"Jindal Steel and Power Limited
Q1 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Jindal Steel and Power Limited Q1 FY2022 Earnings Conference Call, hosted by Motilal Oswal Financial Services Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Murarka from Motilal Oswal Financial Services Limited. Thank you, and over to you, Mr. Murarka!

Amit Murarka: Thanks Navin. Good evening ladies and gentlemen. Thanks for dialing into JSPL 1Q FY2022 earnings call. We have with us the management of JSPL to discuss the results. I will now hand over the call to Mr. Nishant Baranwal, Head of Investor Relations to take it forward. Over to you Nishant!

Nishant Baranwal: Thank you Amit. Good day everyone. We welcome you all to the JSPL's conference call to discuss our Q1 results. Today on the management side we have with us Mr. V R Sharma, our Managing Director, Mr. Hemant Kumar, our CFO, and Mr. Kapil Mantri, Head of Strategy and Business Development. Since our results speak for themselves this time we have decided that we will straightaway dive into question and answer session. I will pass the call to the operator to take the questions right away.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit Dixit from Edelweiss Financial Services Limited. Please go ahead.

Amit Dixit: Thanks for taking my questions and congratulations for a good set of numbers. I have two questions. The first one is on the realization, so if I see Q-O-Q realization that has improved quite a bit for you but the underlying longs prices have not gone up that much so just wanted to understand the drivers behind it and whether they are sustainable?

V R Sharma: Thank you very much and good afternoon everyone. Yes you are right the realization has gone up. There is a total increase and delta is about Rs.10000 a tonne but simultaneously the cost has also gone up by Rs.7500 per tonne. If we see the overall impact then the overall impact is Rs.2500 per tonne. When we see Y-o-Y basis you have seen that our EBITDA level has jumped from Rs.1800 Crores to Rs.4524 Crores in standalone and on consolidated basis it is Rs.4539 Crores. Overall, the market conditions despite of pandemic or I would say wave two in the month of April and May we have been able to maintain sale at 1.61 million tonne for the Quarter and production of 2.01 million tonne. [Modified]Sale is bit less than the production due to pandemic and due to this oxygen we have given to LMO which is medical grade oxygen so we were facing some problems and there was an issue on the ports. There was a Yaas cyclone so we could not export or we could not dispatch the same quantity what we produced but by and large the company has done very well.

Amit Dixit: Sir my question is specifically on realization what specifically on the realization to increase much higher than the underlying long prices?

V R Sharma: As I told, you the price increase versus the cost increase, there is a delta of 25% so that has given the better realization and export is another major contributor.

Amit Dixit: The second question is on iron ore cost so how much has iron ore cost gone up Q-O-Q and has the benefit of Sarda iron ore fines been completely exhausted in this quarter?

V R Sharma: The SMPL whatever stock was there that is exhausted and as you know the Odisha Government is having very favorable policy for steel mills those are located in Odisha so we are given preference in buying the material especially from OMC. We have long term agreement now and as per their policy to source the local mills they are also going to get us the material from the merchant miners, which we are hopeful that there will be no shortage of iron ore in the Q2 and Q3 or the subsequent quarters. The other is that we are seeing that we have produced more than 2 million tonne of pellets and we have exported pellet that is about 400,000 tonnes only and this shows the operations are quite stable. Iron ore availability is not an issue. We will be in a position to source iron ore from OMC, merchant miners and NMDC. The overall increase as you asked is, there was an increase from say Rs.6000 per tonne to Rs.11,000 to Rs.12.000 a tonne depending upon the various grades of iron ore and fines, but now for the last two weeks we are seeing that from $220 a tonne in the international market, the iron ore has come down to $160. So this $60 of reduction in the iron ore prices that has also forced the local iron ore and merchant miners to reduce the price and we are now seeing that more than Rs.2000 reduction from the merchant miners has been passed onto the steel mills. That affect will come in Q2.

Amit Dixit: Fine Sir. Thanks a lot. I will come back in the queue and all the best.

Moderator: Thank you. The next question is from the line of Kamlesh Bhagmar from Prabhudas Lilladher Private Limited. Please go ahead.

Kamlesh Bhagmar: Just one question on the part of your debt and interest cost like if we see the debt, it had gone down by roughly around 30% odd quarter on quarter primary because of the JPL but if you see the interest cost it has gone down hardly around 14% so what is it? Is it because of the increase in the working capital? What is the reason behind lower fall in the interest cost?

V R Sharma: I will request our CFO. He will reply to you.

