

Jindal Steel & Power Q4 FY18 Results

10th May, 2018

- **Female Operator**

- Good morning, ladies and gentlemen, welcome to the Jindal Steel & Power Limited Q4 FY18 post results conference call hosted by Prabhudas Lilladher Private Limited.

- As a reminder all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded.

- And I now hand the conference over to Mr. Kamlesh Bagmar from Prabhudas Lilladher Private Limited. Thank you and over to you, sir.

- **Mr. Kamlesh Bagmar - Prahudas Lilladher Private Ltd.**

- Yeah, thanks.

- On behalf of Prabhudas Lilladher I welcome you all to the Q4 FY18 results conference call of Jindal Steel & Power. Without much ado I hand over the call to Nishant Baranwal, Head-Investor Relations. Over to you, Nishant.

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

- Thank you, Kamlesh.

- Good morning, everybody. We welcome you all to JSPL Q4 FY2018 results conference call. Today we have with us Mr. N.A. Ansari, CEO, Steel, Mr. Bharat Rohra, CEO, Power, and Mr. Deepak Sogani, CFO.

- To begin the call I will request Mr. Ansari to give us the opening remarks.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- Thank you, Nishant.

- Good morning to all and welcome to this conference. I am very happy to report an overall excellent performance by Jindal Steel & Power Limited in this quarter and in this year. We have already updated our report & I will just share some highlights from it.

- In the fourth quarter we have had the highest ever steel production in our company. The standalone steel production was 1.26 million tons for the quarter which was 38% more than the corresponding quarter of last year. And on a consolidated basis this number is 1.72 million tons that includes 0.46 million tons of Oman and it is 32% higher than the corresponding quarter. On a yearly basis, consolidated number for the production is 5.7 million which is 19% higher, and for standalone it is 4.02 million which is 16% higher. If you look at the revenues, on a consolidated basis it is 8,599 crores for the quarter which is 27% higher and for the year it is 27,841 crores which is 23% higher. On a standalone basis the revenue is 5,752 crores which is again 27% higher compared to the corresponding quarter. And for the year it is 17,523 which is 13% higher. If you look at the EBITDA number for standalone for the quarter it is 1,519 crores which is 66% higher compared to the corresponding quarter, and for the year it is 3,973 crores which is 37% higher. On a consolidated basis EBITDA is 2,136 crores which is again 38% higher and for the year it is 6,469 crores which is 37% higher. If you look at the standalone EBITDA per ton that has also gone up significantly compared to the last quarter. It is now Rs. 12,800 per ton compared to the last quarter number of Rs 9,800. If you look at the entire year, the yearly average is about Rs. 10,500 per ton.

- I am very happy to report that after 13 successive quarters, JSPL has come into profits and our PAT is 145 crores. Oman has also done exceptionally well and got an EBITDA of USD 71 million for the quarter which is 121% higher than the corresponding quarter, and for the year it is USD 221 million which is about 120% higher. The pellet production has also for the quarter gone up by about 15% to 1.84 million tons in this quarter and on a yearly basis it is 6.86 million tons which is about 6% higher.

- This has been possible because of major initiatives taken by our company in all our operations as well as in financial matters. Angul is ramping up quite well, the blast furnace and the BOF and the entire chain is working as per expectations. As we have mentioned earlier also, a plant like this takes about 6-7 months to come to 80-85% capacity, and we are ramping up very well accordingly. Raigarh is working consistently. Oman has done wonderfully well, they have increased their production - last

