



“Jindal Steel & Power Q4 FY-22 Earnings Conference Call”

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MODERATOR: **MR. ASHUTOSH SOMANI – JM FINANCIAL**

Moderator: Ladies and gentlemen good day and welcome to the Jindal Steel and Power Q4 FY22 Earnings Conference Call hosted by JM Financial. As a reminder, all participants' 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. Ashutosh Somani from JM Financial. Thank you and over to you sir.

Ashutosh Somani: Thanks operator. Good afternoon, ladies than you for dialing into JSP Q4 FY22 Earnings Call hosted by JM Financial. We have with us the top management of JSP to discuss the Results. I will now handover to Nishant Baranwal to do the introductions and to take it forward. Over to you Nishant.

Nishant Baranwal: Thank you Ashutosh and thanks Azar. Good day everybody, thank you everybody for us for this conference call to discuss out Q4 FY22 and FY22 Results. Today from our management side we have with us our MD, Mr. V. R. Sharma. Also, we are pleased to inform you, that we also have with our CFO, Mr. Ramkumar Ramaswamy on this call. Before going further, we will request our CFO to say a few words.

Ramkumar Ramaswamy: Thank you Nishant and good day to everybody on the call and a warm welcome to our conference call. This is Ramkumar here. I am a chartered accountant with 25+ years of experience across different organization and different industries. I am really pleased to be joining JSP and working with them for delivering the future growth and profitability agenda. Thank you.

Nishant Baranwal: Also just to add, just to give a brief on Mr. Ramaswamy. Mr. Ramaswamy has worked with Vedanta, Shell, Cadburys and such companies before joining us. And so he brings with him wealth of experience to JSP. Going further we have with our MD, Mr. V.R. Sharma and I would request him for his opening remarks.

V. R. Sharma: Good afternoon, ladies and gentlemen, welcome to this investor's dialogues, conference and meet.

We have done a wonderful job in the last year. if you see the last three years of our score card right from getting into red list to black and from BBB- to AA-. So, we covered a great journey with the corporation of everybody present here and those who are not present. They have also contributed a lot in the overall growth of the company. We started with 5.5 million tonne in 2019 and 6.3 million tonne production, then 7.2 million tonne production and 7.6 million tonne and now 8 million tonne production. So, we have done 8 million tonne last year, whatever we promised to the state and to our lenders, Financial institution and to our shareholders, we have fulfilled. We took a target of 15, 15, 50 and 8 million, That was Rs.15,000 crore and above

should be the EBITDA, Rs.15,000 crore or below should be the debt level and more than Rs.50,000 crore should be the overall revenues and 8 million ton should be our production.

So, with the support of everyone, the grace of god we could achieve all these figures and in some of the figures we are much ahead of the expectations and we have exceeded the expectations. Like the debt levels, they have come down to a level of four figures i.e., Rs.8500 crores and now on May 30th this has come down less than Rs.6000 crores. So, we are aiming to make the company to make that zero within this financial and then we have overseas the payments are about only \$120 million this also will be done and then we will not have any obligation in the overseas investments also. All of the overseas investment in South Africa, Australia, and Mozambique, they are doing extremely well, they are earning positive EBITDA, they are supporting the mother company JSP and they are supplying coking coal, Anthracite coal also medium vol coal to our company in India. We are selling to the outside world as per the business economics.

Now coming back on the last year Rs.15,000 crores EBITDA, we achieved Rs.56,000 crores of sales turnover. We did 7.64 million tonne steel, if you see the overall average EBITDA in the year. We already achieved to level of Rs.19800 per tonne, that is simple mathematics dividing the overall EBITDA by the overall sales. There was some problem in last couple of months. We faced some issues in terms of high input cost by season, some of the one-offs that we have done and that is why you might be seeing the EBITDA level in quarter four is reflected lower. But in fact, it is not lower, instead of adjusting the books in all four quarters our auditors they did it in one quarter only and we accepted their recommendations and that is why you are seeing some pressure on the balance sheet of the quarter four which is actually not there, we are very comfortable.

Now coming back on the current situation and the geopolitical situation involved, Ukraine and Russia war is still going on and we do not know how long will it continue and in such a situation. We are thinking that the market for the Indian steel products will always be there and we will be in a position to export as much as possible. We did last year 2.56 million tonne of exports. This year also we will do the similar amount of export about 2.5 million tonne plus. So, the last year, it was about 33% of the total sales. It will be this year may be 30% or 31%. We will try to achieve the same numbers that we did last may be 2.6 million tonne to 2.5 million tonne. Now here the general questions are, what about the export duty. So, we have put up our people on the job the complete development people, our R&D people to find out those products in the market where the value addition is very high and where the customer will be willing to pay this 15% or little less. So, I think is this going on and we are working very seriously on this. Hopefully, within next 2-3 weeks' time we will develop all those days which are required in the international market and those are two valued added grades where we can enjoy the market through value-added addition and value engineering exercises. So, this is going on, some the products fortunately are not in the list of export duty where the goods are surplus in the country or goods

