“Jindal Steel & Power Q2 FY-16 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Jindal Steel & Power Q2 FY16 Earnings Conference Call hosted by Motilal Oswal Securities. As a reminder all participant lines will be in the listen-only mode. 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 '*' and then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Jain. Thank you and over to you sir.

Sanjay Jain: Thank Liz. On behalf of Motilal Oswal Securities, I welcome you all, it is our pleasure to host senior management of JSPL to discuss the financial and operation highlights for the quarter and the key developments. Now I hand over the call to Mr. Bala, Head of Investor Relations at Jindal Steel & Power. Mr. Bala Please.

Balasubramanyam D: Thank you Sanjay Jain. Good afternoon ladies and gentlemen, welcome to the JSPL Q2 H1 of FY16 Conference Call where we would like to discuss about the financial results and also the key developments with our investors and analysts. A few requests like always please restrict your questions to maximum two and also please refrain from asking data points to the extent possible because our IR team is always available for you for giving you the updates on the financial data points the time can be better utilized by getting management perspective to all the people. With this few words let me introduce today's key speakers from JSPL, we have our MD and Group CEO Mr. Ravi Uppal and Mr. Rajesh Bhatia, CEO Global Business. Now I would request our MD and Group CEO sir to kindly address the participants.

Ravi Uppal: Ladies and gentlemen very good afternoon and thank you for joining us in this Conference Call I'm sure that you would have got by now a copy of the results that we put out on Saturday after the Board's sitting, I would just like to highlight to you the salient features of the results and also talk to you briefly about trends. As you are all aware that steel and mining industry worldwide is going through a huge challenge the Chinese excess capacity has had a far reaching impact globally the prices of the various steel products continue to fall and in parallel to that the prices of the increasing minerals also continue to drop. So both the raw materials as well as the finished goods the prices continue to decline and that obviously creates a certain amount of unpredictability and uncertainty in the market so on this backdrop that we performed during the Q2, company really took the challenge squarely and that it is evident from the results that we put out that whatever is within our control in terms of how much we can produce, how much we can sell, how many markets we can reach out, how we expand our product range, how we manage our internal working capital and how we try to enhance our operational efficiency the company has performed excellently on those fronts.

You would have noticed that our total production during the Q2 and as well as sales both of them sort of increased by 11%. This is in face of stiff competition from imports and also from the domestic players from the new plant they have recently commissioned especially in the public sector. So we obviously reached out to more markets within the steel segment - we got several new customers, our customers have been very loyal to us and they have given us a continued premium they recognize the quality of the JSPL products and I'm happy to confirm to you the JSPL today enjoys the reputation of being the best quality producer in most of the products that we do. We also have been vindicated in our strategy to focus on long products, those products which very few companies produce in the country for example the long products like structures, beams, angles the competition relatively less and we continue to have a major share in the market. Our Angul plant with the special high-grade plates that they produce have already made the name in the market and the market does acknowledge that. JSPL Angul plant is the best not only in India, is among the top three mills in the world. So we continue to do very well qualitatively to reach out to more markets that we did not do in the past and the net result is that both our production volume as well as the sales volume increased by 11%.

I would like you to know that since the last quarter, Q2 of last year to Q2 this year the prices in the market have continued to fall very steeply, just for your record the total price fall in the last 12 months has been nearly 22%. So you can see that all the extra revenue that we were mopping up got neutralized by the drop in the NSR but in spite of that we have maintained our revenue line very close to what we had last year, this is just a notional decrease of over about 0.7% for the JSPL standalone compared to last year which is better than any peers that we have in the market which posted double-digit drop in the total turnover.