- quarter they have produced about 0.46 million as against 0.39 million ton in the corresponding quarter last year. And they are already at a level about 2 million tons per year and going forward they should be able to do much more.
- Mozambique is roughly producing around 100-150kt per month and Australia is doing close to about 100,000 tons per month. We are taking major initiatives in terms of managing our costs, customer satisfaction and also our supply chains. Our products are known to be of premium quality and the market is also accepting our products very well. At the same time while we are ramping up the production the market was required to adjust that entire quantity and I am very happy to report that based on all the initiatives that we have taken market has absolutely no difficulty in taking our product. Despite the NSR going up substantially let's say in the last quarter compared to the earlier quarter, we are in a very good situation as far as inventory is concerned. We are also taken several other initiatives in terms of reducing our working capital and all this is certainly yielding results. Our debt level has also come down to 42,000 crores from the peak amount of 46,500 crores.
- I will now request Mr. Bharat Rohra, CEO Power to also communicate about JPL's performance.
- Thank you.
- **Mr. Bharat Rohra – CEO – Power, Jindal Steel & Power Limited**
- Good morning, ladies and gentlemen.
- The year 2018 has seen mixed JPL fortunes. The first two quarters we did a very good performance but in the next two quarters our performance was impacted due to the issues on the availability of coal. As a whole on a year on year basis, the performance in the year 2018 has been much better than the previous years, the generation has increased 19% from 9,100 million units to 10,900 million units. The turnover has increased 31% from 3,100 crores to 4,080 crores. The EBITDA has increased 37% from 1048 crores to 1434 crores, and the cash profit has increased 19% from 655 crores to 778 crores. In the later part of the year as I said in the beginning there has been a severe shortage of coal due to which JPL's performance which could have been much better has been severely impacted. Coal availability and the coal cost have been major stumbling blocks. Coal availability has been impacted due to two reasons, number one is the ban on import of coal for PSU utilities, due to which everybody was concentrating on arranging coal from Coal India. And secondly, Coal India tried to push up the production from various mines. They reached the mine capacity in December itself. In January, February, March, they were virtually closed because they did not have permission to produce beyond a particular level. April onwards the production has been restored and now we hope that with government's efforts it might improve. Due to severe issue of the coal availability, the prices started shooting up from October onwards. And in the fourth quarter, it went up from Rs. 1.68 to Rs. 2.38 paisa per kCal. On year on year basis also, the prices have jumped about 15%. PPAs continue to be rare commodity and all utilities are now coming up with only short term and medium term power procurement contracts. Long term PPAs have something which everybody is looking forward to but they don't seem to be coming. Presently we have about 810 mega watts of long term PPAs and another 500 mega watts of medium and short term PPAs. A few medium term and short term PPAs are under negotiation. And we expect to increase PLF for the year 2019, to over 50%. With increased efforts of Coal India, we hope to manage the coal projects. We would need about 8.5 million tons of coal this year. Half of this is going to come from with the FSAs with Coal India and the other half we plan to arrange through various sources including imports. So, that's all I would like to say in opening remarks. Thank you.
- **Mr. Nishant Baranwal – Investor Relations, Jindal Steel & Power Ltd.**
- Now, I request Mr. Deepak Sogani our CFO to kindly give the opening remarks.
- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**
- Good morning all. Let me kind of add on to the conversation that's going on. Firstly by stating that in the quarter that just went by, we saw all the three rating agencies upgrade JSPL from D to BBB- and to bring it to investment rating that corroborates the strength of the operational performance that we have demonstrated in the current quarter. That's one point I wanted to point out very clearly that from one stakeholders' part, we have got all positive feedback. Secondly, I would like to say that from the banking side also the banks have clearly recognised the potential and had met for a JLF in the last quarter. So, I think from the banking community point of view also they completely understand our financial and operational performance improvement and they kind of recognise that we are now performing fairly well. So, I just thought that I will highlight these two to begin with.
- The second commentary that I would like to make is about our Angul volumes. Angul as you know is the new kid on the block with additional 5 million tons volume that we harnessed in the current year. And we are pleased to kind of again bring the focus that in the last quarter in Angul we were able to do around 500 kt volumes as against the 250 kt in the last quarter. So, almost 100% growth in the volumes from Angul plant. And in the subsequent quarters, we shall be able to see better volumes coming up from Angul. So, I think that is the most critical thing that will add on to our performance even further. And as we have been highlighting that post the Angul commissioning we now have 10.6 million ton global capacity, 8.6 million ton in India and 2 million ton overseas. In FY'18 we ended up doing 19% YOY growth on volume as Ansari pointed out but the headroom is much more because we have so much of additional capacity and the market also looks good. So, we are targeting somewhere around 9.5 million ton volume in the coming year, which would reflect almost 70% of volumetric growth. So a lot of volumetric growth is ahead of us.

- The third commentary that I would like to make is on the EBIDTA per ton. As you would have noticed from the results our EBIDTA per ton in the current quarter is Rs. 12,800 per ton which is around Rs. 3,000 higher than the last quarter, which is a very significant pick up. And based on the macro environment at this point of time we are comfortable with the current pricing regime. And we feel comfortable that we should be able to continue to derive the EBIDTA levels that we are able to get in the current quarter. In the last year our EBIDTA per ton on a blended basis was around Rs. 10,100. We are seeing around 25% pick up from that level in the current quarter. But on the EBIDTA per ton I would like to add one more layer of colour. Ansariji very rightly pointed out so many initiatives that we are taking to improve our efficiency on the operational front and on the cost front. We believe that structurally Angul plant is a more profitable plant, it is a larger plant and more efficient than other plants. But as the volume picks up and the several operational efficiency initiatives that we have put in place are maturing, structurally we should be able to harness almost Rs. 2000 per ton EBIDTA improvement without any external cost or pricing issues. So, while the external environment is good we are also now fairly well prepared to improve our profitability by almost Rs. 2000 per ton that will actually hold us in very good strength even if there is a bit of volatility in the market. I just want to highlight that structurally we are becoming a much stronger organisation. It's not just that the macro environment supporting us, but we see the underlying operations strengthening it further as we progress through the quarters. We saw a total NSR pick up Rs. 4000 and cost pick up of Rs. 1000 in the last quarter, which is how the EBIDTA per tonne has gone up from 9,800 to 12,800. So, that is a very strong trend that has continued.