are not required by MSME or by the automotive industry. For example, the welded structure is a unique product, we are the largest producer of welded structure in the country. So, we are going to export lot of welded structure, then we are going to export Head hardened rail grade 1080, 1175 and also the rails had 350 grade that is used in Europe or say r260. So, these are not covered under the export tax or export duty. Though similarly specialty high alloy round steel bar, round steel billet are not covered under that. So, we have good market internationally. So, we feel that out of 2.5 million tonne at least 2 million plus will be duty free and balance 500,000 will be covered under duty but those products will produce in 500,000 tonne which are very high valued product where paying 15% duty by a customer will not be a problem. The other good thing for the exporter as whole is when we discuss the order say in the month of February or beginning of March. These orders where at Rs.74 or Rs.74.50 per dollar and today it is Rs.77.5. So, there is a net gain of Rs.3 for the exporters in India especially to JSP also and with Rs.3, if the average selling price is 800 or less so immediately Rs.2400 comes to the company and that is giving a lot of incentive to the exporters in terms of exporting the goods. The other area is at least \$50-\$55 dollars per tonne is being decreased in the crises.

In terms of the iron ore prices and pellet prices because we are thankful to government of India, they have imposed duty on export of iron ore and also export on pellets. It is a good sign and they also reduced the duty on many of the ferro alloys, nickel and also on some of the duty deduction on coking coal. So, put together this is effect is about \$60 and so that is about Rs.4500 and Rs.3000 or Rs.2400 we get from currency exchange rate. So, net-to-net we are covered by Rs.7300-7400, that is close to \$90 per tonne and that takes care of our export tax in case we have to pay and wherever there is nonpayment of export duty in those areas there is a benefit and that will nullify the effect of export duty on some of the products. But we are interested on in exporting those goods which are not required by MSME in the county and which are not required with the automotive industry. Fortunately, today in our folio we do not have the goods like hot-rolled coils or galvanized material or color coated or galvalume or roofing sheets, that is not our business. So, we are not in business as of now, may be in future we will but today we are free from this business.

So, our business is affected least in terms of export duty levy and we are getting the benefit of our different product mix which is very unique, right from structural to valid structural, to rails, to wire rods, to plates and coils of the special grades. So, these are the areas where we can get the benefit and we will try to nullify the impact of duty either by way of the points I explained or by getting the additional price for the specialty products which are now developing, our iron ore team and production team are working very strongly, very hardly in last four weeks' time and we are now working may be in next 2-3 weeks' time we will cover it.

So, in nutshell the company is doing extremely well, the way forward is we have already initiated the capex. So, we are at the point where there is no U-turn in the capex business. So, we have already taken exposure of Rs.7000 crores most the clearances from the government of India and

the State governments are already obtained. So, the civil work has started in many of the areas and the balance area, the civil work is yet to be started. Hopefully, by the end of this year, we will be in peak of the construction we have plan to cover the entire product line. The entire extensions by March 2024 as declared by our Honorable Finance Minister that the scheme for corporate tax rebate from 25% to 15% has been extended up to 2024 March and we are hopeful that we will commission our plant by March 2024. So, in the balance sheet of 2025-2026 we should be a 15 million tonne company and heading towards to a bigger journeyCountry as a whole, is going to produce 300 million tonne steel, the present measure is taken by the government of India. We appreciate their concern, they have reduced the duties of many other products. They have also imposed duty on the exports, we appreciate their concern and we feel that these are temporary measures any government would like to take it in the interest of the nation and we and JSP, we have taken a pledge that the only single product which is requires by MSME in our company what we produce that is wire rods and these wire rods will not be exported in the interest of the nation. So, this is what the total overall picture is.

As far as the CAPEX is concern as I told you, Rs.18000 crores is the capex what we envisaged. We are online and there will not be any delay and we will be completing our projects on time and this is going to be the total scenario. We are hopeful that we will be exceeding our expectation in times to come and hopefully the company will always show the glitterness in market as well in true sense in the overall steel business from the origin of the country.

So, thank you very much incase of questions, you are welcome. All of us are sitting here we are here to reply you.

Nishant Baranwal:

Thank you Sir. Before we move on to question, before the call we have got certain common question which we believe will take it up. So, that a lot of those questions of lot you people would be answered. Let me just the first one, the first one is regarding the EBITDA movement quarter-on-quarter while I understand that you are seeing round worth of Rs.3750 per tonne movement on the EBITDA, would just like to throw some light on the moving parts. So, in that EBITDA movement there is a c. Rs.300 crores one-off. It is a non cash item which is there which you can point out. The other is on the coking coal front, quarter-on-quarter movement has been close to \$60 per tonne of coking coal while iron ore has remained flat the cost has increased on account of the thermal coal and ferro alloys to the extent of Rs.1000 per tonne. At the same time we have got benefit of NSR going up to the tune of roundabout Rs.800 per tonne and because the volumes were up. We have been able to get an efficiency in for roundabout Rs.1000 per tonne. I hope that gives you the EBITDA movement across.