We also put in a very good performance on the pellet front, our pellet volumes have increased by nearly 40% in the external market and we had a record production of pellet this year, we remain on track to reach between 5.5-6 million tonnes of pellets this year which is a huge increase compared to what we did in the market. I'm happy to inform you that JSPL has now been recognized as a leader in the pellet market and we set the price in the market right now. The iron ore was an issue, iron ore fines in the first quarter of this year and the fourth quarter of last year- well I'm happy to inform you that the position with regard to availability of the iron ore fines has improved. The prices continue to drop but they have not dropped as much as we would like to see them. There is some amount of talking on the prices but we are talking to the State government as well as the producers to see the prices can be brought down. There is a plan now in Odisha the government wants to fix the royalty based on the grade earlier they were charging us a royalty based on the best grade, so this is going to help us to reduce the cost of fines still further and we also have been talking to the iron ore suppliers as they are looking at the possibility in dropping the iron ore fines further. The prices of lumps continue to fall in the market so I think the raw material drop in prices will definitely help us to keep the competitiveness although the prices of raw materials have been falling but they have not fallen as much as the drop in the NSR, that is something that has brought pressure on us so when you saw our JSPL standalone numbers you would have noticed that in the last quarter we had an EBITDA of 23% whereas in this quarter it has fallen to 20% notwithstanding 11% increase but the fall in the NSR actually took the toll on it. So we remained at about 20% thanks with the contribution of higher volumes plus more volumes of the pellets that we did produce, in the weeks and months to come, we do foresee that the cost of the raw material that we buy from the market will continue to drop and we will be able to maintain the margin between the sales price and net cost of steel products to us.

We continue to change the mix of the products so that the products where we have a strong position in the market and the price realization better so that we focus more on them and the products which are subjected to very fierce competition especially from imports that we continue to do as minimum as possible. The Government of India in the month of September based on the request made by the industry and recognition of the global competition as tendency to dump materials in the Indian market they imposed a provisional safeguard duty on the HR Coils, I would like to inform you that the Indian Steel Association has also filed cases for plates and wire rods and more products will also follow suit, contacts have been made with the government at all levels and where we have shown as to how much injury is being inflicted on the Indian industry due to the unethical price dumping done by the foreign suppliers. I am quite sanguine that in the next 6 to 8 weeks' time the government will introduce the safeguard duty on other products and they are also considering to set up floor price levels for every commodity. I think this is something which is absolutely must, the government is very sympathetic and they are very seriously looking at it, they share the concern of the industry that Indian industry not only has to be saved but we have to create grounds to make sure that this industry continues to grow. So I think I'm quite optimistic on that ground and I think the respite will come. We, the Indian industry, including JSPL, we are fiercely competitive when it comes to conversion cost but the kind of non-level playing field that we have in competition continues to give the advantage to producers from China, Korea and Japan. With some of them, we have a free-trade agreement thereby we are not even subjected to the basic customs duty and the Chinese government is continuing to give 13-15% discount, the incentive to them on any product which is called steel even minimum alloy, so these kinds of unevenness which is there has been brought to government's notice.

The Indian demand in the Q2 as such went up by 4% but lot of its benefit was taken by the importers because imports increase by 54% so we have brought this to the government's notice that India's demand has certainly grown there is no doubt on that that it is 4% but the benefit of it should go to the Indian producers. This is something that we have pleaded with the government and it has been taken note. So our EBITDA level is at about 20% - we will try everything possible to see that we sustain this level, we will try by changing the product mix, and reducing the raw material cost going forward. In addition to this, I would also like to mention about Jindal Power briefly, on a consolidated basis that you'd have noticed, there again our EBITDA level is about 20%. It was 23-24% in the last quarter, here again we have had the impact of dropping EBITDA level in power. Our total generation in the second quarter is 50% more than that we had, in terms of revenue value it was Rs. 600 crores in the last quarter this time it is around Rs. 900 crore plus so it has increased by 50%. Moreover EBITDA level has dropped from 28% to 19% for power, the main cause of that is basically increased raw material price. In the first quarter we had bought some coal in auction, our production was also less and some coal was there with us as part of the opening stock but in the second quarter we got some coal as a part of linkage that we have under the PPAs and another part we had to buy in the auction. The auction prices has been somewhat high but I am happy to share with you the auction prices have started to decline. In the coal auction that we participated in the month of October and early in November, there is a trend for the coal prices to drop because there has been excess production and there is lot of surplus coal. I hope that trend maintains and that will see that our earnings from the power production side improves. We continue to remain very focused on increased production, we hope that by the end of the third quarter, we will be achieving still higher plant efficiency and therefore remains to see that we gradually move towards full utilization of the plant capacity. Our company continues to focus a lot on operational excellence and I'm happy to tell you with the enhanced focus on internal capital management we have been able to reduce nearly Rs. 750-800 crores of working capital as we move from Q1 to Q2 and this effort will gather even further momentum when we are in Q3. We think that there is lot of room for us to reduce the size of the working capital and thereby reduce the total capital employed by the company. Company has continued to take many initiatives to make its products competitive, I will give you an example because I do not want to talk to you just at the abstract level, the electrical arc furnace in Raigarh that we converted in the last quarter into basic oxygen furnace, we call it NOEF that has given us a reduction of Rs. 1250 per tonne in steel that we produce. We are taking many such initiatives in the other plants also whereby the cost of production should continue to reduce and we do believe that the ultimate success of the company will lie in being the cost leader so towards that end we continue to take many steps to reduce the cost.

