



Godawari Power & Ispat Limited

Corporate Presentation



GODAWARI POWER & ISPAT

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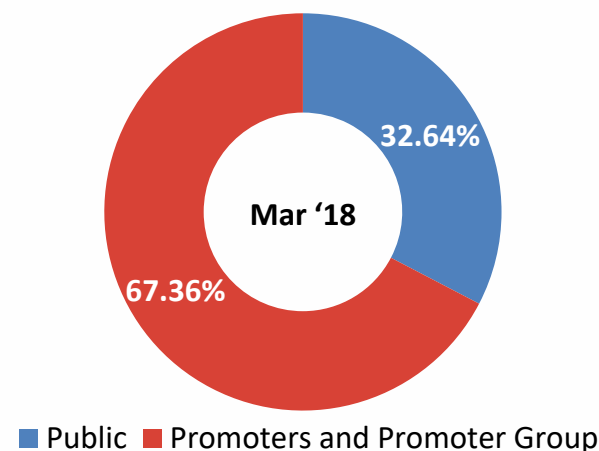
Overview

Godawari Power & Ispat Limited (GPIL)

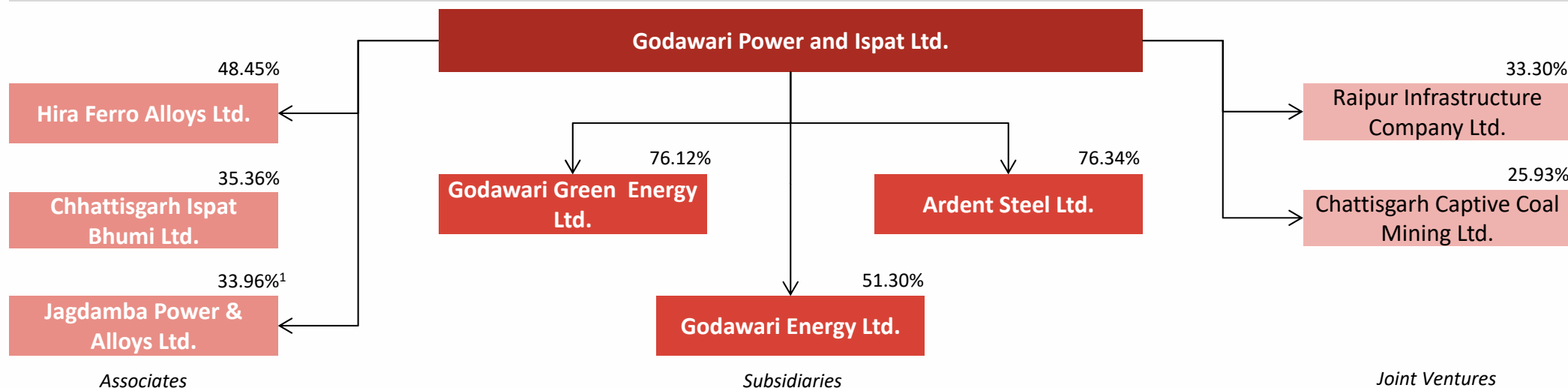
Company overview

- Incorporated in 1999 (CIN: L27106CT1999PLC013756)
- Started commercial operations in FY01 with sponge iron capacity of 105,000 TPA
- Promoted by Mr. Bajrang Lal Agrawal, Mr. N. P. Agrawal, Mr. Hanuman Prasad Agarwal and Mr. Dinesh Agrawal of HIRA Group
- Engaged in captive mining of iron ore and manufacturing and selling of iron ore pellets, sponge iron, steel billets, rolled products (TMT, Wire Rod), Ferro alloys, and Hard Black (HB) wires with captive power generation. Also engaged in generation of solar thermal power.

Shareholding Pattern

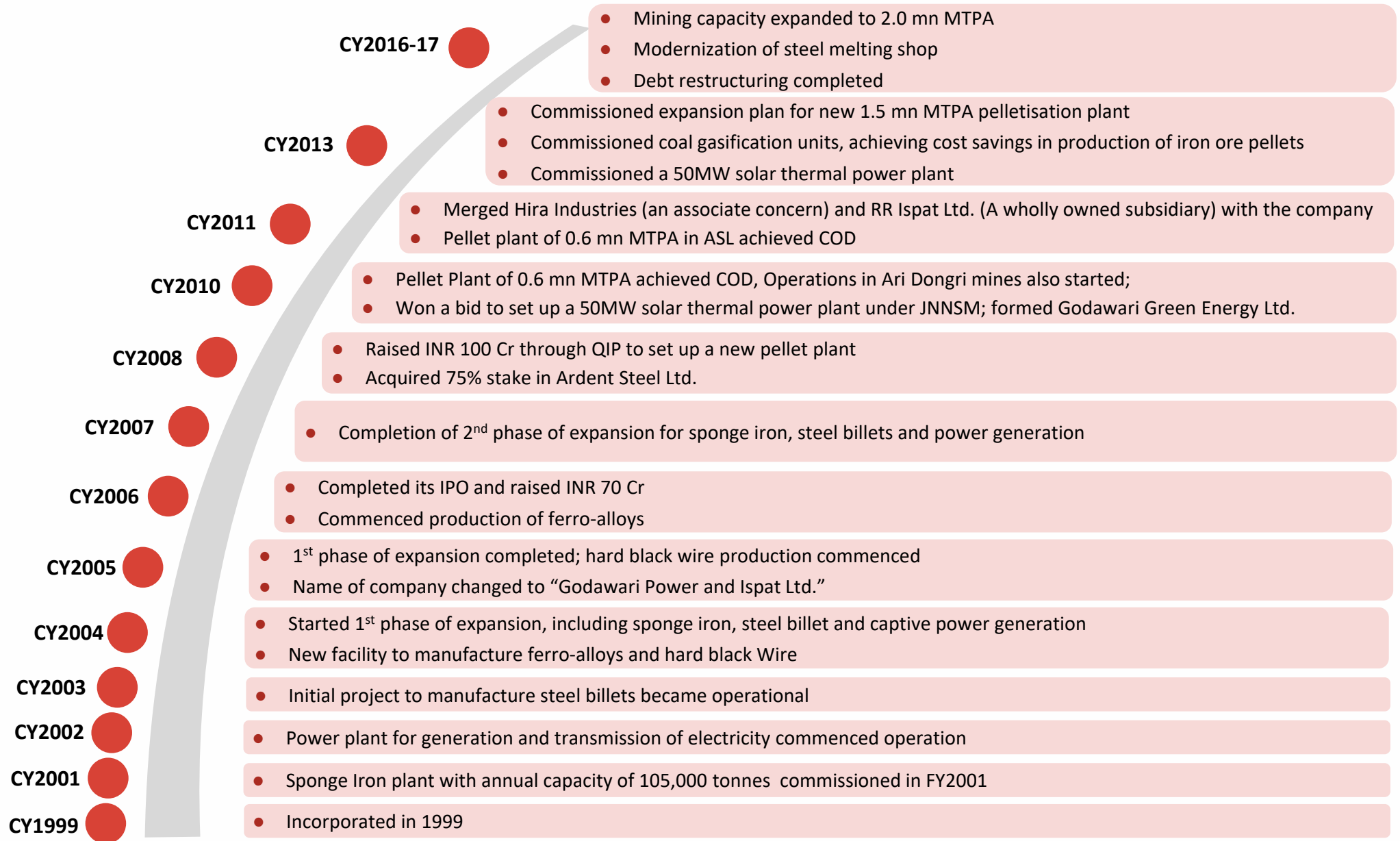


Corporate Structure



¹ Subject to receipt of necessary regulatory and other approvals, the company is proposed to be amalgamated with GPIL

