



HIRA

GODAWARI POWER & ISPAT

Q1 Earnings Presentation
August 2019

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Q1 FY20 Highlights

Q1FY20 Operational Highlights*

- Iron Ore production 7% higher at 448,914 MT
- Pellet production 13% higher at 609,605 MT
- Sponge Iron production 9% higher at 122,268 MT
- Steel billets production 27 % higher at 76,465 MT
- MS rounds production at 46,914 MT
- HB wires production at 33,052 MT
- Pre-Fab galvanized production 146% higher at 11,049 MT

Q1FY20 Financial Highlights*

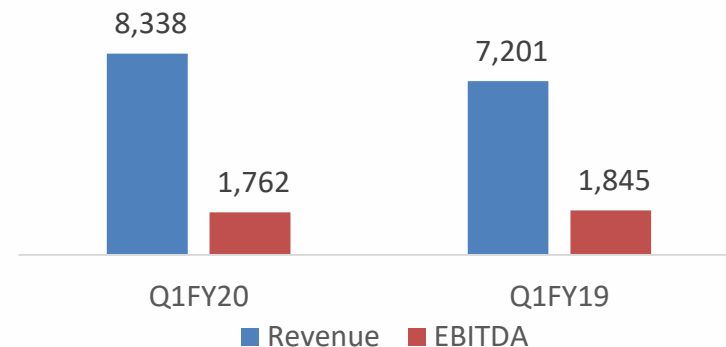
- Revenue up 16% YoY INR 8,338 million driven by higher utilisation across chain
- EBITDA at INR 1,762 million, down 4% YoY due to fall in realisation in finished steel
- Interest cost reduced 12% YoY to INR 558 Mn
- 384 Mn of loan repaid during this quarter against the scheduled repayment of 1,032 Mn for FY20
- Credit rating of the company upgraded to BBB+

*consolidated

Production Quantity*

In MT	Q1FY20	Q1FY19	Change %
Mining	4,48,914	4,17,764	7%
Pellets	6,09,605	5,38,381	13%
Sponge Iron	1,22,268	1,12,162	9%
Steel Billets	76,465	60,280	27%
M.S. Round/ TMT	46,914	47,203	-1%
H.B. Wire	33,052	34,990	-6%
Pre-Fab Galvanized	11,049	4,495	146%

Revenues and EBITDA* (INR Mn)



Q1FY20 Production Summary

Production (in MT)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Iron ore Mining	4,48,914	4,17,764	7%	4,36,053	3%
Iron ore Pellets - GPIL	4,76,700	4,45,900	7%	5,40,000	-12%
Iron Ore Pellets - ASL	1,32,905	92,481	44%	1,65,345	-20%
Sponge Iron	1,22,268	1,12,162	9%	1,23,858	-1%
Steel Billets	76,465	60,280	27%	90,390	-15%
M.S. Rounds	46,914	47,203	-1%	42,935	9%
H.B. Wires	33,052	34,990	-6%	32,062	3%
Silico Manganese	3,402	1,546	120%	3,647	-7%
Pre- Fab Galvanized	11,049	4,495	146%	12,605	-12%
Captive Power-GPIL (in cr)	11.4	12.4	-8%	9.6	19%
GGEL - Solar Power (in cr)	3.1	2.3	32%	2.0	53%

Q1FY20 Sales Summary

Sales & Realisation	Q1FY20		Q1FY19		Q4FY19	
	Quantity Realisation		Quantity Realisation		Quantity Realisation	
Iron Ore Pellet - GPIL	3,25,823	6,763	3,52,348	5,958	4,01,771	6,737
Iron Ore Pellet - ASL	1,28,483	5,621	1,03,333	4,988	1,77,431	5,489
Sponge Iron	36,955	17,898	43,454	19,730	30,729	18,501
Steel Billets	33,669	30,943	22,109	34,603	42,349	31,942
M.S. Round	24,438	37,008	19,871	42,172	19,786	37,346
H.B. Wire	33,802	39,310	36,377	41,289	30,752	39,909
Silico Manganese	2,823	65,870	1,356	67,470	2,594	67,082
Pre-Fab Galvanized	9,841	60,174	3,169	64,498	9,879	65,330
GGEL	2.8	12.2	2.1	12.2	1.8	12.2

GPIL Consolidate - Profit & Loss

Particulars (in Million)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Net Sales	8,338	7,201	16%	8,944	-7%
Total Expenses	6,593	5,365	23%	7,066	-7%
Other Income	17	9	93%	30	-44%
EBITDA	1,762	1,845	-4%	1,908	-8%
EBITDA Margin (%)	21.13	25.62		21.33	
Depreciation	334	332	1%	334	0%
Finance Costs	558	631	-12%	627	-11%
PBT	870	882	-1%	947	-8%
Tax	301	320	-6%	357	-16%
PAT	569	562	1%	591	-4%
EPS (INR)	16.45	17.02	-3%	17.28	-5%