As far as the new projects are concerned our upgradation and the modernization, we have done what was absolutely necessary which were in the pipeline, where the work was close to the finishing line but we're not taking up any new projects so to that extent the capital expenditure has been set aside and only the residual capital expenditure to complete the projects and make them operational is what we have done. This includes, for example, we have setup a new bar mill in Angul which is under commissioning - this was started 2 and 1/2 years ago and same is the story with the bar mill in Oman which is once again in the commissioning and by the end of December that bar mill will also get commissioned. We continue into more virgin markets. I am very happy to tell you that your company JSPL has made a very successful foray into the building segment high-rise building segment and I do see that JSPL will become a market leader in the high-rise building, we have taken several contracts in Delhi, Bangalore, Mumbai where we will be supplying full steel structure the columns, the beams, the welded mesh, speed floors - there we will supply and we have got a very healthy enquiry bank with us and people do recognize the general steel leadership in the structural steel - we are in full position and we can lead this market. There is a clear trend in the market to shift from RCC buildings to steel structure-based building which are quick to assemble, the completion period is one third of the RCC buildings, and I think we will certainly benefit from that. Our heavy fabrication plant, our cement plant, all of them have done remarkably well so I basically feel that it is taking some time for us to come to terms with the new realities but we're taking some galloping steps to see that we are out there in a very-very short time. So in conclusion I would like to assure you that your company is highly focusing & the entire management team is highly focused to come to the pinnacle of operational efficiency and any adverse impact which is created by a rapidly changing environment - we are trying to neutralize it by taking multiple steps to keep this under check to enhance operational efficiency, better materials management, better working capital management, focusing a lot on capital efficiency so multiple steps are being taken and we are very much focused on making sure that we do not add that. To the contrary, we will take steps to see that debt if at all we reduce it. There are multiple initiatives which are under action to see that how we can bring in more equity to the company and how we can keep the debt under check. I wouldn't like to speak on those we never like to talk anything prematurely but I'm just giving you broad direction which way the company is looking up. I want you to appreciate one thing that JSPL which had taken a leap frog to increase its capacity for the power sector as well as steel, the market went into depression just about when we were about to make use of our enhanced capacity, so it was unfortunate coincidence but I think that does not conceal the fact that we in our new form have built up a huge capability in capacity and as soon as anything comes up we will be the first to cash on it. While on the point I also want to remind you that we have now become the supplier of long rails in India, we have supplied 260 m long rail to Delhi - Kolkata freight corridor, we are expecting to get in the coming quarter more orders from the same corridor. We may also get qualified for supply of head hardened rails in the western corridor, very soon maybe in the month of December - we will formally announce having commissioned the head hardened rails by JSPL, we become the first company in India to produce head hardened rails which will be used for high-speed passenger corridors as well as the freight corridors. So many such initiatives underway, I am not enumerating every one of them I'm just giving you just in flavor of what all we're doing and that is all want to say, I think you have the results with you and I would like to answer if you have any questions to ask you can ask, but before I do that I will ask my colleague Rajesh Bhatia if he would like to add anything that I might not have highlighted.