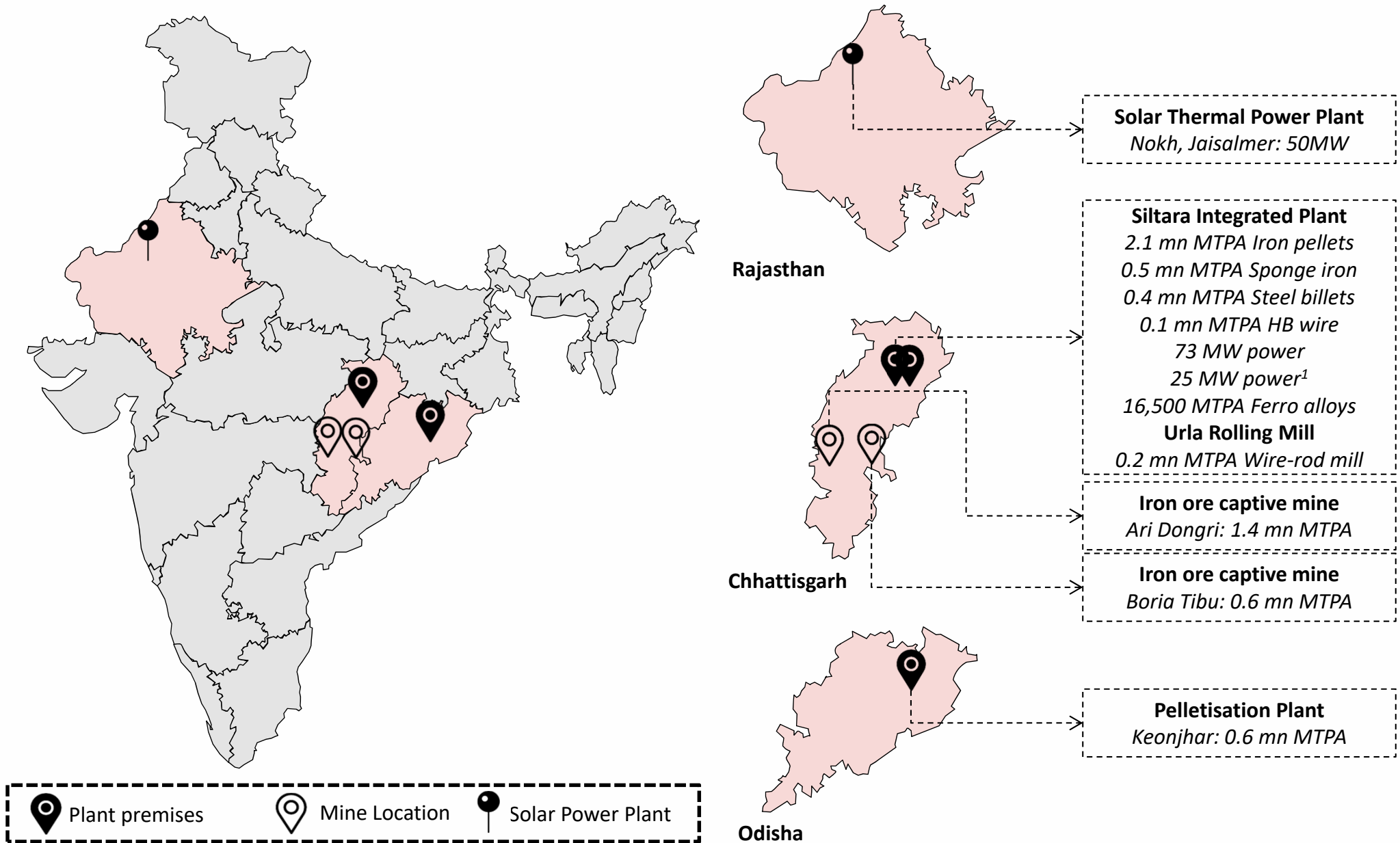
GPIL | Evolution



HIRA

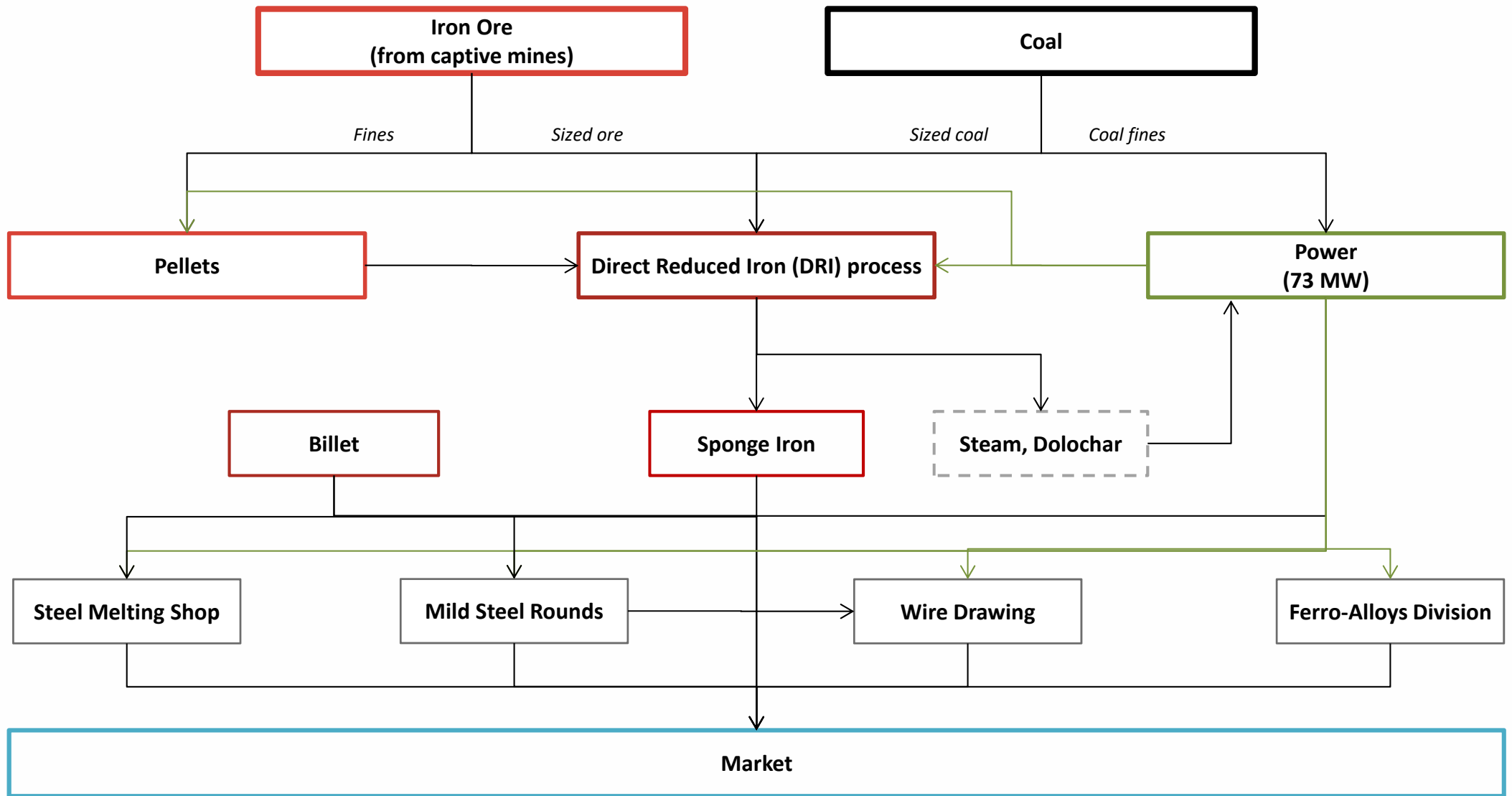
GODAWARI POWER & ISPAT

GPIL | Plants and Mines



¹ 25MW to be added into GPIL subject to receipt of necessary regulatory and other approvals for amalgamation of Jagdamba Power & Alloys Ltd.

Manufacturing Process





Operational highlights

GPIL | Moving towards full utilization and complete integration

Key themes

Strengthening financial profile

- Sustained recovery in operational performance since H2FY17
- Regularized all accounts, and graduated from junk (BB+) to investment grade (BBB-) credit rating in just 12 months

Favourable industry dynamics

- Iron and steel industry seeing rising demand across the world; production slowdown in China has turned India into a net exporter of steel
- Domestic uptick in the construction and infrastructure will result in growth

Backward integration: captive mining and linkages

- Significant ramp-up in mining of captive iron ore over the past few quarters
- Resulting in operational efficiency and cost savings
- Coal linkages to procure coal at fixed costs to insulate against market price shocks

Moving forward in the value chain

- GPIL occupies multiple spot in the iron and steel processing value chain
- Has gradually moved up from captive iron ore mining to manufacturing steel and ferro-alloys
- Expansion in rolling mills and power generation



Integrated producer of value-added iron, steel and power...

Our Product portfolio

Pellets

- Used in the production of steel and alloys
- Has gained wide acceptance following ban on plants that use sintered iron fines



Sponge Iron

- Sponge or Direct Reduced Iron (DRI) is a vital input for the steel industry
- Serves as an energy-efficient feedstock



Iron and Steel Billets

- Standard form of processed iron or steel with a square cross section
- Formed after hot rolling, and thus exhibit high ductility



Wire Rods

- Serve as intermediate inputs to steel plants, as well as industries such as construction and infrastructure



HB Wire

- Hard black wires are made from rolled steel by wire drawing
- Serve as raw material to construction and infrastructure



Ferro-alloys

- Production of silico-manganese, which is used in the production of steel



Solar thermal power

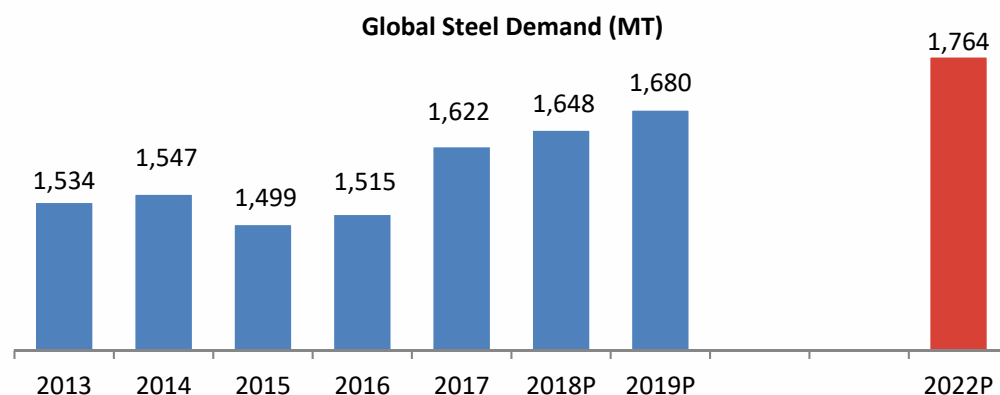
- Generation of power through solar thermal power plant
- Power sold through a long-term PPA with NTPC



Wide portfolio of value-added iron and steel products, supplemented by solar power generation

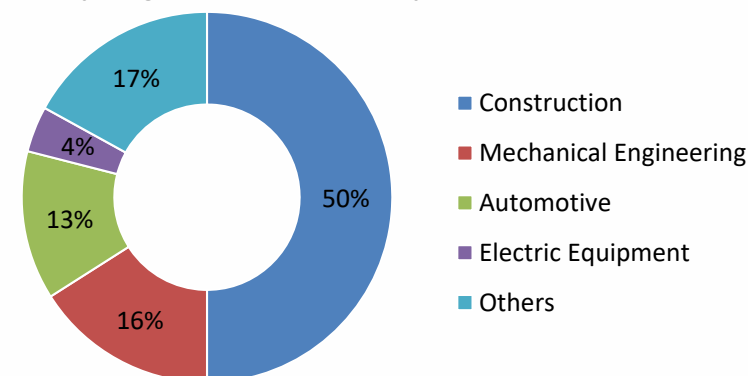
...benefitting from increasing global and domestic demand...