GPIL Standalone - Profit & Loss

Particulars (in Million)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Net Sales	7,275	6,434	13%	7,661	-5%
Total Expenses	6,007	4,889	23%	6,148	-2%
Other Income	15	6	171%	9	60%
EBITDA	1,283	1,550	-17%	1,522	-15%
EBITDA Margin (%)	17.68	24.09		19.86	
Depreciation	228	227	1%	224	2%
Finance Costs	405	453	-10%	454	-11%
PBT	650	871	-25%	844	-23%
Tax	245	315	-22%	385	-36%
PAT	405	555	-27%	459	-11%
EPS (INR)	11.50	16.28	-27%	13.02	-8%

Ardent Steel Limited Standalone - Profit & Loss

Particulars (in Million)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Net Sales	734	516	42%	1,054	-30%
Total Expenses	558	440	27%	904	-38%
Other Income	0	1	-92%	2	-94%
EBITDA	176	77	127%	152	16%
EBITDA Margin (%)	23.93	14.98		14.37	
Depreciation	32	28	15%	35	-9%
Finance Costs	40	46	-13%	42	-4%
PBT	104	4	2778%	75	39%
Tax	27	1	1946%	-31	-187%
PAT	77	2	3248%	105	-27%
EBITDA Per Ton	1,367	747	83%	854	60%

Godawari Green Energy Limited - Profit & Loss

Particulars (in Million)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Net Sales	340	252	35%	229	10%
Total Expenses	39	36	8%	13	177%
EBITDA	302	216	40%	216	0%
EBITDA Margin (%)	88.57	85.74		94.27	
Other Income	2	2	0%	19	-89%
Depreciation	74	78	-5%	74	5%
Finance Costs	114	133	-14%	131	2%
PBT	115	7	1543%	29	-76%
Tax	30	3	900%	2	50%
PAT	85	4	2025%	27	-85%

FY19 Return & Liquidity Ratios

	Unit	Standalone	Ardent	GGEL	Consolidated
RoE	%	22%	40%	-2%	22%
RoCE	%	17%	26%	7%	17%
BVPS	INR	285	130	104	392
Net Debt to EBITDA	x	2.07	1.23	5.87	2.32
Net Debt to Equity	x	1.20	0.82	1.84	1.38
Interest Coverage	x	3.42	5.12	1.43	3.15

Business Strategy Going Forward

Efforts Towards Greater Operational Efficiencies

- Billet production increased through long term supply of power under PPA with Jagdamba.
- 100% captive utilisation of sponge iron for increased production of steel billet.
- Further value addition on steel billet through manufacture of rolled product by commissioning the new rolling mill by Q2 FY20 of 200,000 MT. Expected savings of INR 1,000/MT on incremental production of rolled products.
- New product addition for manufacture of fabricated galvanized which lead to further improve in operating profitability
- Discussions are on with management of Jagdamba for revised proposal for merger of Jagdamba with GPIL, as its 25Mw power plant is critical for additional captive power requirement of the GPIL