Rajesh Bhatia: That was a very comprehensive presentation by Mr. Uppal and that covered more or less everything, I can give you some more insight into our foreign ventures particularly the Oman, Mozambique and South Africa and Australia. Coming over to Oman as Mr. Uppal said that we continue to feel the face the heat in the steel market in Oman as well particularly because there is no duty protection over there but the good thing there is that the raw material has also iron ore allied sourcing has also come down sharply, the prices have come down much more sharply than what they came in India so we have been able to maintain our EBITDA margins in our Oman steel plant. This quarter we produced the highest ever HBI production of about 400,000 tonnes and so we are utilizing the whole capacity more than 100% now. We had 12% higher production in the current year as compared to the year before and similarly we are in the final stages of commissioning our rebar mill and that will give us value add over the current billet and round what we are currently selling through our steel shop over there. Australia again we have got a partial approval to except a longwall 6 which we did and we completed that in the month of July so a lot of that is already accounted for in the previous quarter. We are still working with the various government agencies to get the approvals in place for the continuous operations in the longwall but I think with the thing is getting a bit delayed on that side so what we done is the taken steps to reduce our cost there, we have made further redundancies over there and currently we have only about 78 people working in the plant as compared to 466 people when we had actually taken over this plant. I think when we restart we will also look at the other options of accepting the coal given that the coal market is really subdued and there may be a substantial cost savings as compared to what our present arrangement provided, so I can easily say that we can easily target about 30% to 40% of cost reduction in our coal extraction whenever we commence. South Africa and Mozambique again we had production increase of, in Mozambique our production was 12% higher in the current quarter and in South Africa our production was about 8% higher. Mozambique I think we have been able to also get a substantial chunk of the thermal coal market in the adjoining countries like Zimbabwe, Malawi and that gives you a much better realization also and quicker disposal of the thermal coal which otherwise was uneconomical to bring to India or export elsewhere so going forward we are looking at about 10,000 tonnes of sales over there in these markets. We are not producing at our maximum capacity given the way the markets are but we are EBITDA breakeven in Mozambique and we have also developed other business streams like wherever we have the surplus capacity on our logistics, infrastructure - we have rented it out to other players and we are getting substantial revenue now generated out of handling cargoes for the other businesses cement as well as coal players in these places. I think that was the quick insight into overall businesses of our global ventures and on the whole I think the global ventures did a much better performance as compared to the last year and Australia remains a bit of a challenge but I think we will surmount that.

Ravi Uppal: We now request the participants to kindly ask the questions please.

Moderator: Thank you. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Ravi Shankar from Credit Suisse. Please go ahead.

Ravi Shankar: I wanted to know that the standalone levels the sales are up slightly QOQ and the volumes are down 5%, so have the realizations gone up by 6% or am I missing out something here?

Ravi Uppal: I must put the numbers in the right perspective. Our physical sales in steel have increased by 11% overall and in the domestic market the sales are up by 14%. But if you look at the total turnover we have on standalone basis is nearly Rs. 3173 crores compared to Rs. 3194 crores last year which means that there is a net decrease of about 0.6% in value terms compared to last year. I mentioned this to you although the volume is up but our net realization is slightly less because there have been bit drop in NSR, the net sales realization.

Ravi Shankar: On a quarterly basis sorry to cut you, this is an 820 kt has become 780 kt so there has been a decline in sequential basis.

Ravi Uppal: Yes because there has been a drop of nearly for 4.5% on the NSR, the volume in the Q2 is just a little more than the Q1 but it dropped, the NSR has dropped, which is a global phenomena and the country wide phenomena.

Ravi Shankar: What are the net debt levels and how have they changed this quarter?

Management: Net debt today as on 30 September is around Rs. 45,000 crores and as compared to the last quarter I think it has moved up by about Rs. 300 crores. Largely due to some of the foreign exchange fluctuations arising out of the foreign currency debt.

Moderator: Thank you. The next question is from the line of Anuj Kapoor from Barclays. Please go ahead.

Anuj Kapoor: Could you also talk about the disinvestment plan on some of the assets that you're looking at?

Ravi Uppal: The efforts for effective disinvestment continue but we do not want to do this in haste as you know that generally the market sentiment which is the steel and energy space is somewhat subdued right now we are in the process of discussing with several parties, good progress has been made but we have not come to a stage where we can say that we have done, so it is progressing but we're doing it very patiently in a sustained way without being hasty and causing any loss to the asset value. It is going on I just wanted to tell you that.

Rajesh Bhatia: Its the same what we discussed last time - Australia , IPO at Oman or JPL and Botswana - I think the key area where we are looking for divestments - I think they are all well-known so we do not need to repeat them.

Ravi Uppal: In addition to what Mr. Bhatia said we are also looking at some joint ventures with the global majors which is also under discussion.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: What is the rationale behind transferring the power as such from JSPL to JPL, is it because to lower the debt at standalone entity?