Strong demand expected from China, India, US and EU

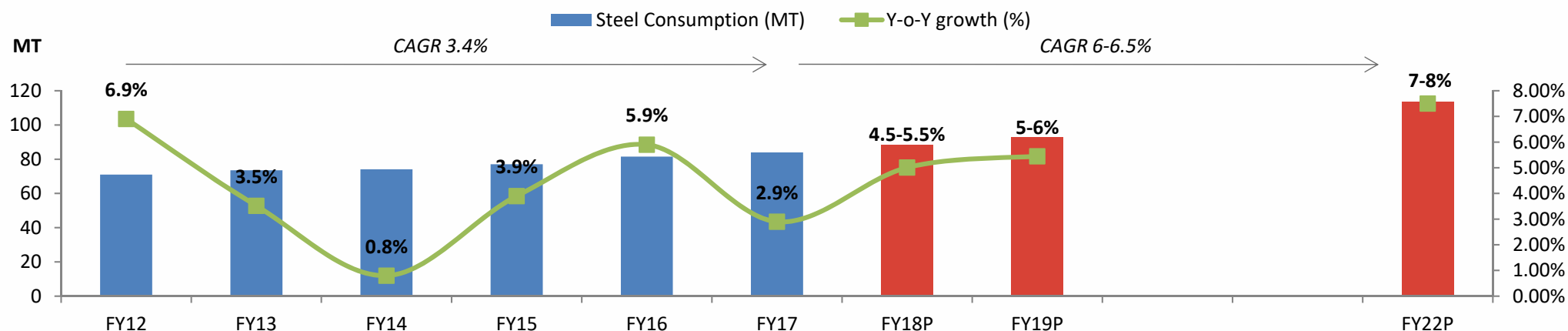


Construction sector likely to be the biggest consumer

Breakup of global steel consumption (FY17E)



Increased Government spending in India is expected to spur demand for steel



GPIL is benefitting from globally increasing demand for iron ore pellets and rising steel consumption

Source: CRISIL Report – “Steel Products”

...and uptick in demand several sectors in India

Demand drivers | India

Infra Project Execution

- Execution of projects in steel intensive sectors like railways, urban infrastructure and metro rail

Push for Affordable Housing

- Building and construction, which constitutes about 35% of steel demand will grow at a moderate pace
- Faster execution in construction of Affordable Housing will result in potential upside in demand for steel

Robust growth of Automobile Industry

- Over the next few years steel demand from automobile industry is expected to grow at a healthy pace, supported by strong growth in passenger and commercial vehicles (CAGR of 8-10%)

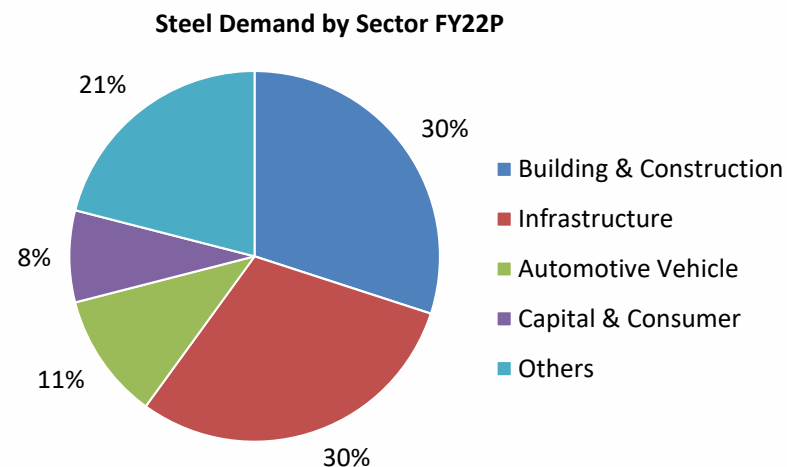
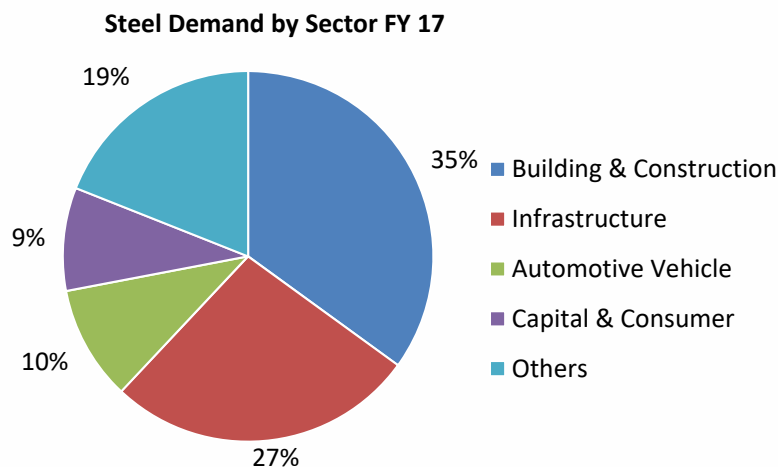
Railways and Metro to boost demand

- Metro and railway project is expected to grow at a healthy CAGR of 8-10% through FY 2022
- Its share of steel demand will go up to 30% from 27% currently

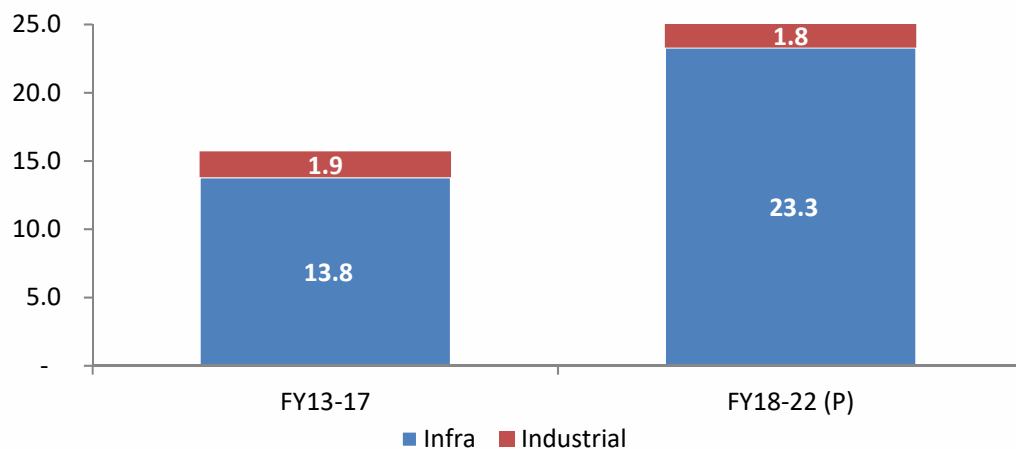
There is a strong pull in steel demand due to various initiatives and policies undertaken by the Government

Increasing share of infrastructure in steel demand...

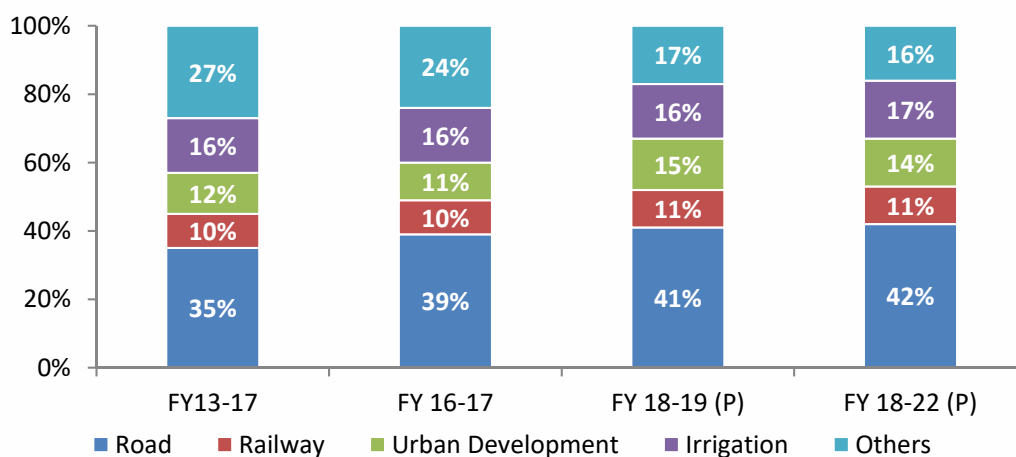
Increasing share of Infrastructure



Huge spending expected in infrastructure...