Global Tailwinds

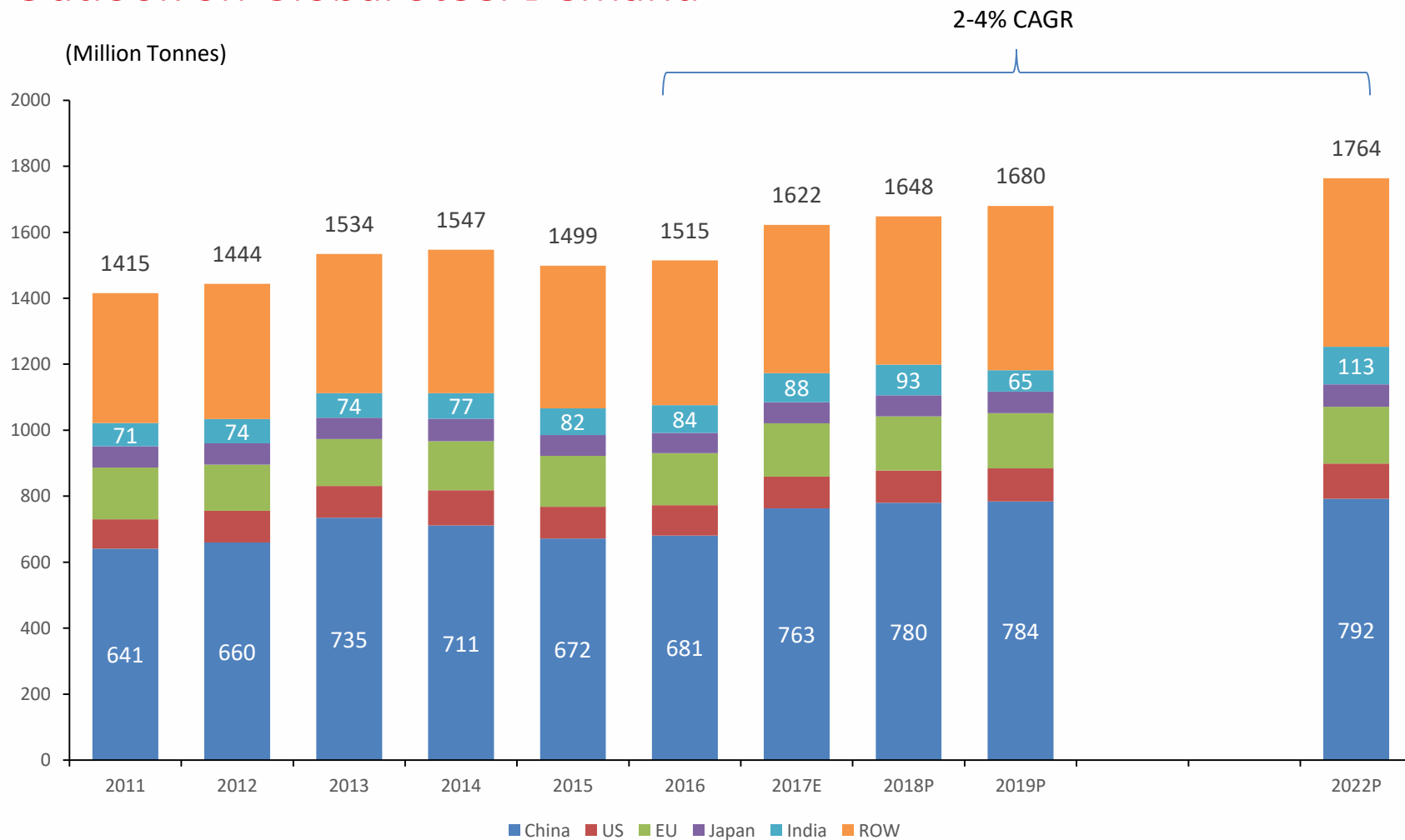
International Market

- Despite weakening in finished steel prices, Iron ore prices have spiked from \$65 per ton to over \$120 in international market due to disruption in Vale, Rio, BHP mines in 2019. The iron ore prices have recently cooled down to around \$108.
- Shortage of iron ore globally has kept the prices of iron ore pellets at elevated level, despite fall in finished product prices in international market.

Domestic Market

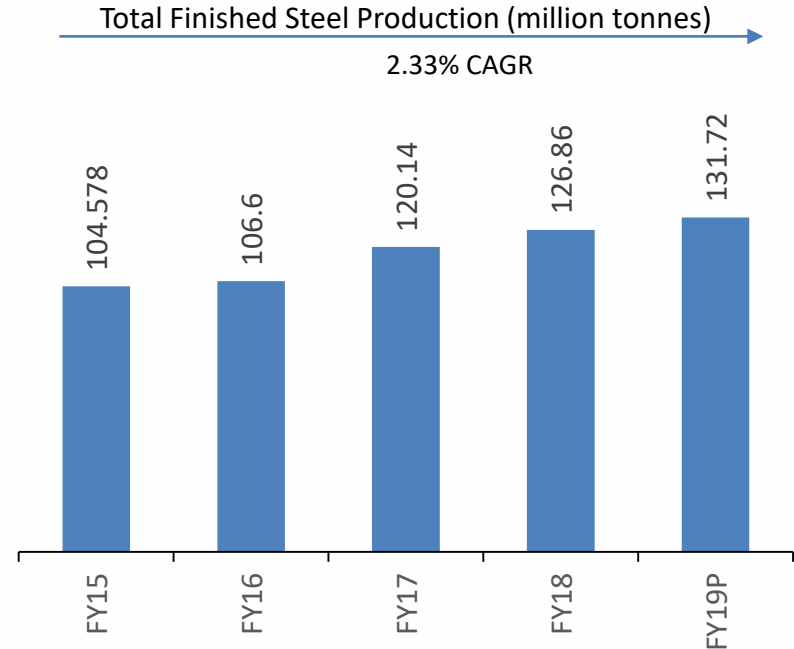
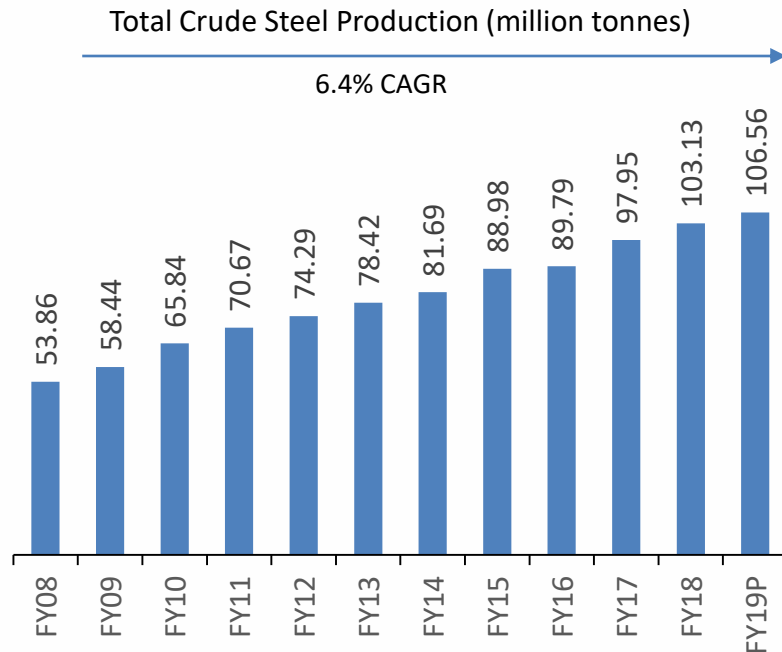
- **Major domestic supply shortfall from March 2020 onwards**
 - 288 Mining leases will lapse which translates to a production loss of c.85 mtpa – 40% of India's Iron Ore Production. These mines will be auctioned by the state government.
 - The requirement of G2 level exploration and environment clearances issues are likely to disrupt auction process, barring changes in existing policies by government, which may lead to increase in iron ore prices in domestic market.