Another question that has come up is, the quarter-on-quarter decline in terms of the EBITDA in foreign geography i.e., Australia. So, one of things that we have noted in our press release also and would want to point out here that while the production was higher in Australia due to the storm as well as some problem with their dispatches, the dispatches have been lower and therefore the net earning has been lower. Also there is \$2.5 million one-off stock in payment

charge which is there in the Australian operations. EBITDA which you are seeing. So, these are two items.

V. R. Sharma:

Sorry the over and above, we were maintaining a stock of about 600,000 tonne, i.e., six lakh tonne in the plant and ports because of the movement of coal by government of India from mines to different power plants in the country. So, we were unable to get the rakes on time and that is the reason that this 600,000 tonne could not have been sold, had it been sold then you would have seen different numbers all together and the another point I like to mention here. So, that in case of any question you may raise later, so yesterday government of China, they have declared the withdrawal of rebate. They used to pay 13% exports incentives to steel industry, they have withdrawn yesterday and that has given a signal to the world that the steel industry in China would like to be at their own and they will not have any support from Federal government of China in terms of giving them the export incentives. So, will stabilize the whole market in the industrial world and today the good news is that today morning Mr. Xi Jinping and his government they have declared that from June 1st, the Shanghai is being open. So, the Shanghai is being open means from tomorrow that means a lot to the world, reason being most of the user industry, most of component manufacturing industry, they are located in and around Shanghai and especially up to Wuxi. So, Wuxi is the place which was under strict lockdown and I think now after the lockdown is lifted the domestic condition scaling China will increase and the Chinese team, Chinese people will not look outside other than their own consumption. So, the international steel market will stabilize and India stands the great chance in filling the blanks and wherever the gaps are. Yes, of course, we have taken a decision as I told you, that any product which can affect adversely they availability of the local steel that will not export. Two products here, one wire rods and the other is rebars. The construction bars we have taken a decision at our own, we will not be exporting any construction bar because that impacts the government projects and it will also the impact the general house builders. So, we will not export any rebars and will not export wire rods. So, this is a voluntarily and this is our self-regulatory decision and this will continue.

Nishant Baranwal:

Just the last question which has come is regarding the Mozambique EBITDA, you will be pleased to know that we have been increasing and ramping our production in Mozambique while the EBITDA reported number is roundabout 12.3 million. It does take into account negative charge of roundabout \$14 million on account of foreign exchange for the loan which was repaid by it. So, therefore, that is not the EBITDA being reported does not reflect the good performance by Mozambique. So, those were the questions which we had got, operator now we pass on to you and then lets take the questions. one request is that please limit your questions to strategic questions, we and IR team here can always help you with data questions.

V. R. Sharma:

The questions you might have got answers of many of the question what you have listened from our side, Nishant and me both explained everything but in case still there are some doubts or some questions there please you are welcome.

Moderator: Thank you very much. We will now begin the question and answer session. The first question from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: The question is with respect to the arrangement towards contemplating the GIFLO Steel of Hungary for supplying steel for this wagon wheel projects. So, just wanted to understand when we will be able supply, what are the approval process and when should we expect and whether it is more an export-oriented unit or something.

V R Sharma: This is rail wheel set business. We are working on rail downstream business for a long, I think now the government of India is going to add more and more tracks, more rolling stock. You might have seen the news about 15 days back. The railway minister has declared that they ordered about 30,000-wheel sets from China. So, there is a big gap today in India. We are looking for the DRI technology and called forging grade rail wheels in 800 mm and 1000, 20 mm diameter specially for goods trains as well as high speed trains. Since many of the high-speed trains are coming in country under the tag line Vande Bharat and also the bullet trains. So, we are looking the future and we are discovering a future in this particular product and as far as the approvals are concern the government of India has a straight policy. You produce and you come for the approval. So, no customer will go the approval first and then we have to go for the manufacturing. So, what we will do, we are now working to put up this plant in Raigarh and this will be down stream product or you can say forward integration of our steel making. We are not going to add any steel capacity for that but we will be doing forging and we will be making wheels for Indian railway as well as for the private wagon manufacturing in the country and also for exports. So, wherever it is possible. So, we are going with a very humble beginning of 25,000 sets per year that is only 2000 sets a month and it is a very small plant but it is going to be prestigious. So, we are working for the latest state of DRI Technology from Europe and GIFLO is going to help us in this business.

