Jindal Steel and Power LimitedQ1 FY20 Results Conference Call

Moderator

Good morning, ladies and gentlemen, welcome to Jindal Steel and Power Limited Q1 FY20 Results Conference call hosted by Prabhudas Lilladher Private Limited. As a reminder, all participant lines would be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you need any assistance during the conference call please signal an operator by pressing star and 0 on your touch-tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Kamlesh Bagwal from Prabhudas Lilladher Private Limited. Thank you, and over to you, sir.

Mr. Kamlesh Bagwal – Prabhudas Lilladher Limited

On behalf of Prabhudas Lilladher, I welcome you all to the Q1 FY20 post results concall of Jindal Steel and Power Limited. Without much ado, I hand over the call to Nishant Baranwal, Ad Investor Relations, over to you, Nishant.

Mr. Nishant Baranwal, Head Investor Relations

Thank you, Kamlesh. A very good day to all of you. We would like to welcome all of you to this conference call to discuss JSPL's first quarter FY20 financial results. To begin the call, we would like to introduce our managing director, Mr. V.R. Sharma. Mr. Sharma has more than 36 years of core industry experience in steel, power, industry and, mining both in India and abroad. Before joining JSPL he has worked in companies like Abul Khair as a Group CEO. For those of you who know Mr. Sharma, he has been long associated with JSPL and before his stint, with Abul Khair, he was our deputy managing director, before that he has worked for Bhushan Power, as Joint Managing Director for Bhushan Steel Limited, whole – time director at Ispat Industries. And apart from that even in overseas ventures like the Lloyd Steel Group, Arafat, and Socialist Steel in Bilbao, and likes of those. Also, on the call, we have with us Mr. Bharat Rohra, MD, JPL, and Mr. Deepak Sogani, CFO, JSPL. Without much ado, I would hand over the call to Mr. Sharma to start his opening comments. Thank you.

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

Hello, good morning.

We would like to inform you that the company has done very well in the first quarter. JSPL standalone has done a turnover of Rs.7085 crores with EBITDA of Rs.1608 crores. The EBITDA margin is 23%, which is rated today in the industry as the second highest. The company is doing very well in terms of productivity, overall production have increased in the first quarter. It is up by 17% on year-on-year basis. The Angul plant is at the ramp up stage and this is going to be a flagship plant of JSPL within this year. We will be touching around 3.5-4 million tons in the financial year 2020 from Angul. The blast furnace which is the largest blast furnace in the country is performing very well. And by the end of the calendar year we are going to restart our coal gasification unit and DRI plant which will give another impetus to the productivity as a whole. We have brought down our cost of production by Rs. 2100 per ton. And we have also maintained the EBITDA per ton more than Rs. 11,200 per ton. So the company is doing exceptionally well. But you know the best is yet to come. The three quarters from now that is quarter 2, quarter 3, quarter 4, you will see much better results because of the stability in the operations. And yesterday Honourable Prime Minister has declared a lot of investments in terms of infrastructure growth. We are a company which is not in general commodity space, we are a company which is producing Rails for Indian Railways, Specialty plates for defence - for L&T and BHEL which are very large organizations in the country. We produce structural steel for the bridges especially for the railway bridges and for the other infrastructure growth projects. So we are in niche markets, we are not affected adversely with the current scenario, even by the international scenario of the talked about steel glut, we are also not affected because of the Indian automobile industry not doing well, because we supply hardly any quantity to the Indian automobile industry. So our main customers are Indian Railways- our rail manufacturing facilities are booked for the whole year. We have a product line called medium and light structure mill, which is also booked for the whole year. We have two state of the art plate mills, we produce widest plates in the country, with specialty heat treated steel, and this is also fully booked for the whole year. So we don't have any problem in terms of maintaining the EBITDA level, and maintaining our overall sales volume. We aim to achieve more than 40,000 crores of turnover despite of price reduction and the overall prices coming down in FY 2020. The steel per se was in trouble in terms of raw material prices but we could still maintain good EBITDA level as you have seen. And in the next quarter that is Q2-Q3, we are expecting the coking coal prices will go down, and so will the iron ore prices. So this will enable us to maintain the EBITDA. This is what we are contemplating now, and we are sure we will do it. As far as the total overall debts are concerned, we had an opening debts of Rs. 39,500 crores, we have paid approx. Rs. 1,500 crores in the first quarter, and we are aiming to reduce the debt burden from 39,500 crores in the beginning of the year, to 34,000 crores by the end of the year FY2020. So this is all from the internal accrual, as the company is doing well. Anything, if any divestment takes place that will be over and above this, but we are not a distress seller for any of the investments. So we are looking for right partners, wherever in full or part, we can do the divestments. Our Mozambique mines are doing extremely well, we are in profit there; EBITDA is very much positive. We are now ramping up the production so that we can bring the coking coal to India, and also we will try to look out for the other markets in India like other steel companies those who are importing coking coal from Australia and from rest of the world. So we will be supplying a particular grade of coking coal to them as a good blend. Our South African entity is also doing well. The concern is Australia where we already applied for the government clearances and approvals. We feel that we will get it shortly. The moment we get it, then we will see, we will wait for the right time, right opportunity to do the divestment and if any divestment takes place it will further add to the liquidity in the company. So this is what we are aiming for.

I would also like to also cover some of the areas like iron ore availability in the country. Iron ore availability in the country has improved because the domestic export is reduced in last two weeks time because the iron ore prices have gone down from US$120 to US$85 a ton. So whatever the iron ore was being exported that has got hit, which is good for the Indian steel industry. And we feel the availability for iron ore will be better for Q2 and Q3, also Q4. As far as the international scenario is concerned there is always a problem between US and China as far as the trade barriers are concerned, for last two, two and half years, the world is witnessing such kind of tussle in between two major economies of the world. And India being a part of the global economy, we have not escaped this kind of situation, but I think these two large economies they cannot keep on struggling and debating on these issues. There will be some solutions by the end of the year, maybe in the third quarter. So I think things are better and very promising and we will be in a position to achieve our overall targets. We have planned to produce around 6.5 million tons of steel this year from India. And we will maintain it. The operations are very much stable. The supply chain is very much stable. We are not finding any dearth of any supply chain item in the pipelines. The Oman entity - they have not done as per expectations in the first quarter because in the first quarter it was very hot summer in Oman and Middle East so the construction work stops, because there we are mainly in the construction business and we are making TMT rebars. And since it is a very hot summer, as soon as it goes above 50 degree Celsius, the government bans the outside projects, and this is what has happened there. And we are expecting that the weather will be better in the second quarter, end of the second quarter, third and fourth quarter will be winter season; we should be in a position to recover the sales. So we are expecting that in the coming quarter because of pellet prices going down, coal prices going down, energy prices going down, overall crude prices going down or stable, we will be in a position to maintain a very good EBITDA level in Oman also. As far as the Indian scenario is concerned like iron ore mining, the next year by 2020, early 2020 most of the mines will be put to auction once again. We are finding opportunities in these kind of mines; we will definitely try to put our bids to acquire some of the mines for our captive use, because we need iron ore to run out steel plants. And we will try our luck hopefully we will get it. And we will try our best. As far as the domestic coal is concerned, there was a problem because of heavy flooding situation in most of the mining areas, but still our power division has done very well. And we are aiming for some more PPAs from governments like Kerala and we are also trying in railways whether we can supply our power or not, this is what our aim is. If we get into these kinds of deals and good better PPAs, then we can definitely increase the EBITDA levels in times to come from JSPL side also.