Hemant Kumar: Thank you for your query and if you see on a consolidated basis my interest has come down even on quarter-on-quarter basis and on a Y-o-Y basis. There is no increase in my interest cost first and second even on standalone basis also my interest cost has come down because of the deleveraging of debt profile. Another query, which you want to ask?

Kamlesh Bhagmar: I am not doubting about the fall in the interest cost, I am saying that quantum of fall has been much lower or halved of the fall in the debt?

Hemant Kumar: The reason being if you see we have also taken care of our foreign currency loans. If you like to see that our LIBOR linked and it is around 4% and you cannot link it at 14% and 26% of the debt. It is a blended cost definitely came down. It has not gone up in commensurate with reduction in that.

Kamlesh Bhagmar: The second is on the let us say the lower cost question I think question asked by the questioner so just one on the part of the iron ore inventory so how much is the inventory left? I know that you would have consumed it but somewhere in the plant had or in the pellet plant it may be there so can you please give the exact quantity which you would have in the iron ore inventory which you have from the let us say 12.5 million tonne of inventory, which got released because of the Supreme Court order?

V R Sharma: Thank you. At any point of time, we maintain about 2.5 million tonne to 3 million tonne of inventory and that is there across all the plants put together that is pellet plant as well as Raigarh and Angul plant. We are not short of iron ore and it is regular business every day we have pick up iron ore. We have to buy iron ore and we have more 10 different sources today. As I told you the Government of Odisha has already supporting in a big way and you might have read in the newspapers that Chhattisgarh Government, Mr. Baghel, who is the Chief Minister he has also called NMDC and he has told that at least 80% of the material should be made available to the domestic industry or whatever the quantity is required by them, whichever is higher and NMDC has started changing their stand and they are now supporting too much to the Chhattisgarh industry and I am sure there will not be any shortage of iron ore for the people those who have installed plants in Chhattisgarh and in Odisha.

Hemant Kumar: I just wanted to clarify Kamlesh with respect to your question as MD Sir rightly mentioned earlier we have exhausted all the inventories in terms of raw material, finished goods, and pellet whatever. We have utilized full iron ore inventory.

Kamlesh Bhagmar: Lastly Sir what is the current NSR versus last quarter for which all the NSRs are moving now?

V R Sharma: Thank you. I will compare it to two parameters. One NSR on Y-o-Y basis, last year in 2020 the NSR was very low because there were about 70% to 80% of exports and almost the entire country was under lockdown so we were in a position to maintain the plant and the gap continued but this year we found that because of the international spot market was very hot and we got a major jump in the NSR so last year our average NSR was about Rs.42,000 a tonne and this year the average NSR is Rs.63,000 a tonne in this Q1 that has brought the numbers up significantly but as I told you earlier there in an increase in the cost also, the input cost has gone up, but still in Q1 2021-2022 the NSR was more than Rs.62,000 a tonne across all products.

Kamlesh Bhagmar: Thanks a lot.

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

Sumangal Nevatia: Thanks for the opportunity. Two questions; the first one the future strategy now when we were discussing the power divestment one of the vision shared was that in the past we have not been able to get a strategic partner given the high carbon footprint of the power business? Now that this deal would most likely go through in the next couple of months are we open to get some strategic partner in our steel business to further strengthen our downstream business and going forward growth?

V R Sharma: Yes. Thank you very much. A very valid question so we are very open on any kind of strategic alliance or mergers or acquisition or it can be in any form and there are companies already the Government of India has also doing disinvestment. One is NINL that is Neelachal Ispat that is on anvil and also another company the Government of India Company that is RINL that is Rashtriya Ispat Nigam Limited. Since we are in steel and we are also in the eastern part of the country so we will definitely be inclined to such deals if they come through but we are not a distress buyer. We will be working very meticulously. We will be seeing whether there are merits or not in this particular deal and if they are useful then we may go alone or we may find a partner to enter as a JV so this is also we are working.

Sumangal Nevatia: My question was not with respect to the disinvestment and the steel assets on the block but more with respect to any global steel major having a partnership with them or getting them on board as a strategic liquidity partner so has there been any initial discussions with any of the steel companies globally, which you can share?

V R Sharma: I will tell you. What happens when you grow and you establish your credentials and there are many proposals they do come in life. So there are so many people those who are interested in joining hands with JSPL today and some of the strategic alliances can be for the technology and for specialty products. As you know the Government of India has come out with a PIL scheme so with this PLI scheme means more and more sophisticated and high value-added grade of steel is required to be produced. It does not mean that there will be equity partner or maybe very minor equity partner so these things we are very open and there are so many proposals coming everyday so we are evaluating that whether we should go for a technical process collaboration or equity participation but this will be known to the market may be in the next six to eight months time.