Amit Dixit: And Sir the second question is on coking coal cost while Nishant restricted on the cost increase in this quarter. Can you guide us what could be the cost increase in Q1 FY2023.

V R Sharma: You see the data are of course you all are very learned people so you have all the data available time to time but I will tell you. Let us take a journey of 14 months. So, 14 months from now or before now or 14 months ago. So, we were at a level of \$105 a tonne for Australia, that is the benchmark and from where the industry starts, and then the journey started from \$105 to \$200, \$260, \$300, \$350, \$400, \$480 for long time then \$550, \$600 and for about three weeks it was \$675. So, we reached to \$675. Now the point here is how to buy and why not to buy and when to buy. So, these are the areas. So, all steel mills in the world they keep on buying because otherwise one day they will dry, we cannot stop the blast furnaces, so we keep on buying and we keep on doing the averaging. So, you being the investor you know very well. So, is it SIP. So, the SIP business is very well understood by everybody that we invested in SIP, so we keep on buying every month. So, similarly we keep on buying the coking coal every month. So, the impact of the coking coal that comes all of sudden, when the market is at its peak and it remains

for about 2-3 months in the same level. So, unfortunately from \$520 to \$675 this range was from November end to February and that has impacted the business not only for us, with everybody in the month of end of February and March and also partly April. So, that was the story but all of sudden from \$675 the market came down to as low as \$385. We also bought it at \$385 and then again it started moving up \$385 to \$450, \$480, \$520. So, it remains stable for five weeks at \$510-\$520 and now it has come down 10 days' time from \$510 to \$455 to \$460 a tonne. So, this is the total price, or the total charge of the coking coal in the international market. So, what is happening now. Now the prices are about \$460-\$465 per tonne and some of the Russian coal has also started moving in which is cheaper by at least \$50 to \$70 per tonne. So, there is a little pressure on the international energy businesses and the worldwide. The coking coal prices may either remain little moderate level or may at the same level in times to come. So, we have positioned ourselves in a way that we buying PCI coal and some of the Anthracite coal from Russia and we are buying majority of the coking coal from our own mines in Australia, South Africa and Mozambique. If the need be, we will increase our production in South Africa and Mozambique and also in Australia and we will fulfil our requirement. So, this what we are aiming so I would say we are pretty insulated from the tops turvy behavior of the market in times to come. Hope I answered your question.

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

Sumangal Nevatia: First question is on capex coal block. So, if you could guide, where are we as far as development of the coal block is concern and when do we expect the monthly production and what is the potential cost hitting on that?

V R Sharma: First of all, I would like to thank government of India for their very liberal approach in doing the privatization of the coal mines and that is the need of day. Last eight years it was a big problem, the new coal mines were hardly opened. Most of the mines, were owned by CIL, Coal India Limited and their subsidiaries and the energy cost, energy prices, requirement of energy was increasing at a rate of 15%-20% year-on-year basis. So, now the government of India, felt the necessity that we should now liberalize the coal mines and we should be privatized. As you all know that our coal mines were cancelled by Honorable Supreme Court in 2014, and now thanks to government of India, our whatever mines got cancelled. So, we have got those mines also and we have got in addition to those mines also. So, now we have four mines available in our fold, all these four mines we are thankful to government that they have considered us as a H1 winner. So, we have won this mines and now the process is going on we are talking to ministry and hopefully in next one, one-and-half- year time, we will be in a position to start production in all the four mines and that will definitely bring a different cheer to the organization and the major cheer will be in the sense of how to reduce the CO₂ i.e., carbon dioxide emittance. So, today, the Indian steel industry through the blast furnace route they emit at least 2.6 tonne of CO₂ per tonne of making steel, but if we route it through coal gasification and electric arc