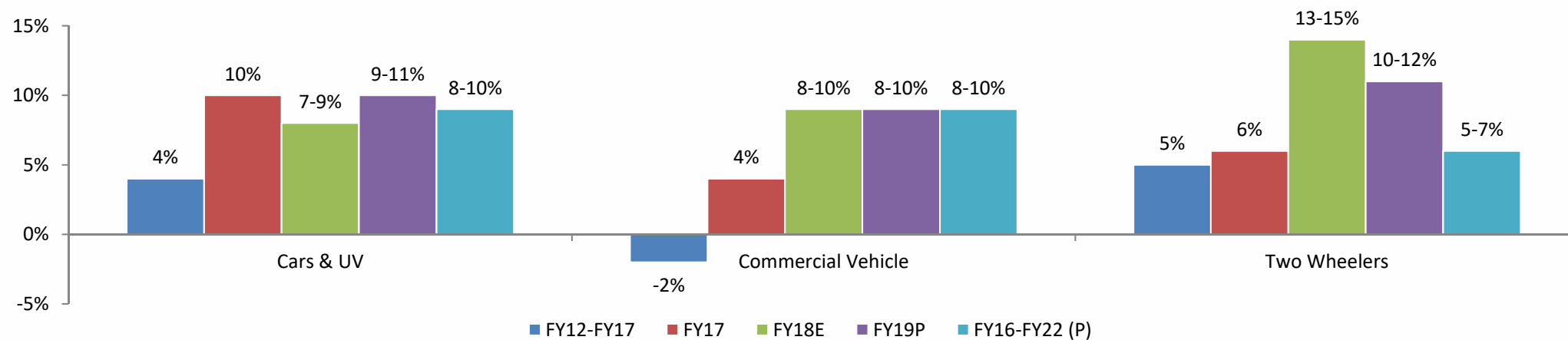
...with increasing share of roads



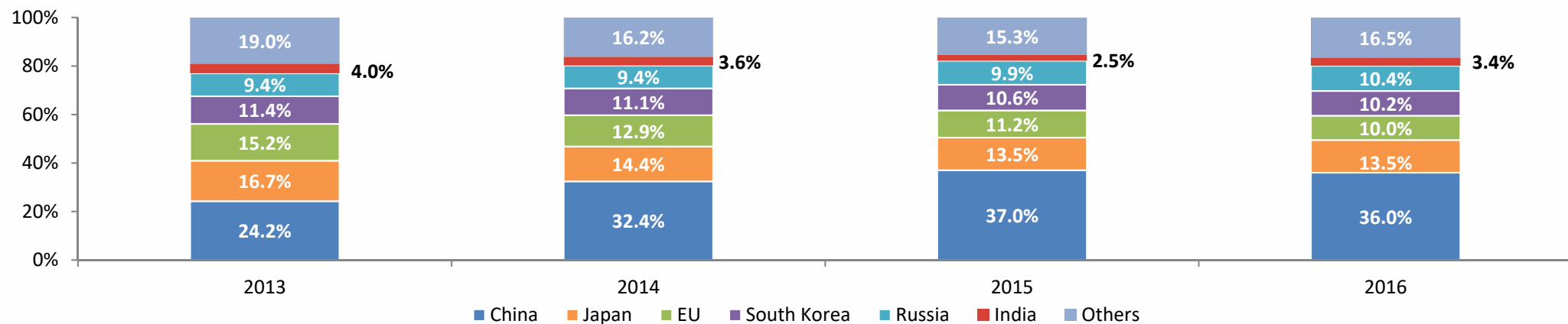
The domestic steel industry will benefit from rapid growth in infrastructure sector

...backed by healthy demand from automobile sector...

Healthy growth projections in automobile segment



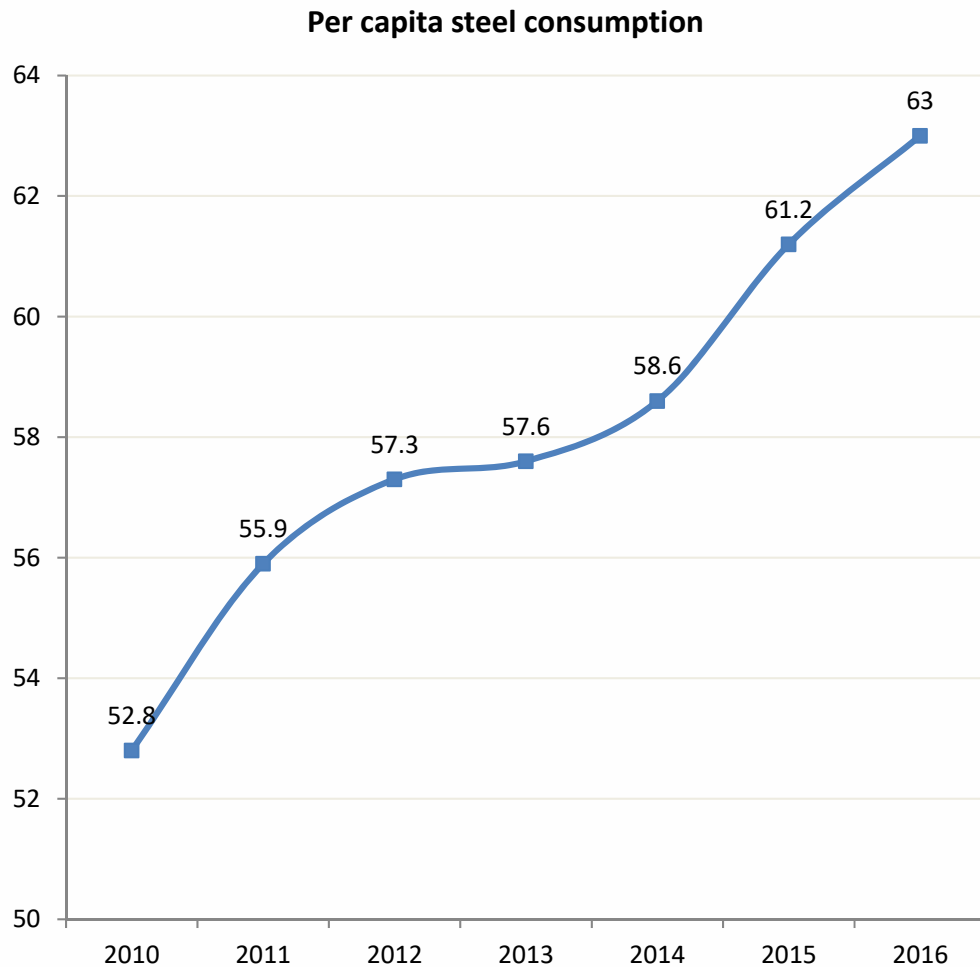
Pickup visible in India's share in world steel trade



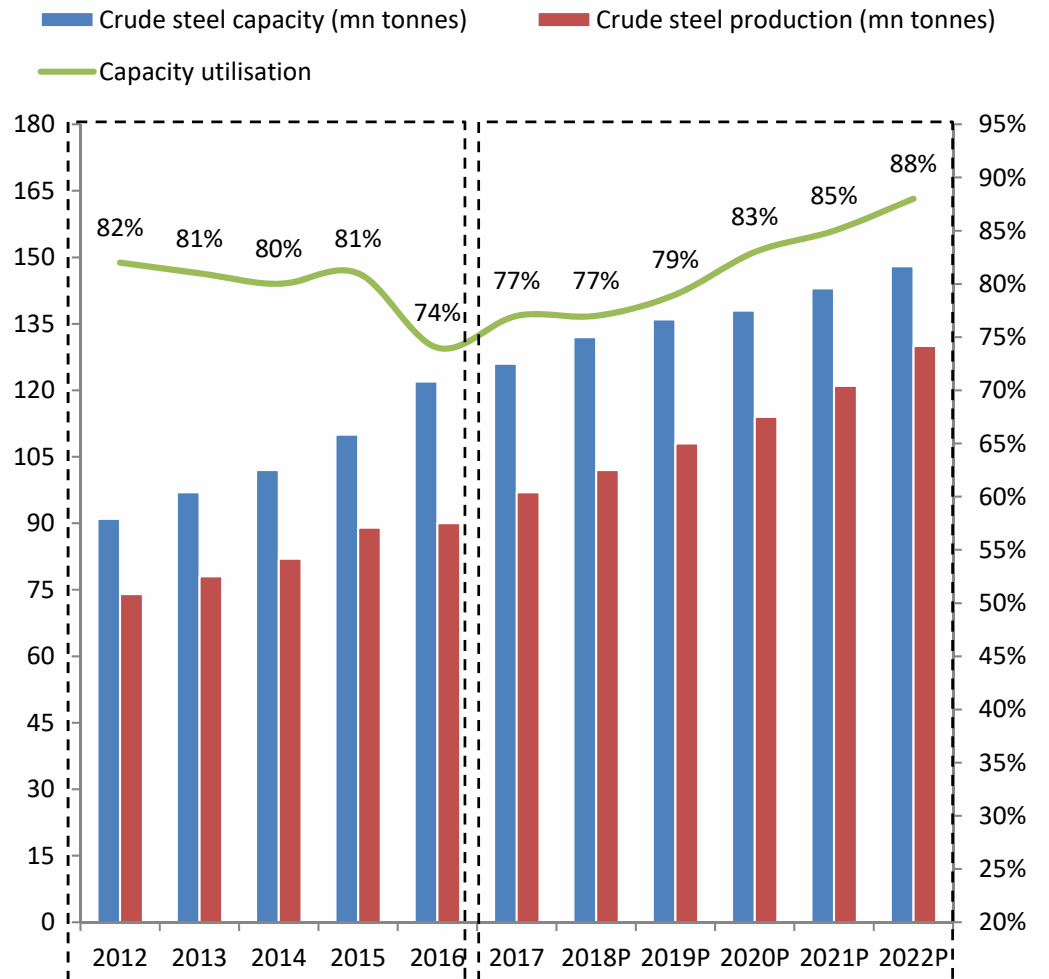
Strong growth in automobiles, and a pickup in exports is expected to bolster the Indian steel industry