Sumangal Nevatia: My second question is one with respect to the expansion there is one million tonne CTO approval at Angul is long awaited so any progress on that and second on the cash flow side till last year we have hardly were paying any tax given enough losses Sir, if you could just guide what is the left-over losses that the steel business standalone entity and what could be our cash tax rate in FY2022?

V R Sharma: As Angul expansion is concerned we are working now. We are going to invest about Rs.18,000 Crores and we want to add capacity of about 6 million tonnes and this is what we are working today. So all the statutory clearances, approvals are on the way and we have been talking to the Government of Odisha and the Central Government. We have also signed a MoU and in fact the Government of Odisha has already cleared our business plan to produce 25 million tonne steel there in Odisha in Angul. If that goes in line then we will be the largest steel producer in the world in one location. Now coming back on your question of financing and the overall cost of borrowing so this I will request our CFO, Mr. Hemant he will reply.

Hemant Kumar: If you see the cost of borrowing even would like to mention that I am pleased to inform that our rating has moved multi notches and we are on the track to achieve reduction in prices because it is a gradual process and I hope that we will be able to compete with respect to interest cost in the next three to six months with any of my peer group.

Sumangal Nevatia: Sir my question was different. I will just repeat. One is I was asking specifically with respect to the 1 million tonnes CTO approval at Angul when do we expect that? We understand the overall expansion plan and the second question was on the tax rate last year we have been using enough tax losses and not paying cash tax what will be the cash tax rate this year?

Hemant Kumar: As everyone is here we paid the income tax installment around Rs.250 Crores for this quarter and you can estimate from there on and there are still adjustments left so that we can optimize on income tax and further we already moved to our new regime of income tax wherein we fall under 25%.

V R Sharma: CTO consent to operate also there are no issues. I think that some question you asked about 1 million so I think there was no issues for this 1 million consent to operate.

Sumangal Nevatia: Thank you and all the best Sir.

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

Ritesh Shah: Thanks for the opportunity. Couple of questions first is how should one look at the fate of overseas subsidiaries, which steel continues to be on a going concerned basis how should one understand it given that a significant investments in overseas subs from the standalone entity?

V R Sharma: The overseas subsidiaries if you see we have three locations today. One is Mozambique and the other is South Africa and the third is Australia. If you see all the three assets, Mozambique, and South Africa they are doing extremely well. They are in profit and Australia all the statutory clearances are partially cleared and hopefully we will be in operation very soon in Australia.

Ritesh Shah: Do we have any plans over here any quantifiable number either on production or on a sustained basis how should one look at the operating matrix?

V R Sharma: We are working as to how to start mining about 2 million tonnes coal per year that coking coal from Australian assets and hopefully you will hear good news in the next few months three to four months' time so we are working how to start production of coking coal in Australia and now as a good deal today because coking coal is about $220 to $230 per tonne for Australia and three to four months' back it used to be only $90. So I think this is the right time and we are working very hard to start the mines.

Ritesh Shah: Thank you for this. My second question is on raw materials sufficiency. One is you allocated the coking coal prices has moved up pretty sharply from $90 to $220 so what does it mean for JSPL cost curve in the forthcoming quarter as given Sarda ore has also done that? Do you see the price increase to be commensurate enough to ensure that the spread remains at current levels? The second question is we have highlighted incremental expansion plan of 6 million tonnes, what is our strategy on iron ore security for say three-to-five-year view? Thank you.

V R Sharma: You have asked a couple of questions in one question so one by one. First of all SMPL was one of our supplier, of course we were the largest buyer but we had another 20 buyers with them so similarly the other companies today in the vicinity, say Rungta mines or Essel mining, or OMC or NMDC so we are a large customer for them also. We are the largest buyer of iron ore in Odisha and Chhattisgarh and we enjoy a good relationship in between customer and seller that is iron ore producers and iron ore users so there is no dearth of iron ore. India has a lot of iron ore more than 30 billion tonne of iron ore and we are now working how to beneficiate the iron ore so that whatever the low-grade iron ore lying in the country we will be beneficiating and creating pellets out of that. We are adding one more pellet facility that is 6 million tonnes and there will be no shortage of iron ore. As far as the SMPL are concerned yes we were in business with them and whenever they come back again then definitely we will be glad to work with them in times to come, but we have full security of iron ore from Chhattisgarh and also from Odisha. As far as the new mines are concerned if that is your question then we do not want to bid irrationally and our rational is that we should see a long term business, what is the real price and how can we survive and sustain and this is what we are working at and we know the inflation price they have gone down from $217 to $218 or $220, $260 so this reduction of $60 per tonne and that is a good sign for the Indian industry and when we go for the new auction bidding then definitely we will consider this kind of reduction which has already taken place in the international arena. I hope I answered you.