We have our managing director from JPL with me, Mr. Bharat Rohra, who will throw more light in this session on power sector. So I am through from my side. Our aim is above 40,000 crores of turnover with a debt of less than 35,000 crores which shows a very healthy situation. We will end the year 2020 with this kind of note, so internal accruals are good, we are not going to invest too much in capex except for the balancing facilities. Capex will be done only in those areas where we feel that we can get instant returns. And otherwise, no. So we will think first - our Chairman, Mr. Jindal has already shared his business philosophy, 'earn and invest'. Anything we have to invest, we have to earn first. So this is a very good insight given by him. So we are at the philosophy of earn and invest, we will earn and invest. And this is what our aim is.

So thank you from our side, thank you so much. So I will transfer the line to MD, JPL, my colleague, Mr. Bharat Rohra, over to Mr. Bharat Rohra please.

Mr. Bharat Rohra – Managing Director, Jindal Power Limited

Good morning to all the participants. The first quarter of FY20 for JPL under review has been a much better performance on a QoQ basis as well as on a YoY basis. The comparison on a QoQ basis has seen an increase in the turnover from 999 crores to 1114 crores, that is up by 12%. The generation has gone up from 2609 million units to 2982 million units up by 14%. And similarly the PLF has gone up by 15%. The EBITDA has seen an increase of 35% from 267 crores to 360 crores, primarily due to higher generation, higher NSR and lower coal cost. Similarly comparison on year on year basis the turnover has increased by 15% from 968 crores to 1114 crores. Generation has increased by 8% from 2751 million units to 2982 million units, and PLF is also up by corresponding 8%. The EBITDA on a year on year basis has gone up by 15% from 314 crores to 360 crores. I will come for my comments on the sector as such. The stress in the power sector continues. However the central government has realized the importance of giving a boost to the power sector. In view of this the government had earlier come out with a series of measures to give relief to the power sector. In continuation of these tips, the government has come out with directives to all state governments and Discoms to buy power only with the proper payment security mechanism in place. The orders issues in June 2019, makes it mandatory for all Discoms to open LCs for purchase of power as per the terms of the existing PPAs. The Discoms have started compliance of these directives, and JPL only had to regulate power for three days to one of the Discoms and they have also complied with the LC requirements. As a result with effect from 1st August 2019, JPL is supplying power to all the Discoms with proper payment mechanisms in place as per PPAs. The central government is also considering sanction of a grant to the defaulting states as a onetime settlement so all the previous dues of the generating company payable by the Discoms get liquidated. And we have only outstanding dues from TANGEDCO, all the other Discoms are prompt paymasters. The future outlook for JPL is bright and the pilot scheme-II being coordinated by NHPC is likely to be finalised towards the end of this month. JPL is likely to be allocated in the first instance 315 megawatts under the scheme and the PPA is at a tariff of Rs.4.41 for a period of three years. A few other short term PPAs are also under the bidding stage and we should continue offer competitive tariffs for shorter PPAs as and when Discoms come out for such requirements. Now regarding the coal availability, it has been off and on, up and down, but we have managed to get coal to honour all our PPA obligations. And for the future also the government has recently announced auction of coal mines for the industry except power. As JSPL plans to participate in these auctions and secure a mine for the steel plant operations. JSPL will also be able to make available 25% of the coal mine to JPL on a regular basis, this will further ensure operating JPL units at a much better PLF. Lastly I come to the reduction in debt plan by JPL. The current debt in JPL stands at about 7000 crores, and JPL plans to repay the debt sooner than the existing repayment plans. This will be done as and when lump sum payments are received from TANGEDCO for the current outstanding dues and also out of the interest being paid by JSPL on the loans given to JSPL. It is also pertinent to mention that on the directions of the affiliate tribunal, TANGEDCO is regularly paying the instalments towards change in laws dues payable to JPL. With these comments I would come to a close and I would hand over to CFO-JSPL, Mr. Deepak Sogani Ji.