- The third comment is on the interpretation of the financial results. In the financial results we have reported a very strong quarter with PAT positive for JSPL standalone and on the consolidated level both the volume and EBIDTA metrics being extremely positive. We have taken some exceptional expenses of 437 crores on consolidated basis and partly this is reflected in the standalone financials also. Primarily these expenses are pertaining to additional royalties that we have been asked to pay in past. But mainly these things they are in the nature of provisions and are non cash expenses. Out of the 437 crores, 137 crores actually pertains to some royalty expenses that we had reported in the last quarter pertaining to additional royalty demands on the Tensa mining operations. We are still in the process examining options for recovering the same. But we have decided to take a charge for the 137 crores which is the only cash expense out of 437 crores. Balance 300 crores again pertains to variety of past royalty charges. And even this 137 crores actually pertains to royalty charges for a fairly long period of time that was demanded of us in the last quarter but did not pertain to the last quarter. It pertained to maybe several years' additional royalty demands by the department and therefore we have decided to classify it as an exceptional item, right. So broadly that is the larger comment on the exceptional item but I would also like to take this opportunity to say that by virtue of where we are in our journey today, we do have certain exceptional items in the balance sheet both on the positive side as well as on the negative side. And the plus side seems to be significantly more powerful. You are aware that we had a coal levy of 3,000 crores of which 1700 crores has been charged off in the previous year. We are still contesting the value of 1300 crores and we obviously are hoping for a favourable outcome of that in due course, okay.

- We now speak about the deleveraging. On the deleverage side, we are minus 4,500 Crores from the peak level. We are at the end of the capex cycle. Based on the additional liquidity that has come in towards from the QIP and additional working capital that has been sanctioned we have been able to deleverage and help the Angul business ramp up. So, from a liquidity point of view we are feeling fairly comfortable at this point of time to drive our business to the next level.

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

- Thank you, sir. I would request the operator to open it to questions. But before we start may I again request all of you to kindly ask more strategic questions. Myself and Shweta, are always there to help you with the data questions. With that I kindly request the operator to open the line, Operator.

- **Female Operator**

- Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone wishing to ask a question may please press star and one on your touch tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Mr. Mehta from PNB Mutual Funds. Please go ahead.

- **Mr. Mehta – PNB Mutual Funds**

- Sir, my first question is the cost efficiency of about Rs. 2000 per ton is what you mentioned. Is it specific to Angul plant or is that on the company as a whole. And if you can spilt Rs. 2000 per ton broadly into raw material savings and non-material savings.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- This Rs. 2000 per ton is what we are targeting at Angul plant primarily because of the efficiency which we expect to gain in steel making. The whole idea of this Rs. 2000 reduction is that as you ramp up the blast furnace, the coking coal requirement keeps coming down on a per ton basis. PCI will increase and also the overall fuel efficiency comes down substantially. So, that gives a very substantial saving. For example if you are operating around 8,000-8,500 tons per day. And as we ramp up it will be go beyond 10,500-11,500 tons per day. So, the additional production cuts down the sales cost very substantially. And obviously the fixed cost also gets distributed. At the same time the BOF is also ramping up. As you ramp up, your refractory cost keeps

coming down. Your fixed cost in terms of manpower etc., cuts down substantially and this combined with the improvement in the macro environment can reduce a minimum of 2000 rupees per ton reduction.

- **Mr. Mehta – PNB Mutual Funds**

- And Angul as a total percentage of production or sale would be what, 40% on a standalone basis or in FY'19-20.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- For FY'19 India operations, we are talking about close to 7 million tons of crude steel production. Out of this 7million tons about 50% will come from Raigarh and 50% will come from Angul.

- **Mr. Mehta – PNB Mutual Funds**

- And sir, my last question is with respect to balance sheet; 42,500 crores does it include the current maturities of long term within one year or that number is over and above that.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- This covers both the current maturities of long term as well as the non-current components of long term, this is the complete debt of the company.

- **Mr. Mehta – PNB Mutual Funds**

- And with respect to that what kind of working capital increase should be there or do we still have room to further take down the working capital requirement in number of days.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- There is always room for improvement. The way we run our businesses, we are continuously improving quarter on quarter from all fronts. We have been able to kind of optimise our working capital quite significantly over the last couple of quarters. But we still believe that we will be able to optimise it further. We are running it at around 38-40 days, we should be able to bring it down further by another 8 to 10 days and we are working on that.

- **Mr. Mehta – PNB Mutual Funds**

- Thank you very much and all the best.