Ritesh Shah: Yes on the coking coal cost inflation how should one understand the cost increase in Q2 and Q3 given spot prices have moved up substantially, do you see you will enough price increase to offset this?

V R Sharma: What happens when the iron ore going down and coking coal prices even if they are little high so then one can maintain a proper balance but in the last quarter all of a sudden what has happened may be first time in a decade the iron ore prices and coking coal prices, they were at par similar so $220 to $220 so that was very unusual combination. Normally either coking coal prices they are soft and iron ore is up or coking coal prices are high and iron ore is lower so now the situation has come where the coking coal prices are higher and iron ore prices are lower so that is giving a good balance to the Indian steel industry as well as to the customer to the end users so nobody is under pressure now because two things are not going simultaneously up or simultaneously down plus I want to add one thing we have raw materials security wherein we locked in prices available till September 2021.

Ritesh Shah: Thank you so much.

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

Vishal Chandak: Thank you very much for taking my questions. Sir my first question is with respect to your value-add production at Angul and Raigarh so your current capacity is at 8.6 million tonne in the next four years' time will be 15.9 million tonnes so what would be the mix? Would you scaling put at HSM stage or would you want to go beyond? What will be your product mix like, any color?

V R Sharma: Thank you very much. You have rightly asked the point. Number one, we are now adding hot strip mill, as a forward integration because if you see our last one year of sales, we are selling lot of semis, so we want to come out of this, we do not want to sell semis business, we do not want to sell semis, we want to convert this semis into finished good for a better value addition. This is one area, so first of all we are working on specialty hot rolled coils and also specialty plates where the value addition is extremely high and slowly gradually, we are also working at how to go to the downstream of hot rolled coil that is cold rolling, galvanizing and colour coating, so hopefully by 2023-2024 we will be in this particular product line which is cold rolled, galvanized, colour coating, Galvalume and also pipes, so in pipe and tube sector is doing extremely well and we want to maintain our presence in pipe and tube sector also.

Vishal Chandak: Any thoughts on going in for special products like electrical steel etc., which are not manufacturing, the pipes and tubes market looks completely overcrowded at this point in time?

V R Sharma: There are two questions. One is electrical steel yes, we are working with the European company and we have had couple of rounds of meetings and basically electrical steel is a commodity which is produced by the steel melt shops, it is not only a ruling area, so this steel melt shop is equipped to produce right grade of slabs to make electrical steel till now we did not have hot rolling mill, HSM, so now we are adding HSM so once the HSM that hot strip mill installed we have been in a position to produce electrical steel also. We want to have diversified portfolio in our product basket like electrical steel like specialty steel sheets for railways and also for the containers you might have heard our new end specialty rails that is 1080 and 1175 grade of rails, the specialty plates for the shipbuilding, submarines and for the warships as well as well for the cryogenic applications, so we feel that we are the most diversified product producers in the country today, so that will continue. I hope I answered part of your question. What was the balance?

Vishal Chandak: My second question was with respect to your steel coalmine about a year ago the coal prices were just about $110 and today they are close to about $240 so at what price would these mines especially the Australian mines would be viable?

V R Sharma: The cost of mining is about $61 to $70 a tonne, $26 is cost of transportation. If we do the washing it is $10 to $12 a tonne so put together everything is about $110 a tonne and if we sell or we bring to country at a price of about $200 FOB and then it is very good price.

Vishal Chandak: Thank you very much Sir. I will join in the queue.

Moderator: Thank you very much. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.

Rashi Chopra: Thanks Sir. I wanted to check you had mentioned in this quarter that realization increase is 10000 and cost setup 7500 so we have seen an EBITDA per tonne expansion of about 2500 per tonne, how do we think about in this current quarter or just taken spot into account basis, spot realization and spot cost?

V R Sharma: We are seeing a very stable Q2 reason being this spot international market is still very good this is one. Number two, the iron ore prices have started falling whereas the coking coal price is stable at $220 a tonne. So I think we will be in a position to maintain a similar inflow funds in terms of overall EBITDA in Q2 also.