Mr. Deepak Sogani-CFO, Jindal Steel and Power Limited

Good morning everybody . I am very pleased to announce a set of very good financial results for the quarter ended. And let me begin by commenting on the financial results and some colour on the financial results after that. So from a revenue point of view on the consolidated revenue side we reported revenue of 9946 crore in the reported quarter, which was 3% up on a YoY basis and down by 2% on a QoQ basis. On standalone basis we declared revenue of 7085 crores which was 5% up on YoY basis. Further taking the commentary to EBITDA, we have reported consolidated EBITDA of Rs. 2173 crores in the current quarter, which is up 18% QoQ, last quarter it was 1845 crores. On standalone basis we have reported EBITDA of 1608 crores which is up 12% sequentially, last quarter was Rs. 1440 crores. We have declared positive PBT, we have declared 11 crores as consolidated PBT, and on the standalone basis we have declared 344 crores positive PBT. Now to give you some commentary on our financial performance I would like to pull out few facts that are building the reported financials. Firstly, as I have been saying all along that our main thesis is that we are going through a fair amount of volume growth, given our new Angul plant and also the capacity expansion in Oman. I am very happy to report that, as we have been saying that our volume will grow, it has been growing pretty much in line with that. So as you are aware in FY18, we had produced in India about 4.02 million tons of steel and in Oman we had produced 1.67 million tons of steel. So in total 5.7 million tons in FY18 comparing with FY19 the same data was 6.96 million tons, so we had 22% growth. In FY20 we are forecasting our estimate is around 6.5 million tons of steel in India and 2 million tons in Oman, a total of 8.5 million tons and therefore we are again looking at a 22% volume growth in FY20 over FY19. And in FY21 and FY22 again because Angul will continue to ramp in India we should be able to do 7.5 million tons next year and 8.5 million tons thereafter. Reflecting in the next two years also resulting in double digit volume growth numbers. So the core thesis remains intact from a volumetric point of view, our business is showing a very robust growth. So this is the first point that I thought I shouldhighlight for you. Now onto the second point. We have been saying that we will make our business efficient, in particular we have been witnessing that Angul has been producing steel which was more expensive as compared to Raigarh in FY19 and over a period of time as we the production volume of Angul grows, the business will become more efficient overall. So let me add some colour to that. In the reported quarter, the NSR went down by Rs. 700 per ton, but the cost of producing steel went down by Rs. 2100 per ton. Partly due to Angul ramping up and the efficiency increase led to Rs. 1100 per ton reduction in the cost of making steel, as well as the raw material cost came down by Rs. 1000 per ton. So the net EBITDA went up by Rs. 1400 per ton. As we have been saying that our cost of making steel will become more efficient and the numbers are telling the same story. To add a little bit more color on the efficiency, I just looked at the Angul cost of producing steel, in the reported quarter, and I am very happy to report that Angul is now producing steel at a cost comparable with the cost of Raigarh. Just to take you back in the journey, for the last quarter Angul produced steel which was more expensive than Raigarh by Rs. 1000. And in the corresponding quarter of last year which is four quarters back, Angul produced steel which was Rs. 2006 more expensive than Raigrah. So progressively Angul has started making steel which is much cheaper. Obviously as we grow the Angul business further more benefits are likely to come. So that again is in line with our regular commentary regarding the efficiency. In addition to that as our volume grows up in Angul , the production cost of steel is going to be somewhere around Rs. 2000 to 2500 below Raigarh. So there are a lot more benefits that we are likely to see as the quarters pass by. Now let me also take the time to comment on the current quarter. For the steel sector, o different players have a different situation but for us as we are seeing right now, at this point in time, for the first month the NSR went down by Rs. 1000, and for the second month the NSR has gone by another Rs. 1000. So as we stand today in the second quarter our NSR has gone down by Rs. 2000 but at the same time the cost of making steel has come down by Rs. 1200 so there is a net impact of Rs. 800 as we speak today. However as Mr. Sharma, our MD, had commented, we have seen significant decline in the coking coal prices. So the coking coal prices on a blended basis for us has come down by around 30$ and that will impact our cost of steel by Rs. 840 and the iron ore prices have already gone down by Rs. 200 per ton, should go down even more but even with the Rs. 200 reduction that will reflect in cost of steel reduction by Rs. 320. So already we are seeing about Rs. 1200 per ton additional reduction in cost of producing the steel from raw material point of view. At the same time I have not yet spoken about the efficiency, Angul obviously makes steel even cheaper. So that's one commentary that we have being saying time and again that Angul will make steel cheaper and we are also working on several efficiency initiatives to improve our cost of making steel, both at the iron level, steel level and level, at all levels. The second commentary that I would like to make is on the rail side. On a quarter on quarter our rails sales have gone up by 21%, on a YoY basis our rails sales have gone up by 126%, and our order book for the full year is completely choked for the railway. So I think that's one important differentiator for us versus the others. I am also pleased to inform you that while the NSR for some of our other products may have moderately gone down, but in the reported quarter the NSR for the rail business went up by Rs. 1300 as compared to the previous quarter. even before I go further on in the NSR journey, let me say that today we have almost 1.73 lakh ton of pending orders to be delivered to the rails. Under negotiation another 1.4 lakh ton of orders are there. So overall 3.16 lakh ton of orders are yet to be delivered and as we deliver these, many more orders are likely to come. So I think that's one very robust side of our business. Again a quick commentary on how we see our NSR movement versus the market movement. For us railway structures are about $1/6^{th}$ of our volume, plates are about $1/3^{rd}$ of our volume, and pure longs which is T&T and wire rod etc., are about half of our volumes. So while the pure long NSR may move in tandem with the market, but the rails actually are improving and for the plates the NSR movement doesn't go down as much as the market. So on a blended portfolio basis we see significantly less volatility versus the market prices. I would also like to reiterate that obviously we are long heavy business, we have about 70% in longs and we also have a very unique product from high value added plates and we do not cater to the auto segment which is obviously in a bit of slow mode at this point of time. So clearly from a differentiation point of view, we have no sales in the auto segment. So I would like to highlight that. Then I would like to also you know kind of take my time out to compliment and comment on the JPL business. The power business has done extremely well in the current quarter. We have seen the production go up QoQ by 14%, we have seen on YoY basis the production of the power business go up by 8%. The EBITDA has gone up sequentially by 35% and on a YoY basis the power business EBITDA has gone up by 15%. The NSRs have improved and on the whole there is a fair amount of visibility of additional you know PPAs, medium term and short term PPAs on the table. As Mr. Bharat Rohra, MD of the power business had commented we are on the anvil auction of you know getting one aggregation order of 315 Mega Watt. So ballpark, JPL business will do much better than last year and that it is one interesting and important point that I wanted to comment on. Then let me do my commentary on the international side. On international side we are very happy to report that our Mozambique business has started doing extremely well. It has shown a production increase of 126% on a YoY basis and 19% on a QoQ basis. So that's one important development and it is important to note that Shadeed was making profit but other than Shadeed, which include Africa and Australia where we make some losses but when we bundle Australia and Africa together in the reported quarter, we have reported 26 crore positive which means that on a normal basis our international geographies are now positive, obviously we have to take care of the debt repayment at this point in time but from the operational point of view the management focused to improve the operational performance of our international business, it is delivering excellent results. We see Australia improve as we mentioned earlier on. We are waiting for one approval to come in Australia which should happen in the next few months and thereafter the future for Australia will improve considerably and Mozambique and South Africa are also improving in terms of their operational performance. It has been reported that we are in a transaction. We have signed share purchase agreement for sale of our Botswana business for 150 million dollars. That FDA has obviously been inked. There is diligence and other conditions subsequent related activities going on. The transaction has not yet been consummated. The transaction will get consummated only upon the conclusion of the condition precedence and all other procedural matters. So while we have inked the share purchase agreement and we are waiting for the transaction to get consummated, still there are steps to be done before the conclusion of the transaction can actually happen. So that's another commentary that I would like to make. So with that I think the larger part of my commentary on the business is over. Let me just take time out to discuss on our debt levels. We had a gross debt on global basis of 39,084 crores at the end of 31st March 2019. In the current quarter we have deleveraged significantly by 1441 crore in line with the total goal of deleveraging this year minimum by 4000 crore from operational initiatives or from operational cash flow. Honestly if Botswana happens and if other divestments happen, we will be able to take that even further. So the balance debt that we are carrying at the end of this quarter, reported quarter is 37621 crore which is significantly lower than the peak debt of around 44,000 that we used to carry. I am also pleased to inform you that the net debt to EBITDA levels on a standalone basis have come down from 3.14 at the end of last quarter, at the end of last year and last quarter that is, to 2.64 levels currently and we are looking for this number to come down to 2 by the end of this fiscal year. The comparable data for the consolidated business, at the end of last year the figure of net debt to EBIDTA was 5.3 which has already come down to 4.38 at the end of this quarter, so we are deleveraging at a fairly fast clip. So that's the commentary on the debt for you. Let me also take the time out to talk about the loan against shares matter as lot of investors have asked us the question on this matter so I thought it will be prudent to table our position in a uniform manner to all the listeners on the call. As you are aware, we have total shares of 101.79 crores outstanding of which promoters' shares are 61.60 crore which include the larger family including Naveen Jindal's family as well as the other brothers' family. The total reported pledge on the stock exchange is 39.95 crores and as you are aware and we have been making the statement that of the 39.95 crores, 9.13 crores shares are basically in the form of non-disposal undertaking commitments given to banks in our documentations with them, these shares are not pledged, these shares are free shares and these shares are freely available with us. However, as the SEBI guidelines have changed and it is becoming now mandatory to even report the different commitments that we may have against the shares and therefore this 9.13 has been reported by us to the stock exchanges to be on the prudent side of law, right. And if we exclude the 9.13 crore shares, again let me repeat these are free shares in our custody, right, If you net them off the total number of pledged shares comes down to 30.82 crores shares which is 50% of the total promoter holding. Total debt is significantly lower compared to the shares that the promoters have. Now let me take one more commentary on the loan against shares, we had a peak loan against shares number of 1151 crore in September of 2018 and progressively we have been repaying the loan against shares number, as of today the loan against shares number have come down to 906 crore rupees and in the last month we have actually paid off almost 100 crore rupee of loan against shares. So the loan against share number is almost 300 crore below the peak number and it's at a significantly low number compared to the total promoters' shareholding if you would, right. The next commentary that I would like to talk about is, as you are aware the shareholding with Naveen Jindalji is 40 crores shares and he has pledged 14 crores shares out of that for borrowing the loan against the share number that I spoke about, which is 35 % of his holding. Another 4.31 crore has been pledged by him which is for which has been given to banks towards the security and other purposes which has been actually pledged to the banks. This is in addition to the 9.13 non disposable undertaking that I spoke about earlier. So only 35% of Naveen Ji's shares have been pledged as far as loan against share matter is concerned. We have taken proactively certain steps to further manage the loan against shares issues given the volatility in the stock market at this point of time. We are on our way to consolidate and to reduce the loan against shares by another 400 to 500 crore of which we should be able to see about 200 crore to happen over the next 1 week to 2 weeks. So we are well on post to reduce or consolidate some of it in a near term and balance over the next one or two months. So that work is in progress. And just again the share price has been volatile, capital markets have been volatile, so consciously what we have done is that we have taken the call to do additional pledging, to make sure that all the lenders of have significantly excess shares compared to the amount that they have given to us. In line, obviously this is basically a risk management step that we are taking given the volatility in the capital markets. Our results are good enough, performance is excellent but never the less we do not control the stock markets movement and in order to manage the volatility in the share prices we have decided that we will pledge additional 3 to 5 crores shares and make sure that every lender has shares covering them at the price level which is significantly below the current price level so that's an initiative that we will undertake and we will execute on it. But the purpose of that as I said it is primarily from a risk management perspective and no more. And I would also like to say, be it that by end of next 2-3 months actually, we would like to bring this last number to either from a consolidation or elimination point of view the 906 number should be that 500 odd below. So I think we are moving in that direction and we will be happy to because we understand that this is an important matrix that the market is looking at and therefore we are very focus minded on addressing this issue. And also as you may know, it was a very difficult journey to get the Angul plant commissioned and all the loan against shares that Naveen Ji has taken 1000 odd crore, it was at its peak at about 1200 hundred crore, entire money in different forms has been invested in the company to support the business. So with that money only we will be able to ensure that the Angul plant comes up and we are at a point where we are talking about the significant improvement in our business in cash flows, all that was enabled by the contribution made by the money that came in through the pledge of these shares. So that's my commentary on the loan against shares and I will be happy to take additional questions if you would. The only limited point I would like to highlight in addition to that is that , our MD mentioned about 100 lakhs crores commitments by the PM towards the infrastructure investment. In addition, he mentioned about the Jal Jeevan Mission where another 3.5 lakh crores will be spent. So all these initiatives sounds extremely positive for us and in the next few months, few quarters we hope to, start enjoying significant benefit from these initiatives in our business. With that I would like to complete my commentary and over to you for your questions.