Ravi Uppal: Our power assets because of historical reasons were quite spread out - some of them were at JSPL others are in JPL, while the complete core management team is there at JPL we also had nearly 1700-1800 MW of power capacity which were quite spread out and under the ownership of JSPL, there is so much synergy between the various power units we wanted to consolidate all the assets under one legal entity which is Jindal Power Limited. It makes sense, there is no point having the power units under the steel business neither it also requires operational coordination so we are in the process of consolidating the complete power as such under one entity that is the reason why we shifted the assets from JSPL into the JPL.

Pallav Agarwal: The other question was on the international operations, we have been seeing a lot of losses at the coking coal assets in Australia - is there a possibility that given the subdued commodity price environment we could see some impairments taking place on our international assets?

Rajesh Bhatia: If you see an exceptional item of 430-440 crores almost so that constitutes impairment of Australian assets because you value the assets at the end of the year based on reports of independent valuer. So that impairment is already reflected in the results in the current quarter.

Pallav Agarwal: Are we still carrying the asset at a higher value in our books?

Rajesh Bhatia: No we will pay tax, this current quarter if you see 439 crores which is an extraordinary item - that includes an impairment arising from the Australian assets, so with that now it stands at its current fair value.

Moderator: Thank you. The next question is from the line of Saumil Mehta from IDFC Securities. Please go ahead.

Saumil Mehta: Can you give the coal cost for JPL for this quarter and how it has moved on QOQ basis?

Ravi Uppal: I mentioned to you earlier that the coal cost in Q2 has gone up, I have good news. The good news is that our net per price realization at second-quarter has about better than in the first quarter even compared to last year for examples our average realization was Rs. 3.43 compared to Rs. 3.28 last year so there is improvement of Rs. 0.15, lot of it was neutralized because of the cost of acquisition of coal was more than what we had in the first quarter and of course much more than the costs that we had last year. But as I said now we see that the trend is getting bucked, in the middle of October onwards we see that the coal prices have started to soften and because there is excess production and offtake is not as much as it used to be from 1 April till the end of September so hopefully in the current quarter we always try that the coal acquisition should go down.

Saumil Mehta: Is it possible to quantify in terms of rupees per tonne what was the coal cost?

Rajesh Bhatia: We can give you a percentage, the coal cost has gone up this quarter by about 30%.

Ravi Uppal: It has gone up, as I've said if you look at EBITDA levels they were in the first quarter about 28% although the production was low but now the EBITDA level fallen to 19% and much of it has been consumed by the higher coal cost, so if the coal cost comes down the EBITDA straight shoots up and that is precisely our focus at this moment to see how we can bring down the coal cost.

Saumil Mehta: My second question is it possible to give the EBITDA numbers for Oman and some of the operating coal mines which we have?

Rajesh Bhatia: Oman is $18 million, EBITDA is about 19.66%.

Saumil Mehta: Same for South Africa and Mozambique could be?

Rajesh Bhatia: Mozambique is breakeven at EBITDA, South Africa is about 9%.

Saumil Mehta: 9% at EBITDA level.

Moderator: Thank you. The next question is from the line of Kunal Agarwal from JP Morgan. Please go ahead.

Kunal Agarwal: There has been talk by the company regarding asset monetization all the power assets have been shifted down to single power entity in JPL, other than asset monetization is the company also or is it okay with strategic investor coming in here that at the power entity or the steel entity or would debt reduction only means slump sale of assets in this environment?

Ravi Uppal: I have already made a comment on this one we are looking at every possibility to see how we coverage more liquidity we are looking at the divestments of certain assets I again emphasize that we will never do any desperate sale, we have the right valuation and customers recognize the true value of the assets only then we will do it but I also mentioned to you that we are also looking at prospect of a joint-ventures, there are companies from developed countries who want to come into India - they are in dialogue with us to see if they can make a joint-venture with us some of our existing businesses.

Kunal Agarwal: My second question relates that if the current situation were not to turn materially and given that the net debt as of September end and there would be some remaining CAPEX that needs to be done and if there is not much improvement in operating cash flow how much can the net debt increase by March, like keeping the asset sale aside for a moment?

Rajesh Bhatia: I think our endeavor is not to do that and as you see that in the current quarter we only added 300 crores so as Mr. Uppal said endeavor is to utilize the working capital more effectively rather than taking more debt and reduce the working capital, collect your receivables much faster because over the years we've had all this some of the inefficiencies built into the system because of so much money was flowing into, I think we have addressed that. As Mr. Uppal said in this quarter we have reduced our working capital by about Rs. 800 crores and the endeavor is to do it by another 1000 crores in each quarter for the next two quarters.