Rashi Chopra: Just following up on that, there is no coking coal inventory, in fact, would not getting some sort of a build out by your coking coal costs will still be higher during this quarter?

V R Sharma: No, because we have our own coking coal in Mozambique, so our mix is about 34% today, we use our own coking coal and we also anthracite coal mines in South Africa, so this will add to another about 7% to 8%. So I think about 45% will use our own coal which will definitely give a good blend in terms of overall cost reduction and cost control, so we are not affected on that.

Rashi Chopra: Domestic realization, they are also just holding up what you are saying?

V R Sharma: Domestic realization, there are two factors here. Once the international spot market prices, and the other is domestic prices, so if we see the last month country has earned more than Rs.116000 Crores of GST and three days back Government of India has already allowed state governments to withdraw the money or to spend the money for the infra projects, the kind of growth what country is now looking, I think more and more infrastructure focus will be there from different states, so that is going to definitely give an impetus to the economy. The other point is thanks to Prime Minister, Mr. Modi who has already taken a lead in vaccinating people those who are 18 years or plus, so if all of the people in the country they are vaccinated who are 18 years plus age that means in case of any pandemic kind of situation or in case of any fear of wave three or any other wave, people will not run away to their home towns or the home states, so if they do not go to the home town, home states then the construction activities will continue and so is the MSME sector, so we are looking that in times to come, there will be very promising growth as far as the industry is concerned.

Rashi Chopra: Thank you Sir. Just one more question on the debt level, it is about 15000 Crores excluding JPL at the moment and once the transaction include we will benefit by another 3000 right, what is the growth for FY2022, keeping the transaction and your cash flows in mind?

V R Sharma: I request to our CFO to reply.

Hemant Kumar: We are looking forward by the end of financial year the net debt around Rs.8000 Crores.

Rashi Chopra: This would involve how much capex in this year?

Hemant Kumar: Capex guidance we have given Rs.2500 Crores depending upon the cash outflow, depending upon the last two or three months.

Nishant Baranwal: We would just like to reiterate that any forward-looking statements that we will be making on the call as all of you know are always subject to the market conditions and whole host of conditions, just wanted to reiterate that fact. Thank you.

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

Ashish Kejriwal: Thanks for the opportunity and congratulations on a good set of numbers. Sir, in terms of net debt what we have seen from fourth quarter to first quarter it is a reduction of around Rs.5900 Crores obviously this includes JPL debt also, so is it possible to share excluding JPL debt how much debt to do from a quarter-on-quarter basis?

Hemant Kumar : If you see on a gross basis including JPL, the debt reduced more than Rs.11000 Crores, but part of the cash being utilized as we are mentioning to build the inventory for this quarter.

Ashish Kejriwal: So what was the net debt of JPL at the end of FY2021 Sir?

Hemant Kumar : I think we have reduced by couple of hundred Crores, but it would be in the range of around Rs.6000 Crores.

Ashish Kejriwal: This means that this working capital increase has not allowed us to reduce our net debt significantly in this quarter?

Hemant Kumar: Yes, as our MD Sir rightly mentioned earlier also because of logistics constraints at the ports and all, all those goods are aligned here and we build our raw material inventories to take care of our Q2 as we have actually done in the price of coking coal and other raw material prices.

V.R. Sharma: You please also explained that we have already prepaid too many of our lenders?

Hemant Kumar: We have done around Rs.11000 Crores gross reduction, but our cash, cash being logged out, log in because to lock in the raw material prices and as you rightly mentioned there is a constraint or congestion at the ports, all backed by letter of credit the money is safe, we are realizing next one to two months.

Ashish Kejriwal: Sir if I heard correctly one of the questions you had mentioned that we have booked coking coal at lower price till September 2021, so that price is something like $120, $130 or it will be on upward $200?

V R Sharma: We are a company. We keep on buying everyday because we cannot stop buying and wait for the prices either going up or down, so we have to maintain a pipeline and in that pipeline you gain, sometimes you lose but nobody knows in the world what is going to happen tomorrow. It is a regular and continuous exercise and we maintain that, so in the system, we get benefit sometimes and sometimes we do not get benefit, so it is with everybody, not only with us, but one good thing is that yes, you are right, the average buying price is much lower than many of our peers who might have done it under 160, 170, but we are lower than that, but now as I told you, the major impact is 44%, 45% of the coal which is coming from Mozambique and South Africa that is going to keep our costs under control and once we start Australia as I told you earlier then if we take profit as a user in JSPL because they are JSPL's mines then there will definitely benefit of about $80 to $100 a tonne.