Mr. Nishant Baranwal, Head Investor Relations

Before we start the questions. I would like to request please do not to get into data questions. We at IR are always there to help you understand the data questions. Let's aim for more strategic questions. With that I am transferring the call to operator. Operator, we can take the questions now.

Moderator

Thank you. Ladies and gentlemen, we will now begin question and answer session. Anyone wishing to ask a question may please press star and 1 on your touch phone. If you wish to remove yourself from question queue, you may press * and 2. Participants are requested to use handset for asking the questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants are ordered to ensure that the management would be able to address questions from all participants from this conference. Kindly limit your questions to 2 per participants. The first question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Mr. Amit Dixit - Edelweiss

Thanks for the opportunity and congratulations for the great set of numbers. I have 2 questions. The first one relates to the power business. In power business we have seen that the cost of generation has gone down significant 2.75 rupees per unit. Now is it because of the better coal availability from Coal India and e-auction prices going down. When we attended the Coal India analyst meet, they cleared mentioned that the availability of coal will improve further. So, can we expect further improvement on cost front at least as far as power business is concerned.

Mr. Bharat Rohra – Managing Director, Jindal Power Limited

Yes, we can expect further improvement as and when the coal becomes abundantly available because the government has now realised that it is the coal which was hindering the progress of the power sector. So, we are at a pretty significant low cost of generation but still another 10-15 paisa reduction will be possible if the coal prices are under control.

Mr. Amit Dixit - Edelweiss

Okay. The 2nd question relates to pledging. Sir, you mentioned that you know, if I deduct Naveen Ji's shares from the total number of shares pledged, so, it means that the other family members have pledged their entire stake in JSPL. Just wanted to get little bit more colour on that where it has been pledged, for what purpose and whether there is a chance for that particular shares to come in the market.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

So from the data point of view, I have done some maths. The other than Naveenn Ji's shares out of the 20 odd crore shares that are there, 12 crores shares have been pledged.

Mr. Amit Dixit - Edelweiss

Sir, because you said, out of 40 crore shares, 14 crores shares has been pledged by Naveenn Ji and out of total promoter holding of 61 crore shares 39.95 crores has been pledged. If I just deduct these 2 numbers, it comes to 21 crores from other family members and in fact the number goes much higher on 25 crores shares that have been pledged. So, just wanted to understand.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Let me walk you through the numbers very carefully once more and for the benefit of everybody. And then we can talk about reconciliation if required on an offline basis. Total promoter shareholding including Naveen Ji's shareholding is 61.6 crore shares, correct.

Mr. Amit Dixit - Edelweiss

Yeah.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

The pledged shares reported in the stock exchange is 39.95 crores shares, okay.

Mr. Amit Dixit - Edelweiss

Correct.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Of which as I mentioned 9.13 crores shares are wrongly portrayed reported as pledged, they are not pledged, they are only in the security documentation of the banks, they have been disclosed as non-disposable undertaking, those are free shares but under the revised SEBI guidelines it was required to report them to the stock exchange. So, it got reported. So, the next pledge is 30.82 crore shares, correct.

Mr. Amit Dixit - Edelweiss

Yes.

Mr. Deepak Sogani - CFO, Jindal Steel and Power Limited

Out of the 30.82 crores which is 50% of the total promoter share, 14 crores shares has been pledged by Naveen Ji for LAS. Another 4.31 crores shares has been pledged by Naveen Ji to the banks as collateral security on behalf of JSPL & not for LAS. So, that takes the figures to 18 crores therefore out of 30 crores, 12 crores is remaining which is the pledge made by the other than Naveen Ji's, by the other 3 brothers , they have pledged 12 crores out of their 20 crores holding.

Mr. Amit Dixit - Edelweiss

Correct, correct.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Okay.

Moderator

Thank you. Ladies and gentlemen, in order to ensure that the management is able address questions from all participants in this conference. We request you to limit your questions to 1 per participant only. The next question is from the line of Ritesh Shah from Invest ec. Please go ahead.

Mr. Ritesh Shah – Investec

Thanks for the opportunity. First, Sharma Ji, welcome again back to the group. Sir, my question is specifically on powers. Are there any timelines for NHPC, that's one and we didn't comment on West Bengal and Gujarat PPAs and what is the status and are there any timelines that we are looking at over here that's the first question.