- **Female Operator**

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

- **Mr. Atul Tiwari – Citi Group**

- Yeah, thank you, sir. And congratulations on a very successful turnaround with very strong set of numbers. Sir, my question is on your next year's India business guidance of 7 million tons of steel which you guys can produce but will market be able to absorb it and if you could put more colour on this issue. In which products segments are you seeing improved demand because not only you guys but your competitors will also be ramping up somewhat. And also after the NCLT resolution, some of NCLT related cases were which are running at low capacity, they will also be ramping up. So, I mean how do we like get more confidence about this 7 million ton volume guidance in FY'19.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- If you really look at the Indian market today it is close to about a 100 million ton market. And we also see that the annual growth in the demand for the steel is close to 5%. This year we are expecting at least 5.5 to 6% growth and going forward based on the GDP growth we certainly expect it to be around 6% or so, which means we are saying that every year we are expecting an additional demand of about 6 million tons on a compounded basis. Now, if that be the case and we are also aware that there is no immediate new plants which are going to come this year or next year; so as far as today's scenario is concerned and also in the next 2-3 years we certainly see that the demand pick up is considerably more than whatever capacity build up is going to happen. You also mentioned about the companies which are under NCLT and which are going to be taken over; those companies were not really closed. Most of them are actually producing. It could be possible that the new owners will try and push and bring in much better capacity utilization compared to what is happening now. And if that be the case there still may be another 5%-10% kind of increase in the coming year or two. If you look at our product profile that is primarily we are

mostly into long obviously about 2.2 million on a whole between the two plants. If we look at the current demand in infrastructure growth which is very substantial you can find that everywhere that demand is picking up substantially. We can see that in terms of the capacity which are most of the fabricators and all they are full of orders. We also have absolutely no issue in terms of getting orders. Our order books are generally full for 25-30 days. This is despite all the increase in the production rate that has been happening in the last few months and few quarters. So, we don't see any difficulty at all in selling our products. And in fact the market, NSR is also quite stable. We don't see any difficulty at all in selling our products. And primarily if you also remember our product quality is one of the best, you know. If you look at our plate mill, we have one of the best plates in the world. And therefore if there is any shortage in demand so to speak, we certainly believe that our products are superior to anybody else. Also there is a substantial percentage of secondary players in the field. And at present if a push comes to shove these, we should be certainly in a much better situation compared to most of the people. So, I hope I have responded to your question.

- **Mr. Atul Tiwari – Citi Group**

- Yeah, sir, thanks a lot. And sir, second and the last question is the capex guidance for the next year for the standalone and the consolidated basis.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- Most of our capex plans are already complete. There are some areas where we are still spending some money for example we are setting up two additional coke oven batteries plus there is a small billet caster project which is going on. These are some balancing items which are going on. That will be somewhere close to 500 crores in this coming year. And that should cover up the entire capex requirement by and large for the new projects that are happening.

- **Mr. Atul Tiwari – Citi Group**

- Okay. If you include your regular maintenance capex also because it looks like a very small number on an asset base of like 80,000-90,000 crores.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- Yeah, you are absolutely correct. But Angul plant is absolutely a new plant. And when you talk in terms of maintenance capex, that will start at some point of time, but right now we are still in that process where we are utilising all that capacity. In the coming years certainly we will have some additional capex of another 400 crores or so. Oman is also fairly new plant. We don't know really need much of a capex there. So, practically this year, we are looking at capex of 500-600 Cr plus some maintenance of 400 Cr.

- **Mr. Atul Tiwari – Citi Group**

- Okay, sir, thank you.

- **Female Operator**

- Thank you. The next question is from the line of Abhijit Vohra from Sundaram Mutual fund. Please go ahead.

- **Mr. Abhijit Vohra – Sundaram Mutual Fund**

- Thanks for taking the question. Sir, I wanted to clarify what is monthly production number for Angul right now.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- Let's give you a series of numbers for Angul. If you look at quarter 4, Angul has produced about 470k tons and in the coming month we should be producing close to about 250k tons, which will soon be ramping up to 300k tons going next to 350k and finally reaching 400k tons per month. As I have repeatedly mentioned, for a plant like this, ramping up to 80-85% capacity takes about 6-7 months. So in the October quarter we should be doing somewhere around 400-450k tons per month.

- **Mr. Abhijit Vohra – Sundaram Mutual Fund**

- Okay, sure, sir. And the QIP money, there was a note that not the entire money has been exhausted. So after working capital you will still have some money to reduce the debt or will it be exhausted with this year's growth.