Ashish Kejriwal: Sir secondly on iron ore inventory, the free iron ore inventory which we had with Sarda mines, how much we have used this quarter and secondly on if you can help us in understanding whether this preemption policy of Odisha that has been implemented or not? Thank you.

V R Sharma: Actually the iron ore which was stocked at SMPL premises that was exhausted in the month of April itself and now the preemption policy of Government of Odisha is very excellent policy actually this was not very effective, because people were not demanding, but now most of the industries those we have put up their shops in Odisha, the all are claiming to have the benefit of preemption. JSPL utilized this preemption policy in 2017 and again now we have applied under the preemption scheme of Government of Odisha to make the iron ore available to us.

Ashish Kejriwal: Thanks and all the best Sir.

Moderator: Thank you. The next question is from the line of Abhishek Poddar from the line of HDFC Asset Management. Please go ahead.

Abhishek Poddar: Thanks for taking my question Sir. One clarification on the net debt when you see Rs.15200 Crores of net debt at the end of June, so that Rs.3015 Crores of cash that you have to receive that all is getting accounted there or that is something which you get in later and so you have not accounted for it?

Hemant Kumar: Because the cash is not available as on today, the cash will come on a later day on the closing date of the deal first and second money is always fungible and we will use this cash for our capex as well as reduction of debt as you are aware the steel industry is doing good and throwing cash month-on-month and I think that too will be utilized with deleverage as I mentioned our debt, net debt would be around Rs.8000 Crores by the end of this financial year.

Abhishek Poddar: As and when you received the cash probably you will adjust that with the debt number?

Hemant Kumar: Yes.

Abhishek Poddar: Understood and Sir, would you be able to share the working capital increase number for quarter or operating cash flow these are the numbers?

Hemant Kumar: As I mentioned that to build raw material inventories and at finished goods for exports all put together may be in the range of Rs.2000 Crores to Rs.3000 Crores?

Abhishek Poddar: You would expect this to unwind as the years go back?

Hemant Kumar: Definitely. I think year is the far away if we talk about in this quarter or may be one or two months more not beyond that.

Abhishek Poddar: At the end of Q2 or Q3 we should see this Rs3000 Crores getting back in the cash?

Hemant Kumar: Absolutely.

Abhishek Poddar: Second question regarding the steel prices in Rebar, if we see the international prices and domestic prices there is about 10%, 15% kind of discount which Indian prices are trading, so how do see this price moving up or catching up with international prices in next month or two months and what are the triggers?

V R Sharma: This is a commodity basically and we have to be in line with the expectations of Government of India, with the expectations of the customers, affordability and this is the reason today if you see in India the Rebar prices are much lower than the prices of plates, so Rebar prices are much lower, but still this is a good product. We have found a balance in between exports and domestic market, but we are in a position to load our mills fully and 50% we are exporting Rebars and 50% we are selling in the country.

Abhishek Poddar: But as the monsoon fades away probably in September should we expect a price coming to parity with the international prices?

V R Sharma: If the iron ore prices start keep following like this and the iron ore comes down to $110, $120 then there is no point increasing the Rebar prices. If the iron ore prices at stable at $160 or go up then only there can be a little correction, which can take place otherwise not.

Abhishek Poddar: The demand is still in July also it was weak, so export constitutes a large portion of your volumes or how you are seeing the domestic demand changing now?

V R Sharma: Domestic demand of Rebar was there because as I told you, one is flood situation and the other is construction workers they had gone back to their hometowns, but with the vaccination drive undertaken by Government of India, most of the people will be vaccinated by end of August or early September at least the first vaccination will be over and the second dose once it is available then I am sure by September and or mid of October, the entire nation, the workforce having age group of more than 18 years, will be in a position to take vaccination and that will bring people to work so this is a good drive or campaign taken by Government of India, we have thankful to them, industry has welcomed the move and the success rate is I would say 99999 out of 1 lakh people, so there is a very good success rate if you see the vaccination is excellently doing well.

Abhishek Poddar: Thanks a lot Sir.

Moderator: Thank you very much. The next question is from the line of Vineet Maloo from Aditya Birla Mutual Funds. Please go ahead.

Vineet Maloo: Good evening. This is Aditya Birla Mutual Funds. My first question is on Australia and coking coal mines, what is the strategic intent out there, are we going to look for a buyer, now that the environment is slightly better, could you please share your thoughts around this?