...will lead to improving utilizations over the next few years

Increasing per capita consumption of steel



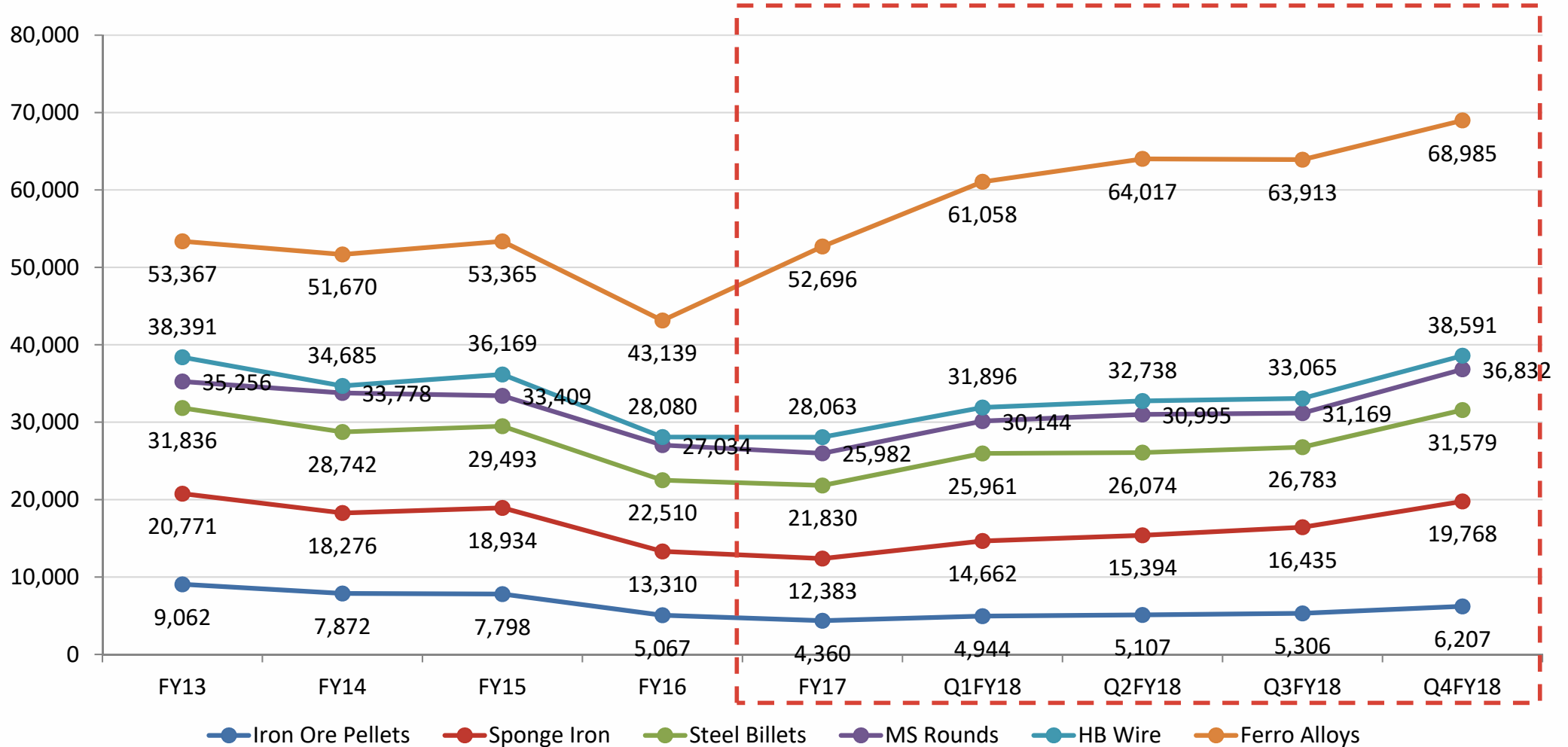
Capacity utilization expected to reach ~88% in 2022



Increasing per capita steel consumption along with better capacity utilization will help improve our bottom line

Improving realizations across the product basket...

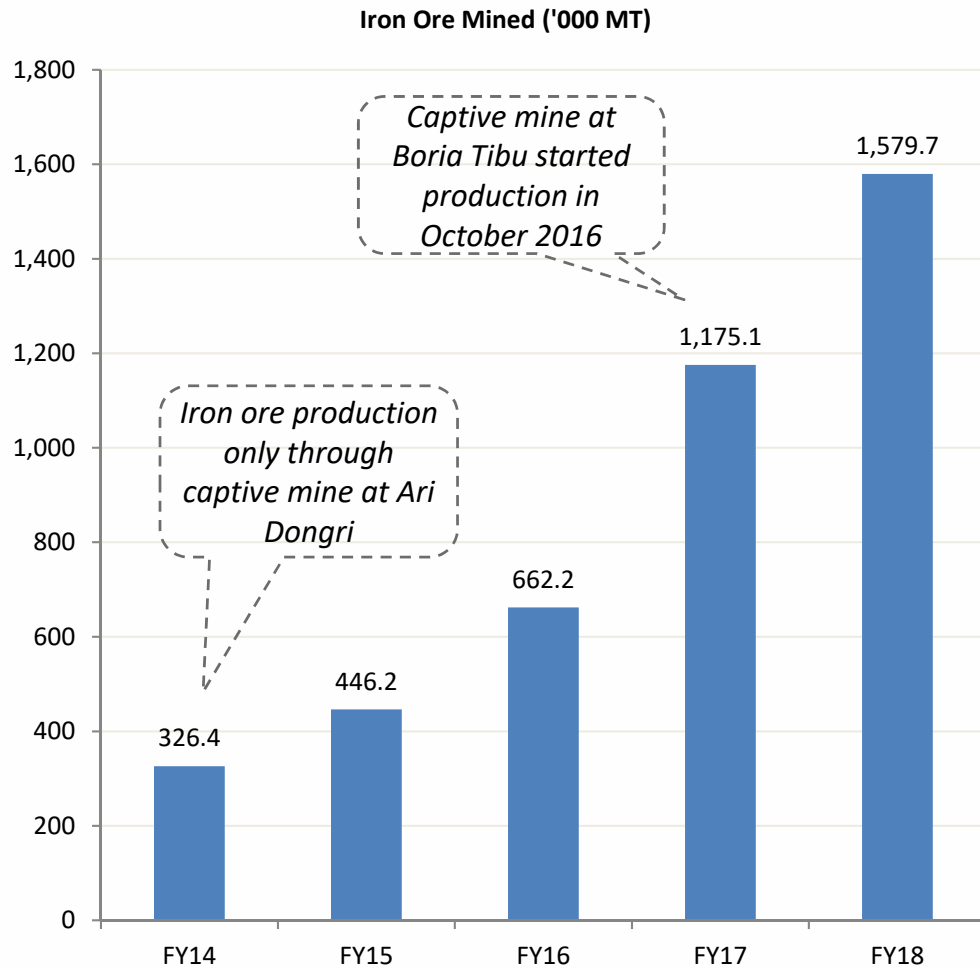
Realization/MT for various iron, steel and affiliated products



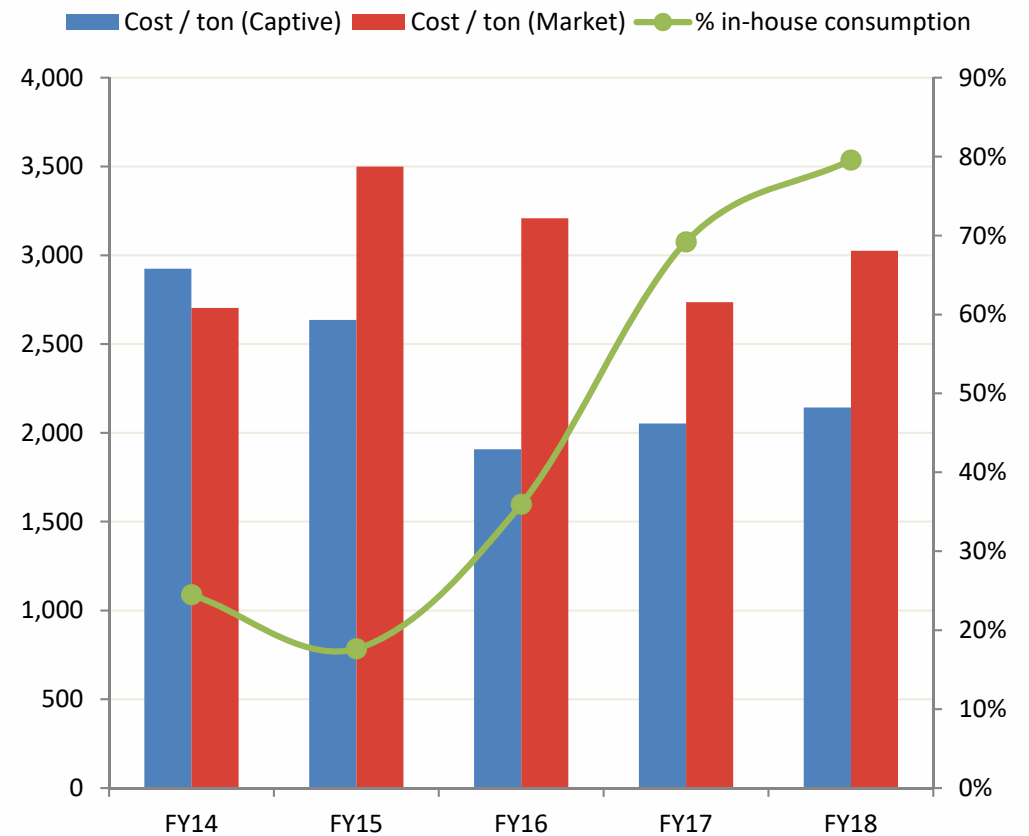
Realizations have been steadily rising across GPII's product portfolio over the past few quarters, are expected to rise further

...and successful backward integration through captive mines...