Mr. Bharat Rohra – Managing Director, Jindal Power Limited

The NHPC tender mandated that the power will start flowing from October. However, NHPC could not muster up 2500 megawatts of buyers. They have sellers for 2500 megawatts but they do not have buyers for 2500. Presently they have buyers for about 1000 odd megawatts. So, that is why initially, as JPL was L1 for 315 megawatts, we are expecting that they will give us the initial order of 315 megawatts. Now, this is as regards to NHPC. Further, The West Bengal and The Gujarat tenders has been put under abeyance and Gujarat is waiting for some regulatory clearances because they had offered coal from Gare Palma to be converted into power and supplied to Gujarat. But they have still not got government clearances for that. So, that is why the tender is under hold.

Mr. Ritesh Shah – Investec

That helps. And sir, just a related question we have 200 megawatts Tamil Nadu PPA which goes off next month. So, how do we plan to recoup that is that just we are relying on NHPC 315 or is there something else.

Mr. Bharat Rohra – Managing Director, Jindal Power Limited

No, we had bid a total of 515 megawatts for NHPC. The 200-megawatt TANGEDCO PPA was a medium-term contract at Rs. 3.46 paisa which was barely sufficient to meet the generation cost. So, there was no point continuing that PPA, so we had given a 6 months' notice to TANGEDCO and we were not interested in extending it. That is the reason why they have participated in the NHPC tender ,as they are seeking another 200 megawatts from there. Hence, we may get additional 200 megawatts at a better tariff through NHPC at 4.41 then what we get from this. . So, that is how it is going to work out.

Mr. Ritesh Shah – Investec

That's very helpful. Sir, you did indicate that, my second question....

Moderator

Sorry, to interrupt Mr. Shah. Sir, May we request you to limit your question to one.

Mr. Ritesh Shah – Invest Tech

Okay.

Moderator

Thank you. The next question is from the line of Atul Tiwari from City Group. Please go ahead.

Mr. Atul Tiwari – Citi Group

Sir, yeah, this is on your interest cost. So, over past 5 odd quarters your consolidated net debt has come down by about 5000 crore rupees. congratulations on that. But your quarterly interest has actually increased and it is hovering around 11 billion rupees a quarter. Ideally, we should have seen some decline because of the decline in debt. So, that is my first question. My second is, will the DRI plant at Angul restart on time in September or is it pushed a little bit.

Mr. Deepak Sogani - CFO, Jindal Steel and Power Limited

So, yeah, let me just start off, by, by commenting on the interest cost. So, the total finance cost that we have reported in quarter one FY'20 is 1109 crore and in quarter one FY'19 we had reported total interest of 973 crore, which means there is an increase of 136 crore in the reported quarter over the corresponding quarter in the last year. obviously, our interest cost is decomposed into the interest that we pay for our loans, both working capital and long-term loans and debentures etc. But in addition to that we incur additional cost in the form of operating charges. So, we do have almost 85% of our business LC backed and as and when we deliver the goods, we discount them to create the financing in the business. And as the business is growing the LC discounting charges the supplier credit part of our business and that is aligned with the volume of the business, and therefore that part of the expenditure gets debited to our interest expense line which is going up. The third component rather is dealing with bank charges and financial expense. Again, bank charges deal with the amount of LCs, the amount of BGs, and the amount of total volume. this particular component is also going up, right. So, for example in the standalone business, our working capital and debt interest has gone down from 545 crores to 478 crores. I am talking about the Indian business . We have seen a significant reduction happening on the pure term loans and interest. But we have also seen an increase in the interest cost happening on account of the LC discounting charges by almost 20 crores, and bank charges, by almost another 20 crores. We have also seen some reduction in our interest income because maybe we had more surplus cash in the last year than this year. The interest income has gone down by almost 40 crores in standalone business. So, between the different components there has been a differential of about 100 crores. while we cannot submit a detailed reconciliation to you, but my request to the audience of this call is to start looking at our interest as a composition of multiple things. one portion primarily deals with the borrowings that we do and the interest with that but balances all other portions dealing with part of our operations that expenditure actually goes up. And we are happy to answer this in more detail. Nishant can take on these questions offline if required. And with that let me also request our MD to give a commentary on the DRI question that you had asked.

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

So, we are ready to produce DRI from our plant from the month of October. So, what we are doing now, we have two options available i.e. either to go for DRI or to increase the production by scrap in our converter. So, we have the 250 ton of converter which is a specially designed for the first time in the country, which can accommodate 25% to 30% of scrap over and the hot metal available in the vessel. It is a very special technique that most of the A Class companies in the world, especially the Japanese companies, are adding 25% to 30% of scrap in their converters. So, our conversion is also according to the international standards. We have the options to go for either increasing DRI production through DRI route, or increasing production through scrap route, that we will decide by loking at thethe cost economic benefits that where we are getting more benefit. If we feel that the scrap prices are down, then we will add at least 25% to 30% scrap in our in our converter and increase the production by 30% at practically zero cost. And this will reduce our overall cost of manufacturing steel. So today we are at a level of more than Rs. 5000 per ton and converting through the converter. And we are aiming to bring to bring it down to around Rs. 4000 a ton. In the first quarter you have seen we have reduced cost of production by about Rs. 2100 a ton, and In the second and third quarters we are going to get a better number than this Rs. 2100 so that we can be competitive always. And our aim is to make our company at the lowest cost producer of steel in the country.

Mr. Atul Tiwari – Citi Group

So, sir, just to clarify the coal and the DRI both are ready to produce, you know, by October, there is nothing pending in terms of the work or the technology etc.

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

Nothing pending, we are ready, technically, commercially everything is in place. And it is only a decision which is to be taken out of two good choices, which is the best of the two. So either to add scrap or to start our DRI we will go for either of the two. The other two factors is that we have a state-of-the-art coking plant, first time we get coal gasification in the country, the first time we are going to produce a mix of gas from coke coal as well as from CGP and to use into DRI plants. This will give us another added advantage as we will not dependent on natural gas as many plants in the world are. This is what the significant advantage of technology what JSPL has.

Mr. Atul Tiwari – City Group

And, sir, any comment on the timeline for Botswana Deal.

Mr. Nishant Baranwal, Head Investor Relations

Atul, this is Nishant here, we are always there, we are always there to answer all the questions any time. There is a long queue, sorry for this but there is a very long queue.

Mr. Atul Tiwari – City Group

Sure, no worries, thank you.

Moderator

Thank you. The next question is from the line of Kondania N. from JM Financial. Please go ahead.

Mr. Kondania N. – JM Financials

Hi, sir, thanks for taking my question. Sir, my question is on the power side. you spoke about the outstanding there was from Tangedco which will be used to repay. so just want to understand what's the total outstanding amount and when do we expect to receive these payments?

Mr. Bharat Rohra – Managing Director, Jindal Power Limited

The outstanding amount from Tangedco on energy bills is about 700 crores, and the payments with effect from August have already converted into the LC mode. For the 700 crores, we are in discussions with them and we will soon try to liquidate this outstanding. They are also waiting for some grants from the state government which are dependent on the centre funding them. As I mentioned in my opening remarks that they are waiting for that scheme to be done by the central government.