V R Sharma: There are two things in it. One is the first motto is to bring the mines into production because once the mines they start generating revenue, then we can obviously find the better opportunities in times to come. If tomorrow we get a good deal we are not under stress today, if we get a good deal then for sure we can do divestment may be partly, fully 25%, 30%, 50% so that we secure our requirement and more than that we do not need this is what we had on plan, but we are not distress seller. Right value of our assets is available then we may think.

Vineet Maloo: Just wanted to understand earlier when times were not so good, we were looking for a buyer and we were not able to find buyers and now times are good this is probably the best time to find buyer and honestly restarting production and probably for buyer I think this can happen parallelly, this is not that they happen in a serial fashion, so just wanted to understand do we want to be slightly ahead of time and do that exercise, then again we have run, again these are coal mines in a developed country, we do not want to end up in a situation where we have to eventually do a distressed liquidation of assets[Modified]?

V R Sharma: You are right when mine owner or a company like ours when go in trouble I would say, lot of debt and everything and we are not generating any PAT for many years, three, four, five years, so today we are in different situation that is why our first aim is to get the mines operational and simultaneously there are many companies or many investors those who are pitching us and they are already expressed their interest in these mines, but today if we try to sell or try to do the divestment partly or fully then the value for the total assets will be very less, so we feel that coking coal is a scarce commodity and there are not many players those who are going to stay in this particular business and our assets are very near to Sydney and these are very planned assets I would say. So we will definitely get the right partners in times to come. The day we get it, we will definitely like to lighten up ourselves and that lighting will be helpful to JSPL as a whole and also to our lenders.

Vineet Maloo: Is there a timeline for the production ramp up that you want to achieve certain level by let us say end of this year and certain another level by the end of next year, something like that, and separately is there thought process and there was timelines when we want to exit these assets based on a production level?

V R Sharma: This is related to coking coal mines?

Vineet Maloo: I am talking about coking coal mines Sir.

V R Sharma: So our plan is to start with about 1.2 million to 1.5 million tonne of production and this will be from the calendar year January 2022 onwards and then in calendar year 2023 we want to ramp it up to 2 million tonne, but if it satisfies our requirement basically in the meantime if we find a better partner then definitely we can look into it.

Vineet Maloo: Lastly similar things on coal mines as well outside India, what are your thoughts out there?

V R Sharma: We have coal mines in two locations. One is Mozambique, which is doing extremely well and the other is Kiepersol that is in South Africa that is also being extremely well, so there are no issues, both the mines are running very well.

Vineet Maloo: My question is from ESG angle if at all we want to divest when coal prices north of $120 to $140 thermal coal that is the best time to divest right?

V R Sharma: I will tell you one thing, ESG definitely it is in top agenda of all the steel mills in the world and today we cannot switch over from carbon footprint today whatever we have to Zero carbon or carbon neutral overnight, so Government of India has some protocol, they have taken a very conscious decision and that yes by 2030 we want to reduce the total Co2 emission and Government of India is discussing with the entire steel industry as well as power sector units and also to refineries to reduce the overall Co2 emission to the universe, so we all are working on that, but it will take bit of time to reach to those levels where we want to be and as far as the coal business is concerned, today there is no substitute to blast furnaces in the world and the largest number of population of blast furnace today is in China and they produce more than 800 million tonne out of the blast furnace only, so if you see the overall 1.7 billion tonne production in the whole world more than 1.2 billion tonne is coming from blast furnace routes, so unless hydrogen at a low price is available.

Vineet Maloo: We were talking about thermal coal right, which is Mozambique, South Africa?

V R Sharma: Mozambique is not thermal coal; it is a coking coal and South Africa is not a thermal coal it is anthracite coal.

Vineet Maloo: That can be used for steel?

V R Sharma: Yes, we are already using it. This is what I told that our mix will be 44% captive.

Vineet Maloo: This I did not realize. Thank you for your answer Sir. I will take it offline.

Moderator: Thank you.

Nishant Baranwal: We would want to take the last two questions now.

Moderator: The next question is from the line of Satydeep Jain from Ambit Capital. Please go ahead.

Satydeep Jain: Thank you for the opportunity. Couple of questions we have seen input cost inflation in coking coal and iron ore also now and thermal coal also to some extent where does the Angul DRI plant now stand versus the blast furnace in terms of productivity, in terms of cost related to the blast furnace?

