. So, this is nothing unique to JSPL.
- Moderator:** Thank you. Next question is from the line of Amit Dixitfrom Edelweiss. Please go ahead.
- Amit Dixit:** My question is that just the recent Supreme Court ruling impede in anyway your ability to lift iron ore from SardaMines the fines that is lying over there around 12 million tonnes?
- Ravi Uppal:** I have my colleague, Manish Kharbanda, who is our Head of Mining,Manish could you please clarify did it impact us in any way the Supreme Court judgment?
- Manish Kharbanda:** Good afternoon. I do not think the Supreme Court judgment in any case impacts us because if you see the judgment it clearly says that whatever is the issue with our supplier mine Sardaand the Jindal issues will be heard in the near future. So, as of now we do not get impact in any way.
- Ravi Uppal:** Just to add, I would like to say every mining that JSPL has done for Tensa Mine has been done within the legal framework. We are not liable to pay any kind of penalty in any form and the other which he mentioned is our supplier SMPL, if there is any question you can ask them. But as of now we are getting our supply of fines in the market from multiple vendors.
- Manish Kharbanda:** I think just to add on,JSPLis the only company which had said that whatever report had been done by CAC is wrong and that is why the honorable Supreme Court wants to hear us. So, we on the legal side, on evidence side have a very strong footingso we see no see reason to really thinking about it now.

- Amit Dixit:** Okay. The second question is on the realization from Oman operation. Could you let us know what is the revenue or realization from Oman?
- Ravi Uppal:** I am sorry, I am not armed with all these numbers but I just can tell you that the EBITDA in the last quarter was \$32 million and Q1 generally is a lean quarter as far as operations are concerned and the prices now which we are realizing Oman are fairly decent at this moment and the prices are of rebar have gone up and so has the prices of billets and the rounds
- Moderator:** Thank you. Next question is from the line of Rahul Modi from Antique Stock Broking. Please go ahead.
- Rahul Modi:** Just a couple of quick questions on the Kerala PPA front on the power side of the business, have we seen any movement and what is going to be like in terms of commencement?
- Ravi Uppal:** As you know that we have 2 PPAs in Kerala one of them under execution for the last 1.5 years and the second which is for 150 megawatt that will kick-in from October 1st as per the mandate and that is well on track.
- Rahul Modi:** We have got the transmission LTOA for the same?
- Ravi Uppal:** Yes, the access is there.
- Rahul Modi:** Okay. And sir, just wanted to also check, so are we going to bid SHAKTI Scheme in the category that we fall under to get coal linkage and what is our strategy going ahead?
- Ravi Uppal:** Well, in the SHAKTI they are doing the auction in 2 stages – number one they are doing for those company which has PPAs but do not have coal and the second one they are doing for companies who do not have either PPAs or do not have coal. So, I suppose they are coming with one in September. We come under the Category-II which does not have PPA and coal. So, whenever it comes we will most definitely participate in that front and do our best to see that we secure.
- Rahul Modi:** Sir, one you mentioned that there are some discussions for the extension of the current PPA with Tamil Nadu which is getting expire, so that fall, if it is more than 1 year in case then it will fall under medium-term I guess. So, will you be eligible to participate in the Segment-I?
- Ravi Uppal:** Well, you know that this agreement under the medium category can be extended by 2 years that is the size Government of Tamil Nadu is trying to do.
- Rahul Modi:** No, you can get coal, my question was under SHAKTI for that 200 megawatts?
- Ravi Uppal:** Yes. We can get coal under that.

- Rahul Modi:** Okay. And sir, just lastly on the stressed assets front the Government is discussing to revive some of the stressed assets, so any discussion you are having currently on the same?
- Ravi Uppal:** No, we are not involved with them. We are very focused on what we have on hand. Our main priority is to make sure the capacity that we have installed is fully utilized first.
- Moderator:** Thank you. Next question is from the line of Rajesh Lachani from HSBC. Please go ahead.
- Rajesh Lachani:** Sir, my question is regarding Angul. So, we are saying you are going to produce 3 million tonnes from Angul. But we have an estimate capacity of only 2.5 million tonnes because the BOF is not going to come till the end of FY 2018. So, how would we produce that?
- Ravi Uppal:** Well, you know it is simple arithmetic that while the BOF does not come we will go to the level of 200,000 tonnes of hot metal and based on that we produce steel. So, that steel which is up to the early part of October. Once we step into October we are going to ramp-up the hot metal to a level of 8,000 tonnes a day. The BOF installation is expected to complete by October and we are hoping to realize the commercial production before end of the year. Then you have two things running in parallel, the BOF and the arc furnace. Both of them combined together are capable of producing 5 million tonnes. Therefore, there is no conflict of anything that we are setting out to do. All, I have said is we will endeavor to come close to 3 - it will be 2.6 - 2.7 or 3 effort is on.
- Rajesh Lachani:** If you see you commissioned Angul on 7th of August and we have 236 days left so for 3 million tonnes, you will have to produce around 12 KTPD but will only reach 10 KT by end of Q4. So, just want to understand the arithmetic over there.
- Ravi Uppal:** Well, I think we can take it offline.
- Rajesh Lachani:** Okay. What are we contesting in the hearing regarding Sarda mine, which is after 2 weeks?
- Ravi Uppal:** We are not the right people to answer any question about SMPL; I think you should reach out to their management. For us they happen to be just one of the many suppliers that we have. So, I think it will be more appropriate if you can kindly address this question about SMPL to them.
- Moderator:** Thank you. Next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.
- Pallav Agarwal:** I just had a question on media reports that Supreme Court may also impose cap on Odisha (Orissa) mining like there is a case similar to Karnataka and Goa. If that is the case do you see that iron ore prices could increase because of restrictive supply and so would that impact pellet cost going ahead?