furnace then we can do it averaging, if we do 50% electric arc furnace, 50% blast furnaces, then we can average it out to about 1.8 or may be lower that is 1.7 tonne of CO₂ per ton of making steel. So, perhaps we will be first company in the country and perhaps in the world where we would be generating or producing steel 50% through blast furnaces and 50% electric arc furnaces. There are no example in the world today that the companies those who blast furnaces they also use DRI. So, we are the only company today our ratio is 40:60. 40% to the electric arc furnaces, 60 % to blast furnaces. In times to come we are going to add two more gasifier one in Raigarh and one in Angul and this will be done the moment the coal is available through our own mines and another area is we thankful to Prime Minister, we are thankful to Mrs. Nirmala Sitharaman, our Finance Minister and also Coal Ministry that they have declared that by 50% discount on coal being used for the coal gasification. So, this will change the fate of company. Today if you see in America, America used to be a surplus gas country, there the gas is at \$9 per mmbtu in Europe it is \$35 per mmbtu, in India the gas is \$25-\$35 per mmbtu in the spot market and we are going to get gas at a price of \$3 per mmbtu, the day we have our own coal mines. So, this going to change in cash scenario. The cost of production is 50% DRI, 50% hot metal through the blast furnaces, the cost of production will come down at least Rs.4000 per tonne. So, that impact you will see in the balance sheet of 2023-2024 and not 2022-23 because we are going to start our coal mine next year. and that will change the company and will bring the company differently. We will be producing blue hydrogen also out of that and this blue hydrogen we use to pump into blast furnaces upto 15%-20% wherein we will reduce the coking coal consumption by 20%. So, already these trials are taken by MMK and Severstal and one more mill in Russia and one plant one blast furnace in Europe. So, this is a proven technology how to inject gas that is synthesis gas in the blast furnace and how to reduce to the overall conceivable foot print. We are also pleased to inform you that we are the largest company today in India capturing the CO₂. We have capturing everyday 2000 tonne of CO₂. Unfortunately, we do not have the customers for that we have requested Govt of India to please put a hub, the CO₂ conviction hub in Angul and in Paradip and then transport the CO₂ to the pipeline. The honorable chief minister he had visited us in April 28th last month and he has promised that he will definitely work on that we either putting up a CO₂ convention hub in Angul or in Paradip. If it happens then this will also change the fate of the company. We will be the largest steel company in the world in terms of capturing the CO₂. Our aim is to capture at least 5000 tonne CO₂ per day and there are numerous product what you can make be it soda ash, be it urea, many other chemicals including methanol from CO₂. We are working very seriously introducing the ESD concerns and we are addressing these areas in a much bigger way as a responsible company. You we will love to have these products in times to come and these declaration what I am doing today at 50% steel from electric arc furnace route and 50% from blast furnace route and reducing 15% coking coal requirement to the syngas injection will be a milestone in the country and also in the world.

Sumangal Nevatia:

Beg your pardon Sir, I just want this 15 million tonne of volume that we have as coal block, what is your guidance for FY2024 and FY2025 how will be producing in FY2024 and FY2025?

- V R Sharma:** Your question is how much coal will be producing or steel will be producing?
- Sumangal Nevatia:** No. Sir captive coal.
- V R Sharma:** See as I told you we have four mines now and all these four mines at least two mines will be in fully operational. We can do at least 6-7 million tonne of coal from these mines every year. There is no problem. So, total 12-15 million coal will be taking out from these mines.
- Sumangal Nevatia:** In FY2024?
- V R Sharma:** Yes, FY2024 FY2025.
- Sumangal Nevatia:** Second question on the previous question on coking coal we got a very detailed background from you but just in term of numbers given that we have a detailed inventory we have captive coking coal production as well say in Q1 any thought what could be the quarter-on-quarter increase in cost and secondly given the current situation of export duty and prices what is your sense of NSR movement in Q1 over Q4?
- V R Sharma:** You see the NSR has already come to bottom this is my view and with China coming in full swing and the lockdown is being lifted exports bids are removed. The war is still going. We are expecting a great business in Ukraine in times to come because Ukraine is to be rebuilt, the day the war stops. So, they used to produce about 350, million tonne of steel a year. So, this steel will have to be replenished by somebody, Europe is not in a position to do, America is not in a position to do it, Russia will have very strange relations hopefully Ukraine will not buy from Russia. So, the only countries left in the world either Iran or India. So, Iran is under sanction, so I think India stands a chance to slight over Ukraine. As far as the export duties are concern, these are having negligible effect because as I told earlier at least Rs.7000 we are getting from cost reduction as well as from currency exchange rate and balance the products what we are going to produce will be those products where the value addition is very high and the customer will be willing to pay additional price. So, we will not be in commodity market or the general C-market where the prices are low and over and above we pay 15% duty we cannot afford. So, is what the business plan we taken and as I told you we are not in commodity hot rolled coils or cold rolled coils or galvanized material so we are least affected from this duty imposition.
- Sumangal Nevatia:** Sir you said that your prices are bottomed, so just want to know what is that bottomed level that you are talking about that we see in Q1 versus what we have already reported in the fourth quarter.
- V R Sharma:** Yes I will tell you, nobody can predict the market, the markets are always market given. As I told you, we are thankful to government of India for imposing duty on export of pellets and export of iron ore. Nobody was knowing before 21st of May, so it is imposed now. when it is imposed, then all of a sudden, the prices have come down. So, when the prices have down, the

total economic will change. It does not mean that the profitability has goes down. Yes temporally, yes, because the stocks in pipeline and also the stock lying in the plant they are of high value and by the time the new price stocks, they do come to plant then averaging is done, it will take some time. So, I cannot say what is the absolute number today. Tomorrow if the iron ore prices go down under Rs.2000, the impact will be more than Rs.3000 in the steel prices but that does not necessarily mean that will be a loss of evaluation. It is not, so I think we should be happy, that the country is stable, the demand is stable, market is stable, whatever the input cost decrease will take place we will pass on to the customer as a customer friendly organization and if there is an increase, yes, definitely that will also be passed on,

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Market. Please go ahead.