Captive iron ore mines with annual capacity of ~2.0 mn tons...



...which are increasingly contributing low cost raw material



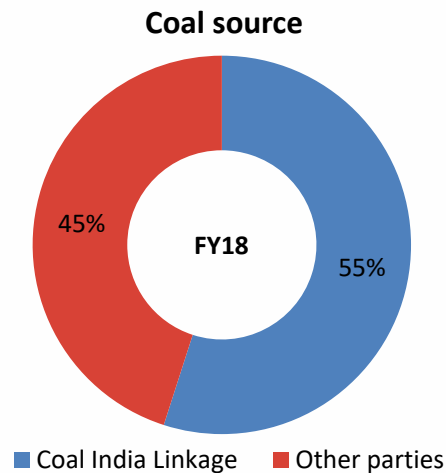
- Iron ore from captive mines costs less than iron ore procured from open market, leading to cost savings and improved margins

Captive production of iron ore accounted for ~80% of GPIL's raw material requirement in FY18

...with long term linkages and agreements for other key inputs...

Coal

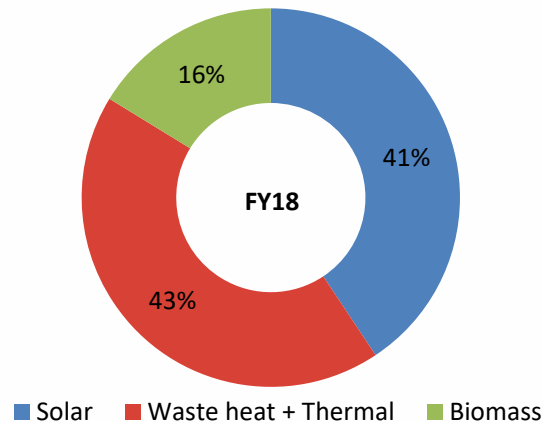
- Coal is used as a fuel for the captive power plants
- Also used in reducing agent in the manufacture of sponge iron
- Long term linkage with Coal India for coal procurement



Power

- In-plant power generation capacity of 73MW
- Also operates a 50MW solar thermal plant in Rajasthan under long term PPA
- 53MW of captive energy from waste heat recovery and coal-fired thermal plant
- 20 MW of biomass power capacity which qualifies for Renewable Energy Credits
- Power requirements fulfilled by captive sources; excess sold on grid

Total Power Generation (MW)



Water

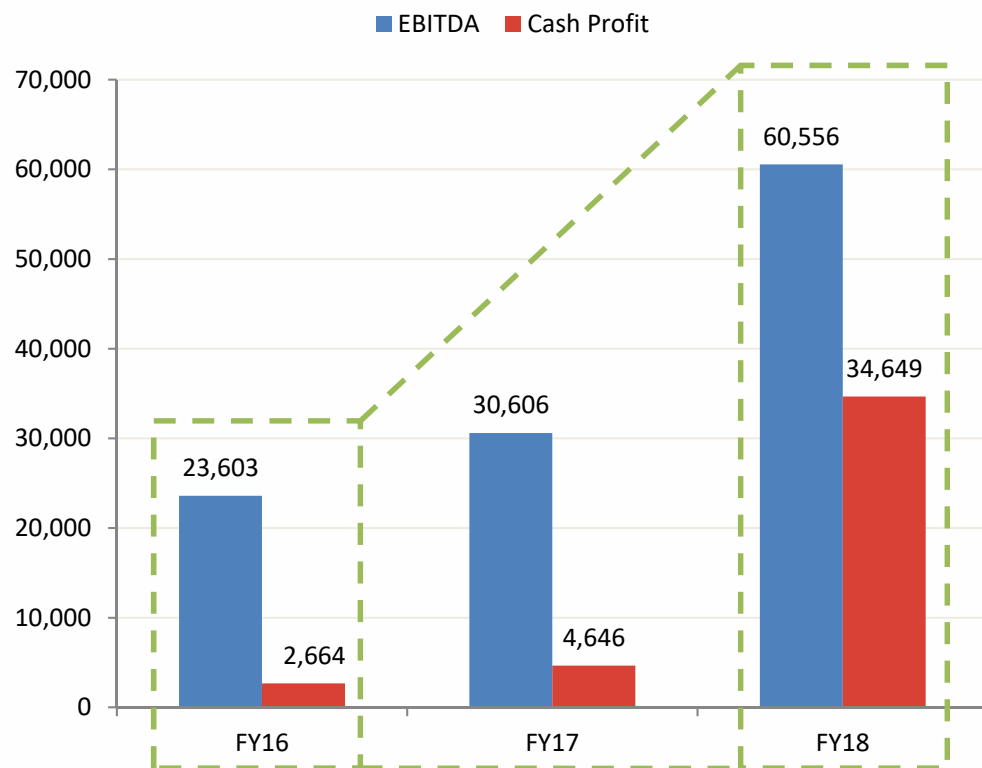
- Agreement with Chhattisgarh Ispat Bhoomi Limited to draw 10,000 KL of water / day
- Stored in 2 constructed reservoirs with combined capacity of ~49,100 M³



Strong linkages and agreement has helped us in saving costs and achieving better margins

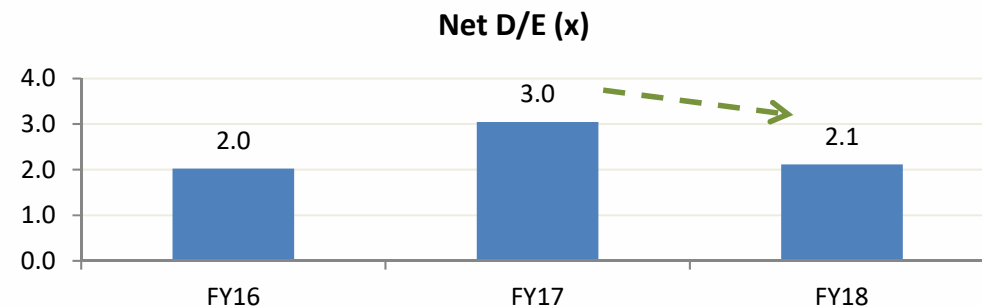
...is leading to a strengthened financial profile for GPII

Improving EBITDA and cash profit generation...



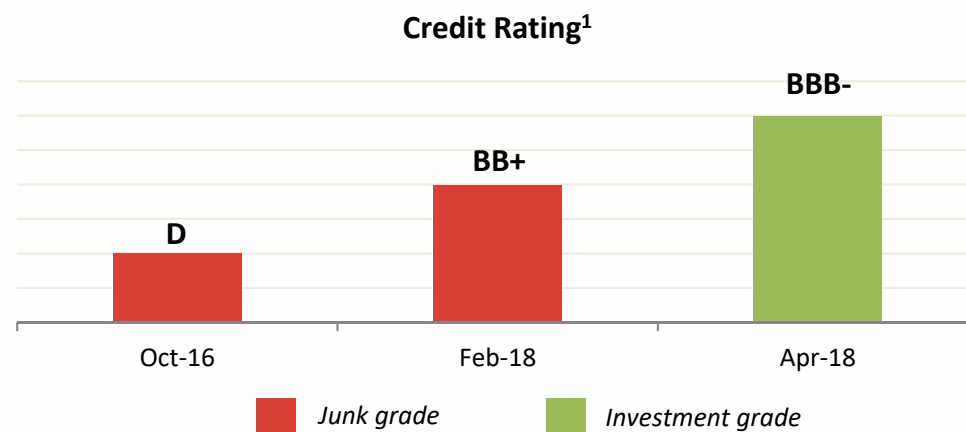
- Lower costs of raw material procurement, and recovery in realizations of products have reflected in margins
- Generation of EBITDA and Cash Profit back to FY15 levels in just 9 months of FY18

...has enabled a reduction in leverage...