Mr. Kondania N. – JM Financials

Sir, so what's the possible timeline that we will look at it from JPL perspective?

Mr. Bharat Rohra – Managing Director, Jindal Power Limited

Well, in the next five or six months, I hope this entire outstanding should be liquidated.

Mr. Kondania N. – JM Financials

Thank you, sir.

Moderator

Thank you. The next question is from the line of Ashish Kejriwal from IDFC Securities, please go ahead.

Mr. Ashish Kejriwal – IDFC Securities

Thanks for the opportunity. First of all, I would like to congratulate you, sir, for the wonderful results and a strong commentary. My question is on your debt repayment schedule because as you rightly pointed out that we are reducing our debt and we plan to reduce it further. Is it possible to share debt repayment schedule on a quarterly basis for consolidated entity? And as well as if it is possible to share how and when can we see reduction in interest cost, because our interest cost is comprising of many things? So, when we are talking about that not only long- and short-term debt including suppliers' credit.

Mr. Deepak Sogani - CFO, Jindal Steel and Power Limited

Okay, Ashish, let me take the commentary on that. , first of all let me start off with the commentary on India, we had 649 crores of long term liabilities to be paid in quarter 1. In the second quarter we had 832 crores of loan repayment and then in Q3 and Q4 we had significantly lower repayment schedules, which is 265 crores and 360 crores as you would see in India. Out of 832 crores we have already paid 400 crores in the current quarter. There was a debenture of 330 crores that was payable, and we actually ended up paying that almost three days ahead of the schedule date, to ensure payment well in time. I think we are well on course to make sure that we have adequate liquidity and support for paying all the Indian liabilities. On the Consolidated side, the liabilities are about 1000 crore in the first quarter and 982 crores is already paid. I would also like to add that in the first quarter we repaid an additional 394 crores because we had surplus liquidity - some funds had also come through the conversion of the warrants from the promoter family - we had got additional 500 crores, so we used that to deleveraged to the maximum extent possible in the first quarter, so we paid additional 394 crores, because we were kind of very comfortable with the overall cash flow schedule. In the second quarter the repayment on a consolidated basis is 1293 crores, in the third quarter is 861 crores, and in the 4^{th} quarter it is 1767 crores, primarily because we have to make repayment in Mauritius of about 1000 crores at the end of March. And as you are aware, we are still looking at multiple options to repay the Mauritius debt, one of them is the possible conclusion of the Botswana transaction. We had also launched a transaction in Oman; currently the Oman business is a bit slow, so we have taken a bit of a hold on the transaction. In a couple of months' time, if the window opens, we may reopen it. So, there are multiple international options that we are contemplating to create liquidity for the payment for the March Mauritius repayment. So, suffice to say that ballpark of 1000 odd crore each quarter is the repayment schedule.

Mr. Ashish Kejriwal – IDFC Securities

Yeah. And second one, interest cost?

Moderator

Sorry to interrupt, Mr. Kejriwal. Hello?

Mr. Ashish Kejriwal – IDFC Securities

It is part of the same question.

Mr. Deepak Sogani - CFO, Jindal Steel and Power Limited

No, no problem, Ashish. Allow me to complete the answer for this. See on the interest cost there are two movers. Clearly as I mentioned to you have to break the interest, put the interest cost into three buckets, one is interest that pertains to the liabilities that we have taken. Second that pertains to the operations, actual discounting and bank charges as our business goes up. And the third part that deals with interest income, where whatever surplus are there it is measured off against the interest expenditure line. So, there are three different components. The third one depends on surplus cash which is actually coming down, so interest income has been a bit low while operating interest expenses are going up. Actual interest cost as I was telling you has actually decreased on a YoY. The actual interest cost has also decreased. I think that is how I would look at the interest cost component. As I told you interest cost in India has actually come down on a YoY basis to 478 crores from 545 crores a year back. So, there is a severe reduction of 67 crores.. In India there is now an interest cost reduction regime but last year, the interest cost was hardening up a bit. Globally, the Libor is softening so the global interest rates are coming down. The Indian interests are also now likely to soften so we should see the benefits that take the business forward.

Mr. Ashish Kejriwal – IDFC Securities

Sure, sir, thanks for the answer and all the best.

Moderator

Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Mr. Bhavin Chheda – Enam Holdings

Good set of numbers and we appreciate the detailed presentation post the results. If you can update us on what's happening at Mozambique because that was a surprise I saw this quarter in terms of both volumes and EBITDA, and in the opening remarks you again sounded positive on the overall Mozambique mine numbers. So, if you can give update on the South African mine volume and EBITDA run rate and also of any Australia mine. can you just summarize your overseas coal mining like what has happened and what is the plan, how should we see it over FY20 and FY21?

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

So the Mozambique mines is a game changer. And we have very large mines especially for coking coal, which is a very good blend as a sweetener for the coking coal available worldwide. And this is what was in the mind when we took over this mine. Initially yes, it took couple of years to bring the mines to a right level. So now the mines are doing very well. We are ramping up the production. We are bringing the coking coal from this mine to India for our own use. We have washing over there, so whatever washing rejects are there, we are selling to the Middle East cement plants. And we also produce some steam coal there which is very less. But our main aim is to make this mine available to the Indian industry where whatever we use for our captive use, we meet out from this particular mine and then balance quantity will be sold to the other steel industries in the country. And this is what we are aiming for. Though the market for this particular coking coal is available worldwide, so we can take the material to Europe, we can take the material to China, we can bring the material to India wherever we want to. So this is the reason that the mine has started producing profits and we are looking to increase the productivity by 10 to 15% on YoY basis. Now as far as the Kiepersol, our South African mine, is concerned, it is also doing well. The growth level is quite good. So our sales are up by 111% there, our earnings are up by 10%, and we are at a stage of almost marginal profits and operating profits there in that mine. As far as the Australia is concerned we are yet to restart mining, we have a lot of challenges in Australia so we are working with the government authorities for some of the clearances. And then we are open to invite divestments , looking for some good partners, but as we stated earlier we are not in a hurry, we are not a distress seller, we are evaluating who can give the better value for the assets in terms of partner, whatever the percentage we offload, maybe 20%, 30%, 50%, so that time will tell that has to be the best deal on the table, and we will try to get the best for our company. So this is for mines. Anything else please?

Mr. Bhavin Chheda – Enam Holdings

Yeah, what are the Mozambique volume expectations for 20-21?

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

For 20-21 we are aiming for more than a million tons of coal to bring to India and this is what our aim is.

Mr. Bhavin Chheda – Enam Holdings

Okay, thank you.

Moderator

Thank you. The next question is from the line of Yash Doshi from SBI Cap Securities Limited. Please go ahead.

Mr. Yash Doshi – SBI Cap Securities Limited

Thanks for the opportunity. My question is on your initial remarks. You said that the NSR was down by 800 rupees a ton during the last quarter. But the real NSRs were up by around Rs.1300 a ton. If you can give a general idea of both of your commodities range and also most of your volume in the NSR was down by how much? how do you expect that NSR to look like in Q2?