Ravi Uppal: Well, the Supreme Court judgment has not spoken about the cap; it was the intergeneration liquidity that was argued in the Supreme Court. But the Supreme Court in the case of Odisha (Orissa) has not put any cap. What they have said, however, is that National Mining Policy which was actually reviewed long back may be reviewed by the Government and they may come up with appropriate changes to synchronize with the National Steel Policy which is a very positive step. So, we would not see any capital coming on Odisha (Orissa). And second, of course, there is direction for appointment of a committee under a Supreme Court judge which studies so that the mining lapses are not repeated in future. So, very clearly there is no cap which has been proposed to Odisha (Orissa).

Pallav Agarwal: Okay. And just to confirm, on the Tensa Mines there is no penalty that we are liable for?

Ravi Uppal: We are not saying that there is no liability; CAC did allege some amount which was minimal. JSPL was the only company to disagree to CAC observations. So, this issue will be heard again by the Honorable Supreme Court after two weeks' time.

Pallav Agarwal: Okay. Just lastly, so what is the CAPEX guidance we have for FY 2018?

Ravi Uppal: Well, as you know broadly the company has put stop on any new investment, new projects, therefore it is the only the residual expenditure which will be done this year and the total amount that we would be spending this year would be about Rs. 1,600 crores and there is some residual payments and retentions, etc. which will be done in the next year. So, that could be another Rs. 1,300 crores. But this year out of Rs. 1,600 crores; Rs. 1,200 crores will be spent in Angul to complete BOF and some of the associated facilities and balance Rs. 400 crores to Rs. 500 crores will be the maintenance CAPEX.

Pallav Agarwal: So you would be able to finance most of those through working capital requirements or you will have to probably go on some additional debt for this.

Ravi Uppal: Well, all the effort is being made to see that we get the required support from working capital. I think one of the major sources is generation of EBITDA. So, we are highly focused on the same which will help us get the extra resources for our working capital as well as meeting all our debt obligations.

Moderator: Thank you. Next question is from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.

Kamlesh Jain: I have just one question, that on overseas mining how much was the EBITDA and FOREX losses you had in this quarter?

Ravi Uppal: Let me give you an example. If you take a case of Mozambique, we are mining about 140,000 tonnes yearly, our total cost of production on FOB basis is close to about \$130 and even at the current volume of 140,000 tonnes ROM per month, our price realization is around 145-150.

But as the volume goes up from 140 to 250 we expect that the cost of production will come down by 10% to 15% and that will increase the room between the prices and the costs.

Kamlesh Jain: Okay. Sir, but out of ROM also let us say only 50% or 40odd percent of the quantity is sellable because material of the quantity is low grade, so if say your coking coal realizations are at around \$200 and your thermal coal prices are at around \$70-oddthen how our mix would be there on the realization front blended?

Ravi Uppal: When I am talking to you about the prices and costs that is by taking the entire cost from mining and washeryon to the coking coal. Otherwise, the costs would have been much less. The coking coal that we get is 22% to 24%; and the thermal coal that we get is 12% to 15%, we normally take the full load of mining activity and washeryon to the coking coal. That is where I said, the coking coal cost is about \$130 and price realization is about \$145 to \$150 and apart from this, we are selling the thermal coal which is getting sold at a rate of \$50 to \$54.

Kamlesh Jain: Okay. How much is the EBITDA potential given the current prices continues into the market?

Ravi Uppal: Well, I can give you the numbers off-line.I do not have ready reckoner with me right now

Moderator: Thank you. Next question is from the line of Amit Dixitfrom Edelweiss. Please go ahead.

Amit Dixit: So what would be our debt level?

Ravi Uppal: The total consolidated debt on the Company is about Rs. 45,500 crores.

Amit Dixit: So, it has not moved much from last quarter, right?