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

- The money partly got used for some debt reduction in the last quarter. Partly we used it for some capex and working capital to ramp up our Angul business. And may be around 300 odd crores is still available. And if we were to net it off, our net debt would have been lower than what we have reported. We are netting off that extra cash in the reported debt figure so you are right.
- **Mr. Abhijit Vohra – Sundaram Mutual Fund**
- Net debt will be how much, sir.
- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**
- We didn't want to sort of guide to net debt but if you ask me the available liquidity at the end of the last quarter because QIP came in pretty much at the end of March. We are seeing 482 crore utilised funds from the QIP. So, if you have to net that off, the net debt could be lower by 482 crores.
- **Mr. Abhijit Vohra – Sundaram Mutual Fund**
- Sure, sure. Thank you.
- **Female Operator**
- Thank you. The next question from the line of Ritesh Shah from Investec Capital. Please go ahead.
- **Mr. Ritesh Shah – Investec Capital**
- Hi, sir, congratulations for the set of numbers. Sir, in the initial comment you indicated 8.5 million tons of coal requirement for this year and now a broad remark would indicate like you are guiding towards 1900-2000 million of mega watts of power sales. This corresponds to around 1375 mega watts what we did this year. Sir, could you please help understand the bridge how it will go from 1375 to 1900 to 2000 for FY'19.
- **Mr. Bharat Rohra – CEO-Power, Jindal Steel & Power Limited**
- We already have in place PPAs for 1350MW. Whereas last year we had about 1100MW of PPAs. So, there has been an incremental increase in the PPAs for about 250MW. In addition to this we are under discussions with various utilities for another 300MW. And that should be fruitful in the next two months. On that basis we have our target of having average generation of the range of 1700-1900MW in the current year.
- **Mr. Ritesh Shah – Investec Capital**
- Sir, incremental 300 mega watts it is expected from the states because earlier we had guided 325 mega watts from UP which hadn't materialised.
- **Mr. Bharat Rohra – CEO-Power, Jindal Steel & Power Limited**
- So, we have got this PPA of about 200 mega watts from UP which is on short term basis. So that is in place. That is part of the 1350 which is already being generated and transmitted. The other PPAs are under discussion so, I would not like to disclose to whom it is going to be.
- **Mr. Ritesh Shah – Investec Capital**
- Okay. Sir, my second question is, the auditors have qualified potential impairment of 974 crores for the hydro projects. Could you add more colour over here. And again another one of the notes is, there is an additional levy pertaining to 1274 crores. Now is it something which is not there in exceptional under provision which has already been factored, how should one look at this.
- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**
- So, I think let me first of all correct the interpretation of the reportin. There is no qualification on hydro project. It is only covered under the instruction of the auditors as we have invested certain amount of sums in our power business in the hydro project in the past years. All of them are viable projects. There are three different projects of different capacities that were under development and we had been waiting for the revision of the results of the policy to come in. So till the time the policy comes up we do not want to expand the footprint in that area, and therefore the progress is a bit slow at our end. However, these are all extremely good quality assets, and when the right policy comes in we will obviously create value. The current note

by the auditor is for abundant caution, we do not foresee taking charges on account of these hydro projects any time in our financials.

- **Female Operator**

- The next question is from the line of Nitesh Jain, from Axis Capital, please go ahead.

- **Mr. Nitesh Jain – Axis Capital**

- I have two questions, number one is on the cost of production of steel business in India. How should we look at the dynamics of the local iron ore pricing and I think it has softened a bit, you know, after remaining high for a long time. Also coking coal has slightly gone down. So in the coming quarters should we assume a meaningful reduction in cost of production for Raigarh and Angul. I am not talking about only the operational efficiency part which is your internal target. But the basic raw material pricing as well. This is point number one. And the second question is on the long product pricing market, how do you see that in April and May. Is the steel realization for JSPL higher than the Q4 average reported.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- Okay, thank you. Let me try and attempt to answer this. The first question is if you look at the difference in raw material basket vis-à-vis the finished product and compare this from April '17 till April '18, you will actually find that this margin has gone up by about 42-43%. We expect similar margins in the coming quarters and year primarily because the demand is quite robust so to speak. And so therefore the gap between demand and supply has continued keeping the price at that level. As far as the second part is concerned the realization for the long product in the month of April are almost at a similar footing. So we don't see any major difference between two. I hope that your question is answered by this.

- **Female Operator**

- Thank you. The next question is from the line of Amit Dixit of Edelweiss Securities. Please go ahead.

- **Mr. Amit Dixit - Edelweiss Securities**

- Thank you and congrats for a good set of numbers. I have two questions. The first one is what would be the Angul exit rate in the month of March, and likelihood of DRI plant to start up going ahead. And the second question would be in power business we have seen that the offtake from Coal India has really gone up in April. So are we seeing better availability of coal for power business.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- In Angul, the ramp up is happening quite well. And going towards the end of the financial year we should be very close to our full capacity. The current full capacity in Angul is about 5 million tons and the exit rate in the month of March should be somewhere closer to that.

We are targeting to start the DRI plant sometime around end of July-early August depending upon the ramp up of the blast furnace and BOF.

As far as the coal is concerned I will request Mr. Bharat Rohra to respond.

- **Mr. Bharat Rohra – CEO – Power, Jindal Steel & Power Limited**

- Regarding the coal availability because they had issues on the environmental front so the mines in our area have started production in the month of April and availability is better than March. Although it is not to our expectations but we expect it to improve in May-June because they are dry months and we can get very good production in these two months.

- **Female Operator**

- Thank you. The next question from the line of Pinakin Parekh from JP Morgan. Please go ahead.