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

Ritesh Shah: Can you please detail how the CAPEX numbers will look like for FY16 and 17 and specifically at what stage is Angul Phase-2 right now?

Ravi Uppal: As I mentioned to you that we are not making any new investments at this moment, what we're trying to do right now is the projects which are very close to commissioning we are trying to just commission those projects like Oman bar mill and the Angul bar mill and there was a plate mill upgradation in Raigarh these are projects which we started 2013 so they had all the deliveries were made, some residual things were remaining so we have just focused to see how we can get these investments operational. So to that extent only we will make small capital investments so this Angul Phase-2 has been put back and when the investment climate improves and the demand improves only then we will look at that phase. So right now focus is no more capital expenditure to the contrary we would like to reduce it as much as we can so that is the best policy view right now.

Ritesh Shah: How much is the maintenance CAPEX and the incremental project completion related CAPEX that we must look at if you could detail it for FY17?

Ravi Uppal: I would say that if you look at the balance part of the year you should estimate that we will each quarter put about Rs. 500 crores less than Rs. 1000 crores in the next two quarters.

Ritesh Shah: FY17.

Ravi Uppal: That we have not finalized because situation is so fluid at this moment, we're not thinking of making any more investments at this moment so that would be very difficult, that would put all for the capital expenditure plants maintenance, asset management.

Ritesh Shah: Second question is on the balance sheet side, if you could provide some color on the debt covenants because there were few reports which indicated that we were seeking government favors on $400 million of debt so how should one read the valuation of the transfer of power assets from JSPL to JPL, is it more a function of balance sheet or is it purely synergy gains that are looking at?

Rajesh Bhatia: I think that Mr. Uppal has already clarified that is more of a synergy because all of you look at the debt numbers on a consolidated basis so it does not really make a difference whether the debt sits on JSPL or JPL, so it is more of a business synergy that's what our endeavor is on. On the covenants for $400 million – yes, we have some covenant breaches, which we requested the consortium banks to consider, and right now we are at a very advanced stage of discussion to get these favors from them.

Ritesh Shah: Can you please detail the debt maturity profile how much the payments due over next one year, two years and three years.

Rajesh Bhatia: I think IR team will give that details to use separately. But we have one thing which we have also done in JPL and JSPL is 5:25 scheme for the project loans - so JPL is all sanctioned and the documentation is currently in progress and JSPL is following suite. We have very little debt repayment profile but IR team will give you that off-line.

Moderator: Thank you. The next question is from the line of Rahul Modi from Antique Stock Broking. Please go ahead.

Rahul Modi: One question with regard to your coal sourcing, what I was hearing was that we have been given a 3 million tonne window out of 6 million tonne from Gare Palma from Coal India, is that true and if yes what is the price at which we are procuring that?

Rajesh Bhatia: We are procuring all the coals from under the e-auction except where we have linkages, I do not think so there is any sort of that arrangement from Gare Palma that we will get this much and we do not have any such information and so we are buying coal from Gare Palma under the E-auction as well as other mines, so there is nothing like 3 million 6 million.

Ravi Uppal: Some part of the coal is also coming under the linkage schemes from MCL's Kulda mine. I'm happy to tell you that Tamil Nadu 400 MW has become fully operational - we are extracting 400 MW under one agreement, 200 MW under the other agreement so Tamil Nadu are extracting 600 MW right now.

Rahul Modi: Just wanted to check with you on some prices on coal that you mentioned because we were hearing some contrary news from Coal India that prices have firmed up in October so just wanted to reconcile that?

Ravi Uppal: My sense is that based on the data I have got that the auctions are taking most frequently - there were a lot of stock fines of coal, I'm talking from the belt from where we normally go and buy coal in auction. I cannot talk about Pan India may be Coal India and some other brands in West Bengal, Jharkhand have better realization. We normally buy coal from neighborhood mines of Odisha and Chhattisgarh, which are within 50 km from our plant. There the bid has been pretty okay.

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

Kamlesh Jain: Just one question on other operating income it has gone up very sharply QOQ as well as YOY, so any one time inclusion in that particular item?

Rajesh Bhatia: We have trading as well as one-time aircraft sale which has come in the other income.