Ravi Uppal: Well, it has not moved up, it has moved down. The Angul plant is getting commissioned. It also has requirement for additional working capital. We recently injected as much as Rs. 800 crores to meet the additional requirement of working capital of such a huge plant but this is without taking any more debt on our balance sheet. So, you can say effectively that we have reduced our debt by about Rs. 800 crores, as the EBITDA engine comes into full action and EBITDA levels are set to jump,it will be used to reduce the debt.

Amit Dixit: And this working capital of Rs. 800 crores will also be unlocked as the year goes by as you start producing essentially?

Ravi Uppal: Yes, unlocked lot but you know that a big plant like that has a minimum requirement of material stock. So, we are extremely frugal when it comes to supplying any more working capital. But as I said that we are embarked on this project for total optimization so this is also part of the same study.

Moderator: Thank you. Next question is from the line of Ashish Jain from Morgan Stanley. Please go ahead.

Ashish Jain: Sir, my first question is on the steel business side. Our cost of production has actually gone down on a per tonne basis sequentially. Could you just explain, because I thought after the last quarter call you had highlighted that the coking coal costs and all should actually go up, so one is that and secondly is that sustainable or how should we look at cost progressing from here.

Ravi Uppal: I mentioned in my comments, that it is quite a challenge to manage your costs and keep them stable when the raw material prices are highly fluctuating. So, I can only give you a cost statement at a point of time but you may not have validity for very long. In the month of April, we had the prices crash and then again they shot up when the cyclone hit Australia and again, they came down to 140 and again they firmed up to 191 -192. So, the costs have been in a very erratic way influenced by the major changes in the input material. If you take a constant basis for input material there is a clear direction that the cost should come down. Like we said, even with the blast furnace coming into action and the volume steel we are going to produce the costs on a per tonne basis is set to reduce because of the sheer scale of it. But if you superimpose the changes which are happening in raw material, so it is very difficult to say the cost will just follow the curve.

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

Ritesh Shah: Sir, my first question is how do you plan to reduce debt, are we looking at any asset sale overseas or we had spoken about Oman listing as well as earlier, as well as any updates specifically for 1000-megawatt transfer to JSW?

Ravi Uppal: Well, we have divested certain assets but very selectively. For example, we had the Gopalpurport which we have divested. We have the wind asset which we have divested. We have some market securities which we have sold and then we have entered into an agreement with JSW which will come to its finality in July next year. So, I think we are constantly working on things which can be divested without having any material influence on the operating performance of the company and there are some more candidates for divestment that we are looking at all the times. But in a way, it does not affect adversely the operation of the company. So, it is a very fine balancing act which we are looking at and we always sort of looking at the how we can keep the company going forward not losing the competitiveness.

Ritesh Shah: Okay. Is there any update on Oman listing if at we are looking at it at this juncture?

Ravi Uppal: Oman is in state of transition towards a very positive change EBITDA's are going up, volumes are going up, more products are coming but they have not reached where it should actually. This is going to be a matter of another year or 2 before they can reach their full potential. You would agree with me that it makes more sense to look at any option of partial divestment or otherwise when it has come close to its full potential.

- Ritesh Shah:** On the DRI at Angul what are the time lines that we are looking at to get it back operational?
- Ravi Uppal:** Well, the time line is for next year.
- Ritesh Shah:** Okay. So our guidance whatever we have given is excluding DRI, right?
- Ravi Uppal:** You know there are a lot of interlocks here. Just to make you understand when you have the DRI and if you use the DRI for making steel in the arc furnace then you have an issue of using the hot metal which is coming from blast furnace. It is interlocked with the full commercial operation of BOF because once the BOF gets into commission all the hot metal that we produce in the blast furnace will go into BOF and then this can kick-in.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand over the floor to management for their closing comments. Over to you, sir for closing comments!
- Nishant Baranwal:** Thanks, Karuna. We would like to thank everybody for being on the call and I would ask Mr. Uppal to please say a few words.
- Ravi Uppal:** I would like to thank you all for your support to JSPL and continued confidence in us. We promised you nearly a year ago that we are going for full recovery. We continue to remain firm. We are placed on the same track and quarter-after-quarter, we are performing better and we are very close to the full turnaround of the company, which should happen within the current financial year and we are taking steps to make sure that we get the best value. A huge amount of effort is going into it but I want to assure you that the management of the company is fully seized with a challenge. I would be wrong if I pretend that there are no challenges. There are challenges of servicing our debt and meeting our enhanced requirement of working capital but we are taking the whole thing step-by-step. So, continue to have confidence in JSPL and I hope that we will be able to live up to your expectations. Thank you.
- Nishant Baranwal:** Thank you. Over to you Abhijit.
- Abhijit Mitra:** Yes, thanks, Mr. Uppal and JSPL senior management team for the call. We can close the call now.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.