V R Sharma: First of all, the Angul, DRI plant is doing extremely well. We are converting coal into gas and also first time in the world we have also mixed the coke oven gas with the Syngas that is coal gas and 70% we are using the coal gas that is synthesis gas and 30% to 35% about that we are using the coke oven gas. So this combination has driven us to a very good cost advantage. Our cost of energy and cost of making DRI is today I would say much lower than the 100% coal base kilns this is one. Number two, we are now working at a mix of these two, is giving us a gas at the price of about $3 per MMBTU but if we have our own coal mines then we can definitely bring it down to less than $2 per MMBTU. So this is what we are working and as far as blast furnace is concerned, all the three-blast furnace are doing extremely well. So we have already reached our rated capacities from the blast furnace, two in Raigarh and one in Angul. We are now expanding. We are also working for one more blast furnaces but simultaneously we are also working to inject hydrogen into blast furnaces so that we can meet out the country's expectation towards the Co2 emission reduction.

Satydeep Jain: So you would say the DRI given where the coking coal prices, the cost would be lower than that of blast furnace?

V R Sharma: Yes you are right. Steel making through DRI will be cheaper and cost effective over blast furnace in times to come.

Satydeep Jain: Thank you. Secondly on the sales mix in the quarter, there was inventory built due to export bottlenecks and lower demand. If the inventory built mainly in long whether it is rebar billets or maybe in another way the sales mix had higher percentage of flats in this quarter just because you had maybe higher inventory build in longs would that be correct?

V R Sharma: Actually no, it is not correct. The inventory export is because of two reasons; one is there was a cyclone in Bay of Bengal so we lost about 10 days. Number two government of China, Singapore, Hong Kong they have issued a warning that any vessel touching the Indian Port has to be mandatory into high sea to be quarantined for 14 days to 22 days, so this has led to the overall congestion of the unloading ports, in entire Southeast Asia and that has stopped the faster circulation of vessels. The vessel owners, the vessel operators, and the crew they were also not interested in touching the Indian ports. So we have discussed with Government of India, Ministry of Shipping, and Ministry of Steel to declare our ports as COVID free ports. So once Government of India comes with a circular that all our ports are COVID free ports and they maintain some kind of record that yes each and every port worker and employees, they are going to the port, they should be vaccinated properly and on weekly basis their COVID test should be done. Anybody found positive they must take utmost care and then only we can build up the confidence of the international shipping companies to come to Indian ports especially in the eastern coast. So I think the situation will come under control and we will be in a position to service the inventory, but the entire inventory lying at the port it is against the confirmed letter of credits and we hardly cross the last date of shipment, so 99.9% vessels or the total quantity is delivered within time. So we are not very much worried on that ground but of course we can export it faster. So we can get the repeat orders faster.

Satydeep Jain: The entire inventory build in this quarter would it be largely rebar whether it is port or at the plant is it largely rebar and billet?

V R Sharma: It is mix of everything like we have hot rolled coils there, we have plates there, we have structural beams there, we had wire loaded the ports. TMT was very less, rebar was very less about only 30,000 tonne quantity but otherwise the flat products as well as the structural steel, the question here is not the commodity or the product. The question here is the availability of the vessels. If the vessel availability is not there that product will keep on waiting.

Moderator: Thank you. The last question is from Noel from Ashika Group. Please go ahead.

Noel: No nothing else from my side all the questions have been answered.

V R Sharma: Thank you so much for listening to us and thank you so much for reposing faith and trust in JSPL. I am sure with the kind of results the company has shown in last six quarters, this is commendable. You are seeing growth quarter-on-quarter basis and that shows a strong management strong leadership, strong marketing skill, and strong product mix as a whole and we are thankful to Government of India. They have declared PLI scheme. It is not a matter of 6300 Crores but this shows that Government of India has acknowledged the necessity of our steel industry and they acknowledge the importance of steel industry and they have also given message to lenders, to financial institutions, to bankers that yes government has a very positive outlook towards steel industry. So the next one decade will be a game changer for the entire nation I would say because more and more steel plants are going to come. There will be Brownfield expansions. There will be Greenfield expansions and country needs to reach 300 million ton per year of steel production and consumption. I am sure we all put together will be in a position to reach to that level. So thank you once again and thank you for showing trust and faith in JSPL. We as a management will always try that we never let down our investors and we exceed to our expectations.

Moderator: Thank you very much. On behalf of Motilal Oswal Financial Services Limited that concludes this conference. Thank you for joining us.

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