- **Mr. Pinakin Parekh – JP Morgan**

- Thank you very much, sir. I am just circling back to the steel 7 million ton guidance which was roughly 4.06 million ton of production which you saw in 2018. Sir, can you give a sense of what is the expected percentage share of semis of the 7 million tons that you plan to sell versus what it was this year.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- Alright, so when we talk in terms of semis, we don't talk of the normal semis or slag. The things we actually sell are the value added rounds or even the squares which are value added used for much higher application. Our finished mill capacity in a combined manner for Raigarh, Angul as well as Patratu is 6.55 MTPA. We always take a decision whether at any given point of time, let's say a given month or given quarter what makes better sense to sell the value added semis or the structures, the plates, or the t-bars, or the wire rods whatever. That is always a dynamic decision which we take depending on the market need and fortunately we have the capacity to do so. So therefore to answer this question whether there is a pattern for sale of semis I would say that there is a minimum secondary requirement for say the rounds for the field and pipe industry and they by and large depend on us. On the other hand there are some products which are more situation based in the interest of the Company. So I really can't give you a fixed number regarding the semis percentage which we are going to sell because again you know the sale itself is very different for us.

- **Mr. Pinakin Parekh – JP Morgan**

- Understood, sir, my second question is going back to the capex number of 500 crores for the year. Now the depreciation on a consolidated basis is roughly 1000 crores per quarter which is 4000 crores for the year. We understand this is now because a lot of the new projects are being expensed through the P&L. But it has been mentioned this 500 crores is balancing facilities. So what will be the maintenance capex for a company as large as JSPL?

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

- There are three different kinds of conversation on that topic. First, we are at the end of our large capex cycle in Angul. There is no new large project that is being considered either in Angul, Raigarh or Oman. Therefore I would like to provide an assurance that there is no large capex that is on the anvil at this point of time. Point number two, very clearly as we are stabilizing Angul we need to do the residual balancing capex which is essential for us to stabilize the plant well or to fix some of the residual parts. And as Ansari mentioned that capex is around 500 odd crores. Last, we still have regular maintenance capex which will be around 500 crores. And I think to bring clarity this regular maintenance may be a little less this year. But ballpark to be on the conservative side, I would like to kind all of you to factor in about 500 crores of maintenance capex on a regular basis including this year. So, total of 1000 crores is a decent number to take for capex this year.

- **Mr. Pinakin Parikh – J P Morgan**

- Understood sir, thank you.

- **Female Operator**

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

- **Mr. Bhavin Chheda - Enam Holdings**

- Yeah, good morning, sir. Good set of numbers. Sir, on your guidance which looks very strong on volume and the way Angul is ramping up and you are looking at cost saving also. So, you spoke of 2000 rupees cost saving and as you mentioned the realisations are largely steady in April-May over quarter 4 exit, which means in the steel business we are still headed for improvement for strong EBITDA for current level.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- There are two phases we have talked about. One is the margin level the other is the cost reduction of 2000 rupees. And the rest of it obviously the NSR depends on the market scenario today and going forward. We certainly expect that these numbers should be good certainly because the demand for it is there. These two factors combined together should increase our margins certainly.

- **Mr. Bhavin Chheda – Enam Holdings**

- And your coal mining operations have not yet contributed meaningfully maybe it is negative in the FY'18. And now all the mines are operating, can you give some guidance or some outlook of what kind of run rate do we expect in FY'19 and would there be any meaningful contribution in FY'19.

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

- We were not able to focus on our international coal operations because Angul was our focus in the past. Also that we are quite strong in the Indian operations now and our volumes are ramping up, the need for supply has increased for us. It is in our interest to increase the production there now and support our current business. Therefore in line with that for the last couple

of quarters a larger management focus has been to develop the mines and to grow operations there. And accordingly both in Mozambique and Australia about a 100k ton per month kind of production is already in the ballpark. The focus will be significantly higher in FY19 than it was in FY18 to develop these assets. And both in Mozambique and Australia larger things are happening. We should be able to certainly demonstrate improvement on where we are in this business. However you know, given the large EBITDA from our steel business and from our power business, the EBITDA from our mining operations are unlikely to be comparable. These mines are more from our raw material security point of view.

- **Mr. Bhavin Chheda - Enam Holdings**

- Yeah, thank you, sir.

- **Female Operator**

- Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

- **Mr. Sanjay Jain - Motilal Oswal Securities**

- Hi. First question is on what is the capex that we have done in FY'18?

- And secondly, you know in the previous quarter you were saying that Australia will break even in the 4th quarter. And now when we see the numbers on consolidated EBITDA and deduct standalone, Jindal Power and Oman then we get negative number about 110 crores in this reconciliation.