Kirtan Mehta: You have sort of in the initial questions explained the EBITDA movement quarter-on-quarter, would you be also be able to set of explain us how the net debt reduction has been achieved during the Q4 and FY22 and how do you plan to reach to zero net debt status over FY2023?

Ramkumar Ramaswamy: From an inflow perspective we had an inflow of around Rs.5400 crores and what was the primary drivers for this there was working capital release of around Rs. 900 crores, tax refund of around Rs 500 and of course from an EBITDA perspective we had Rs.2800 crores and export repayment of around Rs.1150 crores. So, these are our inflows, from an outflows perspective we has ESOP and dividend of around Rs.600, tax expense of around Rs.500 crores interest of Rs.229 crores. Capex of around Rs.800 and loans repayment of around 2800 crores. That is the broad summary of cashflow.

Nishant Baranwal: Kirtan I hope that answers your question?

Kirtan Mehta: Yes. Would you be also sort of lay down a part to achieving the debt 0 status. So, how do you see the cashflow that will us go down to the 0 status from here.

Ramkumar Ramaswamy: That is purely from a business performance perspective. We expect to have a good performance this year and we are going to use the cash that we generated out of EBITDA to really repay debt as our MD said before we expect to be net debt free by the end of this year. That is the ambition we are working on.

Kirtan Mehta: Right and the net debt number that we currently are indicating as of May 31st is it after receiving the Rs.3000 crores of dues from the selloff cash from the selloff cash from the power business or that would be an additional that could also sort of support the reduction coming through?

Ramkumar Ramaswamy: Kirtan we would not want to comment on May 31st number because it is not audited and therefore we would stick to our March 31 number which we have already said close to Rs. 8500 crores. It was 800 crores that we already published so we would want to sick to that number but yes there

has been Rs.3015 crore of cash consideration which has come in as inflow into the company on confirmation of the transaction.

Kirtan Mehta: Right. Sir one more update in terms of the Kasia mine production. How is the production ramp up going on, is the target of 5 million tonne of production for Kasia mine still achievable for the year or would you be able to better it?

V R Sharma: We are in line and we will achieve 5 million tonne as per the permission obtained by us.

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

Pallav Agarwal: Would we think of deferring this pellet to come in and syn with other hot metal expansion or we will go ahead with the pellet plant expansion.

V R Sharma: I will tell you. First of all, as I told you the government policies imposed all of a sudden that does not change the ongoing work because we know that the government policies are basically designed, drafted implemented in the interest of country, in the interest of mankind but we do not have to worry about it because these are the temporary measures taken by government in the world. But we have to see what Prime Minister has told today morning, you must have seen in all the newspapers that post-COVID India is the fastest growing economy in the world. So, with 300 million tonne of grain, with \$5 trillion of economy with \$1 trillion of exports, The government cannot go wrong. But yes, there was a need at that time that how to support the common people and we appreciate that action taken by government of India. Now coming here to your specific question on the pellets. First of all, the Rs.18000 crores of project what we have envisaged it is already under implementation as I told you. We are at a level of no U-turn come what may So, we have to do it. So, in a way it is good and during this ambiguity we will complete our project by the time, the projects are on we will be ready with the product and we are putting the pellet plant for exports because this plant is in the heart of plant, Angul plant. So, Angul plant when we are bringing the iron ore through five plants from Barbil or Keonjhar or from Kasia mines tomorrow and bringing to Angul to the slurry pipeline. There is no point exporting this particular product from Angul to again to Paradip or Vizag or Gopalpur so we will be using this product within the company. As you know, we are going increase plant capacity from existing 5.4 million tonne to 12 million tonne so for 12 million tonne the raw material requirement is going to be also double from 5.4 to 12, it is more than double. So, we will be requiring pellets for our internal consumption. The last three, four months we have not sold, we have not exported any pellet in the international market. So, we are consuming pellets within the company. So, this new pellet plant is also be consumed the produce of this with the organization. So, I hope I answered you.

Pallav Agarwal: Yes Sir. I think I missed the volume guidance for the next year and basically any particular segment that you see, you will drive this increase in our volumes.