Kamlesh Jain: How much that would be?

Rajesh Bhatia: That is about $12 million.

Kamlesh Jain: Lastly many of the times this question has been asked could you please quantify the CAPEX figure for standalone and consolidated operations for this year as well as FY17?

Rajesh Bhatia: I think Mr. Uppal has already answered that the residual two quarters we are looking at Rs. 500 crores each quarter in terms of CAPEX.

Kamlesh Jain: Was it for consolidated or the standalone operations?

Rajesh Bhatia: Consolidated.

Kamlesh Jain: And till first half how much we have done?

Ravi Uppal: First half is about Rs.1500 crores.

Kamlesh Jain: Lastly in the balance sheet in the other current liability how much is the current portion of long-term debt?

Ravi Uppal: We will give that you off-line. As I said it would not have much maturities now because we have done the 5:25 so there is not much maturities but still we will give the figure off line.

Moderator: Thank you. The next question is from the line of Sanjay Jain. Please go ahead.

Sanjay Jain: One question regarding there has been a reduction in the interest cost - can you give more color on that how we were able to bring down the total interest cost what kind of restructuring we have done?

Rajesh Bhatia: Interest costs have come down across given there are interest rates reduction which have been affected, so I think it is largely because of that and then some of our foreign currency debt which we were earlier hedging it, I think we did not hedge it and the exchange has not moved up much so that effect has come.

Sanjay Jain: One is because of interest rate coming down, but on the standalone we are not seeing much reduction in the interest cost, what we are seeing in the subsidiary basically consolidated numbers is lower but standalone is more or less unchanged as compared to the June quarter?

Rajesh Bhatia: In the Wollongong coal we restructured part of the debt and we brought down the cost by about 40% in the Wollongong coal.

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

Ritesh Shah: Can you please update on the regulatory side specifically Sarda mines case and some clarity on the coal blocks which are subject to sub-judice right now?

Ravi Uppal: Well as far as the SMPL is concerned the matter is right now with Supreme Court we believe that some decision will be taken during this month and as the coal block is concerned there again all the hearings are over, judgement has been reserved and we believe once again the decision may come before the end of this month or first week of December. That is based on information we have got.

Moderator: Ladies and gentlemen that was the last question, I would now like to hand the floor over to Mr. Sanjay Jain for closing comments.

Sanjay Jain: I would like to thank everyone for joining this call. I request Mr. Uppal if he would like to make any closing comments.

Ravi Uppal: All I want to say is that the industry of course is going through a kind of pressure test, but I think it might just prove as a blessing in disguise on the long run because the kind of things that we're doing at this point of time to tone up our internal operations and efficiency is simply unprecedented. I think the demand is going to come up then I think I'm sure we will be the beneficiary of it and I personally believe that the Indian steel demand per se will go up in the first and the last quarter it has gone up by 4% and I think that if the infrastructure takes off the demand should climb over to 6 to 7% but a lot is going to depend as to how much of re-fencing the Government of India does to protect the steel industry against reckless import done by the foreign companies, I'm hopeful that the government is very seized with the matter, they are very sensitive to the status of the steel industry and the Finance Minister if you recall few weeks ago he went on record that the government is very mindful of what steel industry is going through and they will take all the necessary steps on that and as much as Americans, Canadians and Japanese and the Korea of their own countries. So I think I do foresee that we will be able to maintain the debt margin between net sales realization as the net cost of production in the weeks to come because the input cost is coming more and more under control and as far NSR is concerned there again my gut tells me based on observations of the market that the prices have almost come to the bottom I do not think there is any more headroom for them to go any further so that can be spoken about Chinese and the Koreans who have been extremely aggressive in the market. As far as the power market is concerned the coal cost will be critical determinant to determine the EBITDA levels because the NSR, net sales realization as you just noted that we have managed to keep NSR this year better than the NSR last year. So if we can get on top of the coal cost I think we are back in good business as I mentioned that the PLF in the last quarter was substantially better than the first quarter and our efforts continue to see we get better and better PLFs in the quarters to come. So our team is very enthusiastic, very positive, and very vibrant. They have delivered extraordinary performance, internal performance I think that should hold us in good stead going forward. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Motilal Oswal Securities that concludes that concludes this conference. Thank you for joining us and you may now disconnect your lines.