- **Mr. Deepak Sogani - CFO, Jindal Steel & Power Limited**

- Yeah, yeah, other than Oman, JPL and JSPL standalone which are our EBITDA profitable businesses, the balance is not positive. As I just made a commentary, we will have larger focus on mining operations in FY'19. We look at them as an integrated part of our business to provide us long term raw material security and not as standalone return on capital kind of investment. But nevertheless, the Australian and African businesses are very marginal in terms of EBITDA and profit.

- **Mr. Sanjay Jain - Motilal Oswal Securities**

- The only thing that I want to understand you see, for FY'18, there is negative 400 crores. So, for FY'19 could this be similar kind of number or we should see some reduction from here.

- **Mr. Deepak Sogani - CFO, Jindal Steel & Power Limited**

- I would not only see reduction but would actually like to believe it will be maybe positive 400 crore. Given the fact that in the 12 months period we have seen Australian operations only for a part of the year and Mozambique operations were also at the lower rate and have increased the rate only now. And also on the whole if you look at it even on the last quarter exit run rate basis, you know, the overall volume and profitability should be higher in FY'19.

- And now the total capex in last year was about 900-1000 crore net of oxygen plant sale.

- **Mr. Sanjay Jain - Motilal Oswal Securities**

- Okay.

- **Female Operator**

- Thank you. The next question from the line of Anmol Das. Please go ahead.

- **Mr. Anmol Das**

- Good afternoon sir, congratulations on good numbers. I just have one question. Does JSPL have subsidiaries in overseas in the domestic market which they are planning for divestment?

- **Mr. Deepak Sogani - CFO, Jindal Steel & Power Limited**

- We have for example a subsidiary in Oman which is 100% owned by us and then Jindal Africa. As far as divestment is concerned, we are obviously looking at Oman IPO. But right now we are all work-in-progress. We are still looking at various

options, whether it makes any sense to go for IPO at this stage or do it a little later, or should we have some investments. All these options are being looked at and that is something that we can't really share at the moment.

- **Mr. Anmol Das**

- Okay, thank you.

- **Female Operator**

- Thank you. The next question is from the line of Abhijit Vohra from Sundaram Mutual Funds, please go ahead.

- **Mr. Abhijit Vohra – Sundaram Mutual Funds**

- What is the status of this JPL 1000 MW sale?

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- It is the status quo, so the long stop date remains in June this year and obviously as a company we are discussing whether they should get into an agreement for extension of six months to a year. And that discussion is on. Most likely that might happen but as of now it is status quo.

- **Mr. Abhijit Vohra – Sundaram Mutual Funds**

- Okay, and second I wanted to just clarify all the provisions for the past years have been taken or still some more proportions.

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

- Let me give you my comments on that. You are aware there was a large coal block levy imposed on us of around 3000 crores which we have paid. And we have taken a charge of around 1700 crores. Around 1300 crores still remains to be charged. We are contesting, and we are obviously hopeful of recovering bulk of the payment that we have made in the past. So that is the reason why we have not taken this charge so far. On the other hand, there is a sub judicious matter where around 12 million tons of iron ore inventory is not yet accounted for. Effectively, if we look at some of the contingent assets, my assessment is that we will come out to be significantly more positive given the fact that we have already made the payments which were not meant to be made and we are contesting the recovery of that.

- **Mr. Abhijit Vohra – Sundaram Mutual Funds**

- Sir, the payment of 2000 crores have been made or the entire 3000 crores have been made.

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

- We have made 3000 crores one time royalty payment. We paid and we are contesting the same and we have accounted for almost 17-1800 crores of it and we are still hopeful to be able to recover the entire lot. There is no further cash outflow, the cash is already out long time back. Also there is 10 million tons of iron ore inventory that belongs to us and is subjudice. The payment for that has also been made by us in part and extended a long time back. Whenever those iron ore mines come to us and they will at some point of time, that will again add to our cash flow to us. My assessment is that on the cash price we have paid out all the large payments that were required to be paid and whatever provisions, when they come they are non cash related but we are hoping to actually generate significant cash from the payment that we have made in part of this provision.

- **Mr. Abhijit Vohra – Sundaram Mutual Funds**

- Thank you.

- **Female Operator**

- Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities, please go ahead.

- **Mr. Abhijit Mitra – ICICI Securities**

- Thanks for taking my question. Just to understand, given that we are looking for 7 million ton steel production in domestic business in FY'19, what kind of net debt EBITDA are we looking for, is it fair to say that you know, without factoring in any of our divestments on any of the subsidiaries, can we reach to 3 to 4x kind of a target. Question number two is I also wanted to

understand what is the gap that exists right now between Angul and Raigarh in terms of their EBITDA performance. The reason I am asking is that as Angul ramps up and as this gap kind of narrows down so to speak, the EBITDA converges. A part of it is the Rs. 2000 per ton of benefit, cost optimization that you have earlier referred to. But if you could help us also understand the current gap in EBITDA performance between these two plants that would also be helpful. Thanks.