- V R Sharma:** First of all, last year we did 8 million tonne and we sold 7.6 million tonne we had some stocks leftover in the plant and port because we could not get the right logistic port that was the reason and that is why you are seeing the impact on the Q4 also is one of the impact. The other area is the production, we had a consent to produce only up to 8 million tonne. Last year, we got the consent extended to 9 million tonne and this year we are planning that we will be doing at least about 8.5, 8.6 million tonne of production and 8.2 million tonne of sales. So, this is what our plan is and we are on line, we will be in a position to it. hopefully things will be much better in times to come.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Sir on the opening remarks you said some export incentives have been removed, I understand that has happened 12 months back, is there any new thing which has happened in the China or on a certain product category?
- V R Sharma:** Yes. It is a new thing, day before yesterday, the government has taken the decision.
- Bhavin Chheda:** These are on which product category?
- V R Sharma:** There is a list of various products. I can share with you. Nishant will share.
- Bhavin Chheda:** Okay this is over and above which happen a year back where all the export rebate, incentives were removed on majority of the products.
- V R Sharma:** We will share both the list with you. The earlier list and the exclusion in that list those are covered now
- Bhavin Chheda:** So, this benefits you and some products which I have included in list yesterday JSP makes that product.
- V R Sharma:** Yes, we are, as I told you. First of all this will stabilize the international market and secondly they cannot export to any country where the local industry is competitive and the third is the overall the world wide sentiments they do change with such kind of government decisions.
- Bhavin Chheda:** My second question was earlier on the media interview, you were looking at EBITDA of roughly Rs.18000 crores FY2020 on volume guidance which you have given equals to 8.5 so which workout to more that Rs.20,000 a tonne when the steel prices in India falling plus this incremental export tax. So, where will that incremental EBITDA you think can come from what kind of cost initiatives. What are the possible cost saving?

V R Sharma: I will tell you. There are certain things which are always behind the curtain in term of the strategies so we can only reveal you a part of that but we have a complete list that how to achieve the better numbers in times to come. So, we are in competition, not only with Indian companies but we are in competition with the world. So, we have to have, certain secrets which we cannot reveal today but we certain strategy products how to position ourselves in the international market and how to position ourselves in the domestic market. So, things you will know, time to time when we meet after three months in the next investors meet. Then you will get part of that, a smell or part of that and then you will get much bigger fragrance after the third quarter because that will give you much bigger clear picture that how JSP is different than others. So, we will come back to you but we assure you that you have invested in the right company and we will not let down you.

Bhavin Chheda: Appreciate that. Thanks a lot.

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

Kamlesh Bagmar: One question on the part of like say last quarter guidance of around Rs.20,000 per tonne even if I take Rs.300 crore of one-time so EBITDA comes at Rs.15,000 so like I am really amazed to tell that like from a guidance of Rs.20,000. We stock at Rs. 13000 and that guidance was at February 2nd so by that time we were well aware of the cost like say we have been maintaining that we carrying inventory for three, three-and-half months much higher than the industrial average. So, what happened in this particular quarter?

V R Sharma: Yes, you are right, we discussed in the last meeting and first of all may be some confusion, I must correct myself and yourself. If you are right then I am correcting myself. My point of view is that the average EBITDA for the year, what it should be, last year with a simple mathematics I am telling Rs.15000 crores of EBITDA with 7.64 million tonne that comes to over Rs.19,800 with simple mathematics and we do not have any other income from anywhere else in the country. Now coming back on the one-off business and as I told you the 600,000 tonne of stock which got stuck up in our plants because of non-availability ores. So, that has skewed the numbers to south side so that you must be feeling and the reason that I am telling you that still today there was shortage of rakes but now for the last 10-15 days the rakes availability has increased because the export of iron ore is banned by government. So, the rakes carrying iron ore and pellets to poke those are stocked. So, now the situation should be better. I think by July or mid of August you will see not only our company but most of the steel industry will be at a very lean inventory in finished good side and once you have lean inventory then it is direct relationship with the EBITDA level because when you sell more, you release more, the money comes in, money close in and you get higher EBITDA so this is what we aiming but the point here is we are treating the total EBITDA level in a year divided by the total sales and that becomes the total part in EBITDA and thumb rule for a common investor and for the common person in the country.