Company has already paid down the debt for FY18 as decreed under the loan restructuring scheme

...resulting in improved credit rating metrics



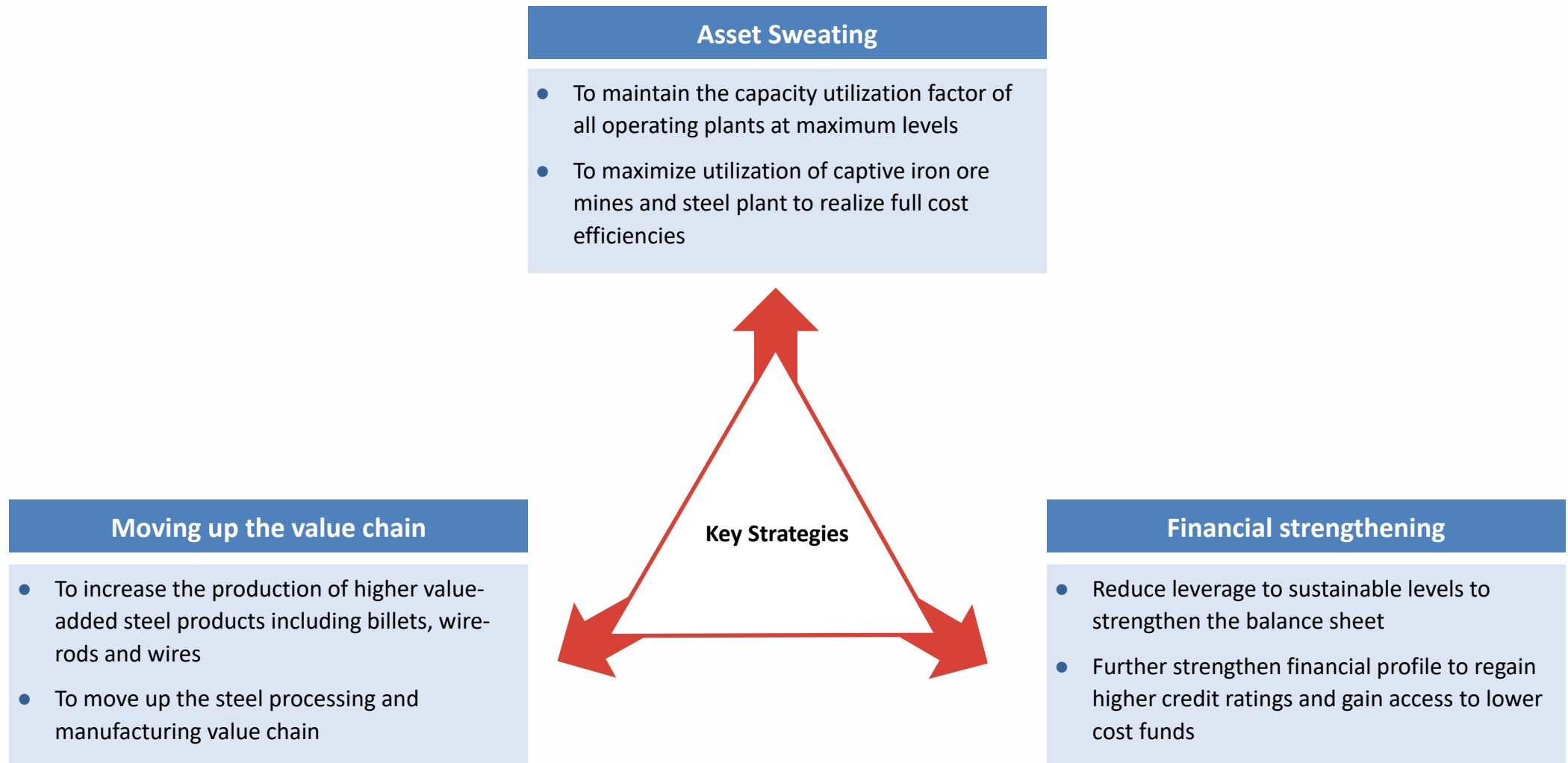
Resulting in highest EBITDA for us since inception

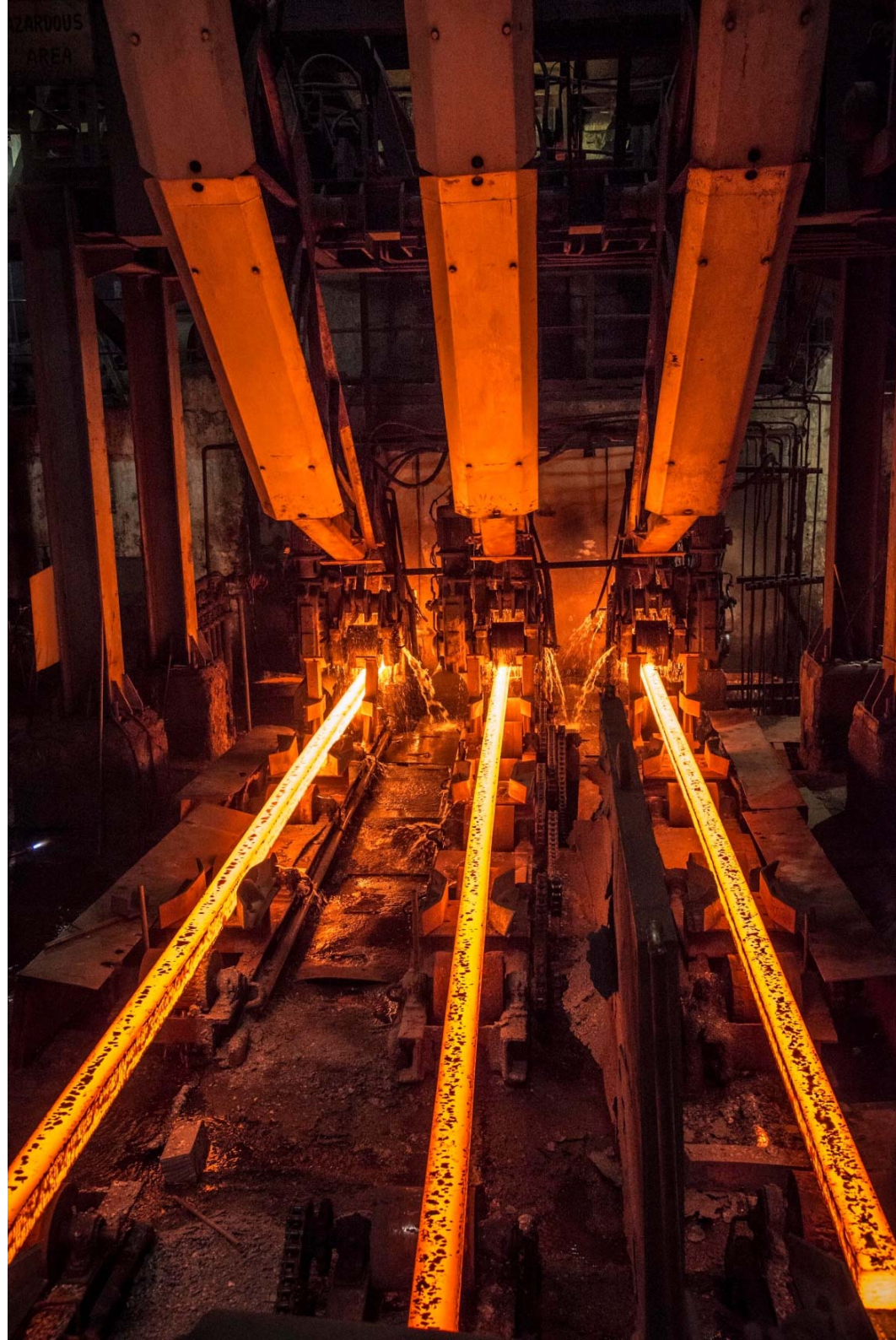
Note: Cash Profit = Profit After Tax + Depreciation;
 Note: EBITDA = Profit Before Tax + Finance Cost + Depreciation
¹ As rated by CARE ratings



Strategies

GPIL | Growth strategies





Financial snapshot

Profit & Loss Snapshot (*consolidated*)

Particulars (INR lakhs)	FY16	FY17	FY18
Revenue from operations	220,369.7	199,408.0	258,883.6
Other Income	1,890.3	1,530.4	865.7
Total Revenue	222,260.0	200,938.3	259,749.3
Less: Expenses			
Cost of Materials Consumed	127,205.7	111,717.1	137,900.9
Employee Benefit Expenses	9,255.4	7,701.8	9,675.4
Other Expenses	62,196.1	50,913.4	51,617.5
EBITDA	23,602.8	30,606.1	60,555.5
Share of profit / (loss) from associates and JVs	(450.9)	27.0	340.0
Depreciation and amortization expenses	12,649.1	12,008.6	13,179.6
Operating Profit (EBIT) before exceptional items	10,502.8	18,624.5	47,715.9
Finance costs	25,200.2	25,914.9	26,331.2
Profit Before Taxes before exceptional items	(14,697.3)	(7,290.4)	21,384.7
Less: Exceptional Items	-	-	551.6
Profit from Ordinary Activities before tax	(14,697.3)	(7,290.4)	20,833.1
Income Tax Expense	(4,712.6)	71.9	(636.3)
Net Profit for the period	(9,984.8)	(7,362.3)	21,469.4



Balance Sheet (*consolidated*)

Particulars (INR lakhs)	FY16	FY17	FY18
Net Worth	89,826.3	85,025.6	108,370.5
Non-Controlling Interest	10,336.5	15,332.1	16,038.8
Debt			
Long Term Debt	136,601.0	197,986.3	187,294.5
Short Term Debt	34,075.8	19,549.8	13,440.6
Other Long Term Liabilities	660.5	817.6	1,030.2
Current liabilities			
Accounts Payable	44,392.4	12,467.5	16,114.1
Other Current Liabilities (<i>including current maturities of LT Debt</i>)	35,938.6	9,476.1	18,923.7
Total Liabilities and Equity	341,494.7	325,322.8	345,173.6
Non Current Assets			
Net Fixed Assets	219,860.4	222,207.1	213,767.7
Other Long Term Assets	46,197.2	37,325.7	50,588.2
Current Assets			
Inventory	40,978.3	30,436.2	43,230.4
Accounts Receivable	9,823.9	11,355.9	15,583.6
Loans and Advances and Other Current Assets	14,829.2	18,884.9	16,783.4
Cash and Cash Equivalents (<i>Including bank balances</i>)	9,805.7	5,113.0	5,220.3
Total Application of Funds	341,494.7	325,322.8	345,173.6



Key Financial Metrics

Key Ratios	FY16	FY17	FY18
Revenue Growth	(9.5%)	(9.6%)	29.3%
EBITDA Margin	10.6%	15.2%	23.3%
PAT Margin	(4.5%)	(3.7%)	8.3%
Return on Equity	(12.6%)	(10.6%)	23.3%
Return on Capital Employed	4.9%	7.0%	17.1%
Net Debt/Equity	2.0x	3.0x	2.1x
Interest Service Coverage Ratio	0.4x	0.7x	1.8x