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

- So I think let me get your first question on the net debt/EBITDA. We are reporting a very good set of net debt/EBITDA numbers this year end. FY17 net debt/EBITDA was a little over 13. And FY18 net debt/EBITDA is around 6.5 times. Next year without any divestments we should look at the volume that we have set of around 9.5 million ton. If you do a quick back of the envelope computation, with current EBITDA per ton of 12,800, we are talking somewhere around 11,000 crore of EBITDA from the steel business itself and the power business will also get added. So even if we ballpark, the current year is looking very positive. I am not giving a guidance on EBITDA but just trying to do the math with you on the fly. If it is say 11,000 crores and we charge the free cash flows after bank interest and bank repayment of around 6500, a capex of 1000 Cr, we should have free cash flows of 4000-5000 crores. And that should bring down net debt/EBITDA significantly. We are committed to reduce our net debt from 42000 crores to at least 36000 crores this year primarily from an operational performance point of view. If we take 36000 crores as ballpark debt and get 12,000 crores EBITDA, then the net debt/EBITDA should be in the range of 3-4 times. Now one point which I missed is when we are reporting Rs. 12,800 EBITDA per ton for the full quarter - the charge of the quarter builds up over three months. In March actually the EBITDA per ton goes is better than 12,000 by another 2000 rupees. So we will see how the quarter plays out on the blended basis but exit EBITDA per ton is higher than the average EBITDA per ton in the last quarter by a reasonable amount.

- **Mr. N.A. Ansari – CEO-Steel, Jindal Steel & Power Limited**

- If you look at the cost differential between Angul and Raigarh today will be somewhere close to around 500 to 1000 rupees in March. Raigarh is still cheaper compared to Angul. But going forward as Angul ramps up and comes to a right kind of volumes, it is certainly going to be more profitable compared to Raigarh because of larger volumes it has got. Going forward that benefit of Angul cost reduction should start happening in a couple of quarters max.

- **Mr. Abhijit Mitra – ICICI Securities**

- Yeah thanks. Thanks for taking my question.

- **Female Operator**

- Thank you. The last question is from the line of Mr. Prateek Singh from Credit Suisse. Please go ahead.

- **Mr. Prateek Singh – Credit Suisse**

- Hi, sir, congrats for the good set of numbers. Sir, just want to get a handle on QoQ net debt movement because in the last quarter number was given at 42,400 crores. Despite the QIP, of which I understand that has also been used in working capital, the net debt hasn't moved much. So, how do we bridge this gap.

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

- Though you are correct last quarter we had reported 42,406 crores if I am right and this quarter it is 42,012 crore so there is reduction of 405 crore in the last quarter. In addition, we have unutilized cash of around 482 crore, which if you reduce from the gross debt will give you the net debt with some more reduction factored into it.

- **Mr. Pratek Singh – Credit Suisse**

- Right. Sir, but what I am saying is that even if you factored that the total differential due to the QIP would be around 1200 crores plus unutilized cash because of what is in the EBITDA in this quarter even then the net debt moment does not seem that high.

- **Mr. Deepak Sogani – CFO, Jindal Steel & Power Limited**

On the quarterly basis we have quoted a 1500 crore standalone EBITDA, and 1200 crores additional QIP. So, we are talking about 2700 crore additional funds that remain in the business in the current quarter. Out of that I have told you 500 crores is still available, we are left with around 2200 crore. Another 400 Crores has been used for debt reduction, which makes it 1800 Crores. There has been working capital increase of around 1000 crore to be pumped into Angul, on account of inventory on both raw material and finished goods inventory and balance 800 odd crore has been spent partly on capex or post capex payments.

- **Mr. Nishant Baranwal – Investor Relations, Jindal Steel & Power Ltd.**
- Thank you everyone. Before we close I would go back to Mr. Ansari for his closing remarks. Thank you.
- **Mr. N. Ansari – CEO – Steel, Jindal Steel & Power Limited**
- So, friends as you can see, we are firmly on the path of recovery and after 13 quarters we have come into top head. Going forward with all the initiatives that are being taken in terms of the cost reduction and also the market playing out well. We should be doing much better than we were. In quarter 4 if you look at our average NSR it was above 40,200 rupees whereas in the month of March it has gone up to 42000 and today it is close to 43,000. We certainly see very positive sentiments coupled with our cost reduction, substantial volume increase, the market continuing to play well primarily because of the demand supply. We should be doing much better in the coming quarters and years compared to what we have done in the past. So, I thank you all for your very insightful questions once again.
- **Mr. Nishant Baranwal – Investor Relations, Jindal Steel & Power Limited**
- Thank you very much for joining us for today's call and I would hand over back to Mr. Kamlesh Bagmar from Prabhudas Lilladher. Thank you very much
- **Speaker**
- Thank you.
- **Female Operator**
- Thank you, ladies and gentlemen, on behalf of Prabhudas Lilladher that concludes today's conference. Thank you for joining us and you may disconnect the line.