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

We are maintaining the NSR primarily because of three reasons, one is we are in rail business in which we have the long term contracts. Number two, the structural products for the high rise buildings because nowadays all 30, 40, 50, 60 storey buildings are being constructed with steel. So there is another good market. Then we have a very good market for these specialized plates for defence, for L&T and for BHEL and for other companies like that. This will give us an edge over others whereas in the steel industry, you know overall the prices are under pressure. But because of our good product mix which is more than 60% of valued added products, where we have rails, heavy beams, heavy structural, medium light structural beams and this speciality plates hardened and wide plates, normalized plates, tempered plates. These are the plates which traditionally India was importing and imports were huge. So we are in a position to maintain the EBITDA level, and we are sure we will increase EBITDA because now in the second quarter the iron ore prices are also coming down, coking coal prices are coming down. So that delta will be maintained.

Mr. Yash Doshi – SBI Cap Securities Limited

Okay, thanks for the elaborate answers. You can say my question was really for the long, pure long product which we sell how that NSR has moved, instead of blended I wanted how pure long NSR has moved in Q1 and how is it at present.

Mr. V.R. Sharma - Managing Director, Jindal Steel and Power Limited

Yeah, the answer is the long- you know for example, rail is also long, structural is also long, beams are also long, we keep them away, and let us say the long what you are concerned, what I am understanding correctly if I am, that is the rebars. So rebars, yes, there is a pressure on the rebars in the country but on the other hand rebar prices has gone down about 3000 rupees across the country. But a good thing, we have reduced our cost of production by that amount. Again we are maintaining the same delta.

Mr. Yash Doshi – SBI Cap Securities Limited

Okay if I have question, I will come back.

Moderator

Thank you. We'll move on to the next question that is from the line of Vikas Singh from Select Capital. Please go ahead.

Mr. Vikash Singh – Phillip Capital

Good afternoon sir.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Good afternoon.

Mr. Vikash Singh – Phillip Capital

Sir, I just want to understand just one thing, on one hand you are talking about 400 to 500 crore payment with respect to the pledged shares and you are also talking about 3.4 crore of additional pledge so if you are already making payment then why we are talking about the additional pledge and how do we see the overall pledge situation by the end of the year.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Let me again comment on that as I said, point no. 1, our total amounts of loan against shares has come down by almost 300 crores from the peak level. And it is from that point of time. That's one point that I made. Second I had said that we have put in projects on the way to consolidate or eliminate loans against shares and bring it down to below 500 crore level over the next few months. In the near term, in the next few weeks we should be able to consolidate couple of hundred crore of loans against shares. Those are the things that we are working on. As a matter of managing the market volatility, because we have additional shares which are free we thought that it may be prudent to give additional shares to the LAS lenders, so that they feel more comfortable. As a part of the strategy , we decided to pledge additional shares of around 4 odd crores shares based on our thinking but with that additional pledge the amount at which all these people will carry the loan against shares will be almost at 50% of significantly below the current price level. That is the direction in which we are headed to manage the risk. So it's a risk management strategy

Mr. Vikash Singh – Phillip Capital

Okay, so basically it's a kind of a top up because our share price has come down, is it a correct understanding.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Top up is way beyond as I said we have managed the top ups by paying almost 100 crore in the last one month. So I think we are comfortable in reducing but as the share price has been volatile over the last few days and global market has also been very volatile with As you noted that we are a very different steel company and we are at a very different juncture in our very own internal trajectory. Because there are almost 200 participants on the call and not all of them may have the benefit of understanding the full story in its full comprehension. So let me kind of spend couple of minutes and I will again link in to the loans against shares subsequently. Clearly now from our uniqueness point of view we are not in the auto we are only into end use which can be associated with the significant infrastructure expenditure program . We have very unique products, our rail business is doing well and our high value added plates are also unique and very different. So we have unique and different products and on the long side but not in the auto side. I think that's one point that you need to kindly understand because there are many kinds of players and we are different, I think that point has to be understood. The second point that has to be understood that we are the only large players, because of our Angul plant there is a significant volume ramp up that is happening as happened in the last year, will happen in the current year also and it will continue to happen over the next two years. So I think that opportunity is not available anywhere . The third thing that I would like to highlight that look at our leverage ratios, we have already brought our leverage ratios down in India to 2.5 consolidated to 4very clearly indicating that the consolidated and local leverage levels have come down quite significantly. And fourthly most importantly, as our product mix is improving, as we are selling more of rails and more of plates, etc. we are really finding that we will be able to improve our NSR because of product mix, and also our cost is coming down. Angul we have already kind of guided that Angul today is at par with Raigarh. We will be able to see at least 2500 rupees per ton reduction from Angul. And by the time we finish Angul will be producing 2/3rds and Raigarh will be 1/3rd you know, clearly we see good days ahead of us in terms of the cos, so based on these factors, you know we are, also let me highlight that we are the only players where we make 120 meters long rails and we join pieces to make 260 meters long rails. These long rails cannot be imported from overseas at all, these are sizes that cannot be imported. So I think from a uniqueness point of view the fact that the volume is going to go up, the fact that our leverage has already come down very significantly, the fact that we will improve our cost based on internal kind of cost structures. As Angul will further ramp up and our efficiency initiatives come up. We are fairly well positioned to kind of handle the market volatility in the prices, or if we cannot handle the market volatility, market volatility will be what it is, but whatever is in our control we are taking care of that things. And also on the debts while so much commentary has been done, we have commented upon how much we have reduced, amount of shares that are pledged at only 50%with amount of only 900 crore. We are a 50,000 crore topline company, this amount is very, very smallmarket Let me assure all of you guys while there is a lot of rumour, lot of discussions, lot of different forces acting in the market, let me use this call to very clearly table the fact that we are at no risk as far as our corporate debt payments are concerned and as far as the pledge is concerned we have enough and more shares available but on top of it we have been paying, we will pay further down. So there is absolutely no risk and if you, listen to the rumours they may just not help anybody in the market. Also I think the worst is over behind us. We are obviously as our MD mentioned that we are already a very cheap cost producer, our cost of steel has come down over the last few quarters. It will come down even further and that is our focus. So I think we want to become the cheapest producer and the most profitable producer of steel market is market but from a pure fundamental point of view; , we are just trading at a significant discount to what our intrinsic value would be and we see significant improvement in our cash flows and profitability and leverage ratios and we are focusing. So from a management point of view we have left nothing unturned. All our international operations, lot of focus. Deleverage, lot of focus. Reducing Cost of producing steel as we say we do. So from an operational point of view we are doing extremely well and obviously next few quarters will play out and after that our transformation will be complete but I think we should all know that we are in a very interesting journey to build the most efficient and the most profitable steel plant.

Moderator

Thank you. The next question is from the line of Chintan Shah from Investec, please go ahead.

Mr. Chintan Shah - Investec

Hi, sir, thanks for the opportunity. Sir, my 1st question is you indicated a data vision number for end of year. What is the kind of working capital released that we are factoring over here and the Capex that we incurred for Q1 and how should one look at this number for full year.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

No, Capex we have been saying that we will be around 700 crores for the year which is more the balancing Capex that is typically required for managing the size of business you manage. In the 1st quarter we reported Capex of 186 crore which is line with our annual target. Now as far as the working capital is concerned we are running it very efficiently and I must also say that we are now focusing on energizing our exports business, we already are exporting almost 400 to 500 million dollars of goods every year for the last few years. This year we are looking to take it even further and as we increase our exports there is a lot of liquidity available in form of export prepayment which is available to reduce our working capital further. We see a lot of opportunity to be able to release our working capital by way of getting some export prepayment cash flow. So as the quarter pass by we will report for the progress on this matter.