Note:

Revenue Growth = growth of total revenue (inclusive of other income)

EBITDA Margin = EBITDA / Total Revenue

PAT Margin = PAT / Total Revenue

RoE = PAT / Net Worth

RoCE = EBIT / (Long Term Debt + Net Worth)

Net Debt / Equity = (Long Term Debt + Short Term Debt – Cash and Cash Equivalents) / Net Worth

Interest Service Coverage Ratio = EBIT / Finance Cost





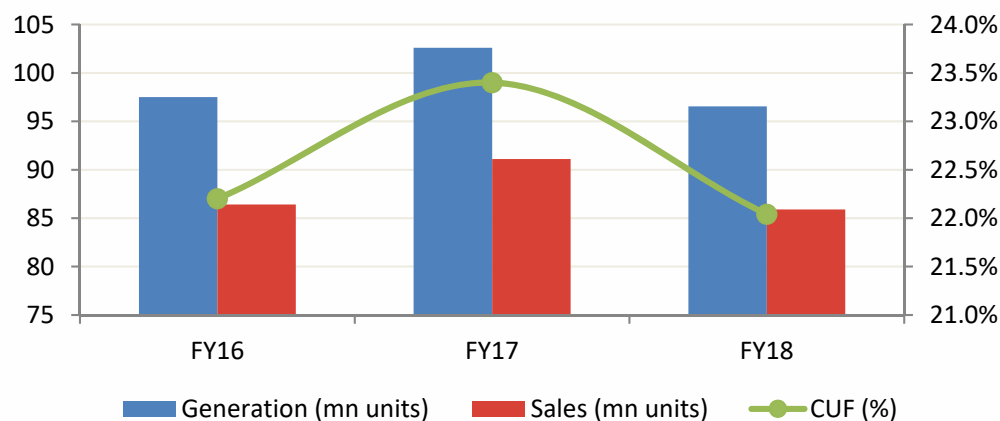
Annexure

Subsidiary | Godawari Green Energy

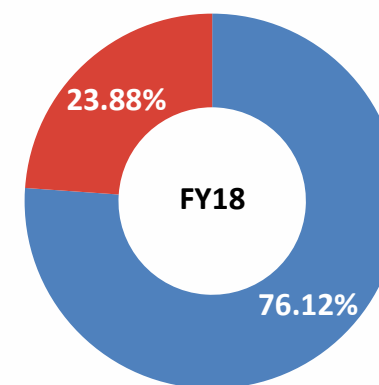
Company snapshot

- Facility located in village Naukh, Jaisalmer, Rajasthan
- GGEL has been set up to implement project awarded under Jawaharlal Nehru National Solar Mission, Phase I of Govt. of India
- The plant is operational since FY14
- Take-off arrangement under fixed price PPA with NTPC Vidyut Vyapar Nigam (NVVN) for 25 years at 12.20 per unit of power supplied
- Project debt structured under 5-25 scheme for infrastructure project thereby giving a repayment tenor of 15 years

Operating metrics



Shareholding pattern



■ GPIL and its Promoters ■ Shiv-Vani Energy Limited

Summary financials

Particulars (INR lakhs)	FY16	FY17	FY18
Revenue from Operations	10,537.6	11,134.6	10,655.9
EBITDA	9,639.5	10,251.64	8,986.2
EBITDA Margin (%)	91.5%	92.1%	84.3%
Depreciation	3,019.4	3,076.1	3,107.9
Finance Costs	6,312.7	6,243.7	5,801.5
PAT	(41.5)	648.4	61.3
PAT Margin (%)	(0.4%)	5.8%	0.6%

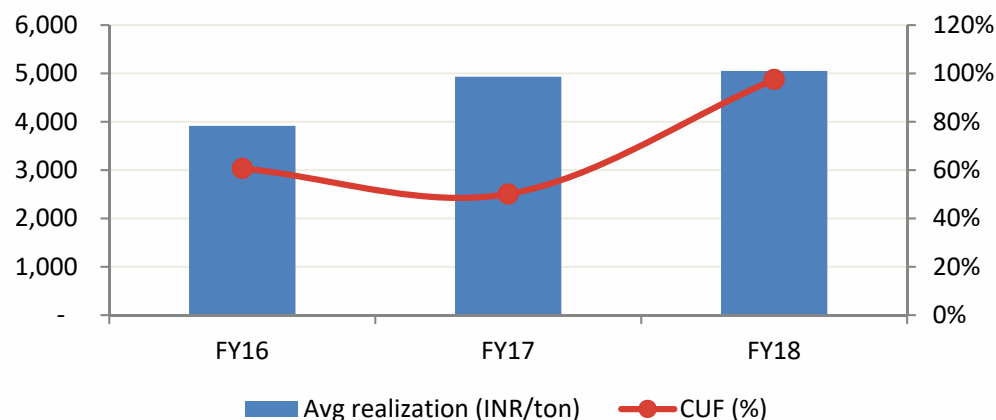
Godawari Green Energy operates the solar thermal power plant in Rajasthan

Subsidiary | Ardent Steel

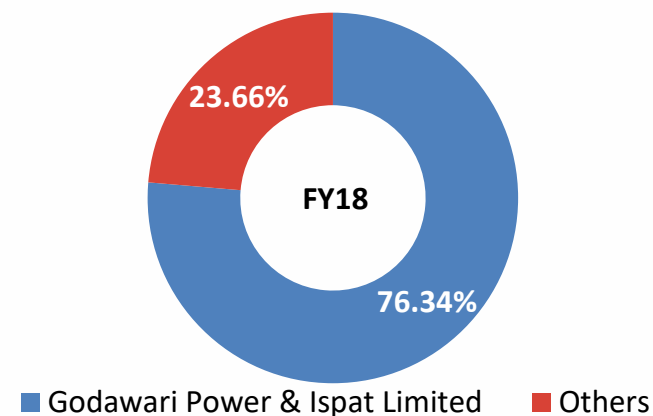
Company snapshot

- The company has a total production capacity of 0.6mn MTPA pellet which located in Phuljhar, Keonjhar, Odisha
- The plant uses iron ore from the merchant mines in Barbil, located in the Keonjhar district
- The company has completed setting up an iron ore pelletisation plant with a capacity of 0.6 MTPA since July 2010
- The debt has also been restructured by the lenders for a long tenor in FY17

Operating metrics



Shareholding pattern



Summary financials

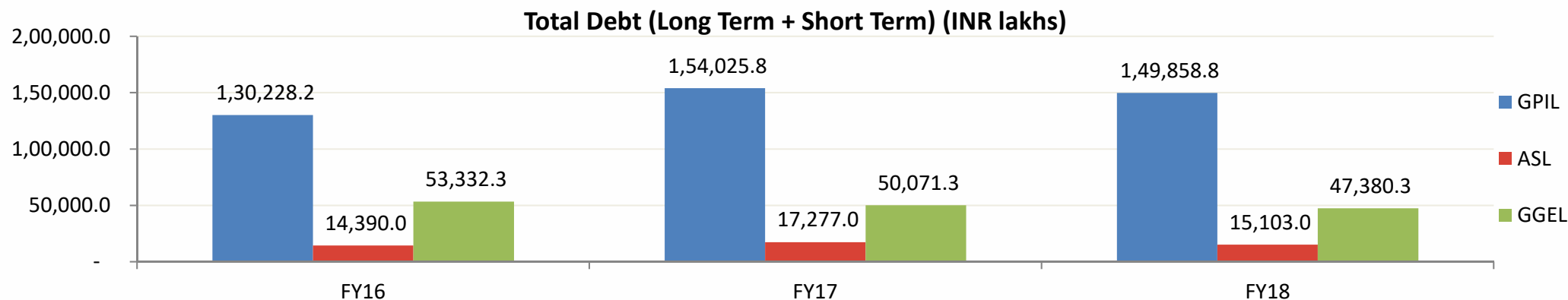
Particulars (INR lakhs)	FY16	FY17	FY18
Revenue from Operations	18,040.3	14,707.5	29,886.1
EBITDA	(2,993.0)	2,797.0	7,642.3
EBITDA Margin (%)	(16.6%)	19.0%	25.6%
Depreciation	1,514.6	1,114.5	1,122.1
Finance Costs	1,994.8	2,160.8	2,225.3
PAT	(4,471.4)	(323.7)	2,818.2
PAT Margin (%)	(24.8%)	(2.2%)	9.4%

Ardent Steel operates the iron pelletization plant in Odisha



GPIL | Debt Profile, Restructuring and Turnaround

Total debt composition across GPIL and subsidiaries



Course of debt restructuring and subsequent turnaround

June 2016

- Default in debt repayment due to lower cashflow on account of 40-50% fall in price of GPIL's products over the course of 12-18 months
- GPIL started discussions with lenders for corrective action plan

September 2016 – March 2017

- Lenders agreed in-principle for restructuring of debt in September 2016
- Restructuring package implemented in March 2017; Debt repayment regularized
- Lenders agree to elongation of tenor of facilities with part conversion of short term debt to long term debt
- No haircuts taken by lenders
- Improvement in price realizations of finished products and operational efficiency

2018

- Gradual revival in operations leading to improved financials
- Credit rating improved from "D" to "BB+" in Feb 2018
- Credit rating upgraded again to "BBB-" in April 2018 (investment grade)

Due to operational efficiency and successful backward integration, GPIL has been able to turn its business around rapidly





Thank you!



GODAWARI POWER & ISPAT