- Kamlesh Bagmar:** And sir on the part of like your coking coal cost because as you maintain that we carry a good amount of inventory so it would be very easier for you to like say guide us that how much increase in coking coal cost would be there for the quarter or share in quarter-on-quarter basis because every steel company shares that data and apart from that how are NSR or margins are compared to like what we did in the Q4.
- V R Sharma:** I will tell you one thing. As I told you earlier also, the question was asked by some gentleman the energy prices. And I also told you that we are going to be in 60% using the domestic coal in making steel and 50% imported steel. Out of that 50% at least 27%-28% or 50% or say the total of 100% that comes from our own captive mines and now those mines are also independent entities and we have a price formular with them. That is the index price and with respect to the index depending on the quality services delivery. My ash level and sulphur contents what should be the price to JSP and this is what we are working with them. Now as far as the overall cost is concern, today as I told you from \$520 about five weeks back and today is \$465.
- Kamlesh Bagmar:** Sir will you please quantify that amount Sir.
- V R Sharma:** Amount is \$55-\$60 per tonne of the coal
- Kamlesh Bagmar:** It was \$50 in last quarter I was asking about the Q1. How much increase we will have in the coking coal cost or the overall blend coal basis cost.
- V R Sharma:** That we have to compute and tell because off hand these numbers are not available Nishant will send it.
- Nishant Baranwal:** Kamlesh, I will connect with you and give you those numbers separately.
- Moderator:** Thank you. The next question is from the line of Vishal Chandak from Motilal Oswal Financial Services. Please go ahead.
- Vishal Chandak:** I just wanted to understand what is the current monthly production run rate and dispatch run rate from your coking coal mine and what is target for full year, I understand you were expected to do about 100,000 tons starting March itself and where are we in that position right now. That is my first question.
- V R Sharma :** We started with a very humble beginning of 40,000 tonne per month. Now we already reached the production of about 70,000-80,000 tonne per month. There was some logistic issues in between but I think business is stabilized we could earn a positive EBITDA of more than 13 million dollars last year and this will increase further.
- Vishal Chandak:** Sir just wanted to understand what is the target for the production and dispatches and not the EBITDA part sir.

V R Sharma : I told you about a million tonne.

Vishal Chandak: One million tonne is what we intent to produce and dispatch to India or sell outside whichever it is.

V R Sharma : No outside. Sell to JSP.

Vishal Chandak: Second question was with respect to effective savings of Rs.45-00 that you mentioned if you could just quantity that once again. I think I missed that, you mentioned about because of the savings and the exchange rate and we see about Rs.3000 is what you expect to gain.

V R Sharma: I will tell, the numbers are the following, Number 1, the iron ore prices because we use lot of fines, the iron ore fines price have gone by Rs.2000 it directly equates to 1.6x i.e., Rs.3200.

Vishal Chandak: No fines currently is Rs.2000 and translates to Rs.4500 gain.

V R Sharma : No that translates to Rs.3200. We need 1.6x of iron ore to produce 1 tonne of steel. So, Rs.2000 will tend to amount to Rs.3200. The next is the coking coal the coking prices I told you, the averaging the impact has already come to about \$25 though the total delta is about \$55-\$60 but that will come in the \$60.1 so this will give us about Rs.4500.

Vishal Chandak: Sir the average reduction in the coking coal consumption cost for this quarter would be about \$25.

V R Sharma : Yes and that is in dollars. Consumption not in Kg but dollars.

Vishal Chandak: Check one thing sir, while JSW Steel in its Conference call I highlighted that their coking coal cost would be up by \$125 in this first quarter, You, have just mentioned that your coking coal cost is down by \$25, have I reconciled it properly or I missed something.

V R Sharma : You see. I will tell you. It depends that how much stock in pipeline you have. I cannot comment on JSW. If they have the high price stock in pipeline then it will be up to them.

Vishal Chandak: No I am not comparing the JSW, I am just highlighting that this is general because Tata Steel also guided for higher cost going forward. Our cost is \$25 lower on a Q1-Q basis.

V R Sharma : I will tell you one thing. I think you have not given attention to my previous call that at least 28% of the total core or 50% of the total coking coal we import from our own mines. So, that you have to keep into consideration while computing the cost of or impact of coking coal vis-à-vis coking coal impact on other companies. So, I am unable to tell about the other company but I can tell only for my company.

- Nishant Baranwal:** So, Vishal just to string together both the thoughts what MD sir is saying and there what you are thinking about is if you look at our mines. While JSW and Tata might have guided and that is the same market everybody deals. Vishal can you kindly hear me out. I am saying all the three companies deal with the same coking coal market all of us import coking coal. Now to the impact of the coking coal on our numbers is largely differential depending on the captive coking coal, Now as MD Sir, said we have Australia and Mozambique. So, on a console level when you look at it what MD Sir is implying that the differential between them and us would be on the console level because it would not get impact as much as it will impact Tata Steel and JSW. Now if you were to ask a pointblank question how has the movement in coking coal I think if Tata Steel and JSW have given a number on the impact it is the same market but the impact on the company would be lower because we have our own captive coal. That is just trying to string together all the thoughts here.
- Vishal Chandak:** Because of the impact of the coking coal captive money our cost is expected to about \$25 lower on a sequentially basis.
- Nishant Baranwal:** I would not put a number to it.
- Moderator:** Ladies and gentleman that was the last question for today, I now hand the conference over to Mr. Nishant Baranwal for closing comments.
- Nishant Baranwal:** Thank everybody for joining the call with us today. Apologies we were delayed by 15 minutes, I would like to apologies on that part but thank again and thank you for your support for this. Thank you JM for organizing the conference call. Over to you Ashutosh.
- Moderator:** Thank you. Ladies and gentleman on behalf of JM Financial that concludes this conference call. Thank you for joining us and you may disconnect your lines.

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