Mr. Chintan Shah - Investec

Sir, is it possible for you to quantify the working capital release number if you have factored in the debt bridge from now till year end? The reason for I am asking ...

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Go ahead.

Mr. Chintan Shah - Investec

Sir, the reason I am asking you is that if Sharda Mines doesn't come under our fold and given March'20 auction we might be pushed to stock up iron ore inventories. I just wanted your view on that, which is why I am stressing upon working capital over here.

Management - Jindal

Let me first of all say, Sharda Mines is different entity. I think the matter on the table is primarily we have certain iron ore stocks lying over there which belongs to us, which are fully royalty paid, which has been declared belonging to us by Orrisa High Court also, we are in the Supreme Court to get those released but that is the separate matter and that's the only matter. But hopefully that will be release soon. You know, those discussions are in very advanced stage and only the final decision is pending. So, that's one part of the story. Now, as you are aware, obviously we, we have our own iron ore mines in Tensa and almost 25% of our volume is catered to from our Tensa mines, mines for our own businesses over there. And we have ability to increase our volume over there partially if needed to take care of any temporary, interruption if needed. So, really no real issue for us. If you'd like to clarify your question further, we need what I understand from your question.

Mr. Chintan Shah - Investec

Sir, my question is specifically on iron ore security. If Sharda mines doesn't come to us, how do we look at the scenario? Do we stock iron ore looking at our 6.5-7 million ton number that we have guided for Or are we building in from a debt bridge working capital release given coking coal prices are going up.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Let me try to address it in simple parts and obviously we will need a larger conversation. Clearly first of all, if you are talking of about iron ore security, you are talking about the fact that there is a potential disruption because the iron ore auction process is going on

Mr. Chintan Shah - Investec

Yes.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

It is a well thought through by the government. We do not believe that all the auctioning may happen in one go, it will happen in phases. It will offer enough continuity opportunity to the steel industry and the government is cognizant of that. We don't see any disruption happening on that count. Number two, we have our own iron ore mines in Tensa to support us. Any temporary volatility can be taken care of on our own mines. Third, we are increasing our offtake from ONCN and other government suppliers because they have a lot of availability. So, if the private miner volume goes down , the volume of some of the government miner's will go up. So, I think, if you ask us today that, are we concerned about any disruption in terms of the iron ore availability. That's not on the cards at all. As far as the working capital is concerned. As I was saying there is enough opportunity for us to raise working capital cash flows from export repayment based on the market discussion then what we are doing right now. What we need is the numbers that we can raise from there which can be pretty large. So, let me not make a large commentary on this call. In terms of working capital, we can do that,, in a separate meeting if required.

Moderator

Thank you. The next question is from the line of Kunal Bappa from First Waterfront. Please go ahead.

Mr. Kunal Bappa – First Waterfront

Yeah, thanks. You made a point that you may have some amount of repayment debt on the JPL side. And it is logical given that there is some traction on the PPA front. So, could you let me know what is the targeted debt reduction in JPL over the next 2 years and what kind of PLF are you hoping to achieve for the full of the current year and the next year ?

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

Well, as I mentioned, we will be paying it at a faster pace than scheduled already. So, that means this year we are scheduled to repay back about 700 odd crores which we are planning to schedule earlier. there is a clear payment due from Tamil Nadu of about 700 odd crores. In addition to that they are already paying us for the change in law petition which we had filed for 366 crores which they are paying us in instalments. So, this increases our ability to pay back the loans. I cannot commit when we will receive that money but it is surely going to come in this financial year and that is why we will try to repay these loans faster than scheduled.

Mr. Kunal Bappa – First Waterfront

Right, but ...

Moderator

Sorry to interrupt, Mr. Bappa.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

We are the lowest debt company and hence we want to be become debt free as soon as possible. That's the aim in mind.

Mr. Kunal Bappa – First Waterfront

Okay.

Moderator

Thank you. The next question is from Sumangal Nagda from Kotak Securities. Please go ahead.

Mr. Sumangal Nevatia – Kotak Securities

Yeah, thanks for the opportunity. One is on the cost reduction we saw almost a 2000 cost reduction, 1000 you shared is because of raw materials. If you can share Q on Q what is the breakup of this 1000 rupees cost reduction and lastly if you could share your time line expectation with respect to the Botswana deals. Thanks.

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited

The first question you asked that our cost of making steel had gone down almost by 2100 rupees per ton in the current quarter. Partly it is due to efficiency as Angul has ramped up as I told you Angul was more expensive then Raighar and also certain other efficiency parameters, bringing the cost down both in Raighar and Angul.Around 1000 rupees per ton reduction has been on account of reduction in raw material prices, . We don't obviously want to provide individual reconciliation of the item. In general, the entire industry has benefitted from the better raw material price. For your second question,on the Botswana side, we have executed the SPA and the business diligence has been completed. There are certain condition precedents that are in progress in terms of taking approval from the Botswana government etc. Obviously, we want the transaction to get completed as soon as possible. it is not very easy for me to say whether it will be done in a month or 2. Hopefully in the next few months it should get done. . But it also depends on the completion of all the precedent conditions.

Mr. Sumangal Nevatia – Kotak Securities

Understood,. Is there any one-offs in the quarter for Australian assets or everything was done in the 4th quarter of last year .

Mr. Deepak Sogani- CFO, Jindal Steel and Power Limited Good question on the Australian side. In the last quarter we have taken an impairment of 1286 crores in Australia and that was based on management estimate and subsequently this has been bifurcated in two different line items. 698 crores have been, taken in terms of, in the reported quarter, 698 crore out of that 1286 crore has been taken by way of impairment.500 crore has been taken by way of reduction and by way of adding depreciation because we have shut down our wongawolli mines and therefore the management estimate useful for the mine changed and a part of the impairment got reflected . In addition to that there is certain change in the accounting policy whereby we started recognising depreciation on intangible assets based on the policy of production rate, which was not being done in the past. On account of that change we have taken another charge of 567 crores rupees, which is actually being reflected by way of restatement of financial as on 1st April, 2017. This pertains to additional charge or change in the accounting policy for intangible assets. This is reflected directly in the retained earning section of our reporting financial. But on the profit and loss side it is pretty much in line which we have taken in the last quarter.

Mr. Sumangal Nevatia – Kotak Securities

Alright.

Moderator

Thank you.

Mr. Sumangal Nagda – Kotak Securities

Okay, thanks.

Moderator

Ladies and gentlemen, that was the last question. I now hand over the conference to Mr. Nishant for the closing comments.

Mr. Nishant Baranwal, Head Investor Relations Like I said before we are always there to answer all your questions, all your pending questions, any subsequent questions which you might have, later in the day or hereafter. And , I would like to thank Prabhudas Lilladher as well as all of you for joining us on the call. Thank you very much.

Moderator

Ladies and gentlemen on behalf of Prabhudas Liladhar Pvt. Ltd. I conclude this conference call. Thank you for joining us. You may now disconnect , thank you.