Outlook on Global Steel Demand



Source : CRISIL Research, JPC

Domestic Demand Outlook



Source : IBEF

- Steel manufacturing output of India is expected to increase to 128.6 MT by 2021, accelerating the country's share of global steel production from 5.9% in 2018 to 7.7% by 2021
- Government's initiatives to ease NBFC liquidity crisis should revive the growth in the economy
- Capacity has increased to 137.98 MT in 2017-18 while in the coming ten years the figure is expected to touch to 300 MT steel.
- Affordable housing and infrastructure projects to propel demand
- India surpassed Japan to become the world's second largest steel produced in 2018, with crude steel production of 106.5 million tonnes.



GODAWARI POWER & ISPAT

INVESTOR PRESENTATION

Integrated Asset Portfolio; Unique Presence Across Steel Value Chain

Asset

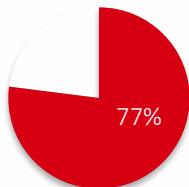
Capacity

FY 19 Utilisation



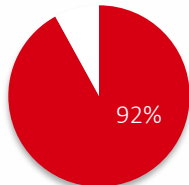
Iron Ore Mining

2.1 mt



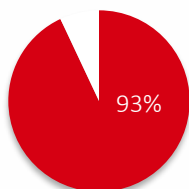
Iron Ore Pellets

2.7 mt



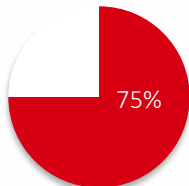
Sponge Iron

0.5 mt



Steel Billets

0.4 mt



Asset

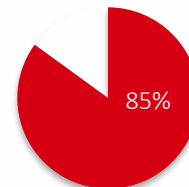
Capacity

FY19 Utilisation



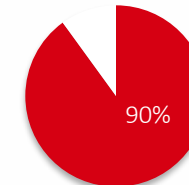
MS Rounds

0.2 mt



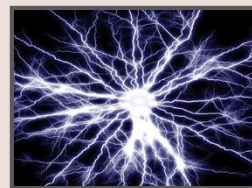
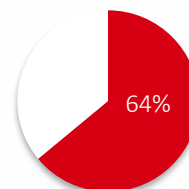
HB Wires

0.15 mt



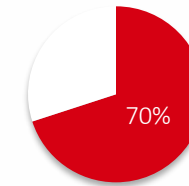
Ferro Alloys

16,500 mt



Power

98 MW*;
86 cr units



GPII – Focused on Generating Shareholder Value



Clear Strategy

Focus on **Integrated Steel** Value Chain

No unrelated diversification;
Non-core assets to be divested



Portfolio Optimisation

Increasing value addition by **enhancing captive power** availability

Supply Chain optimisation through **rolling mill expansion (brownfield)**



Improving Financials

FY19 **Revenue Growth: 31%**;
EBITDA Margin: 24%

FY19 ROE: 22%
Net Debt/Equity: 1.4
Int. Coverage: 2.6

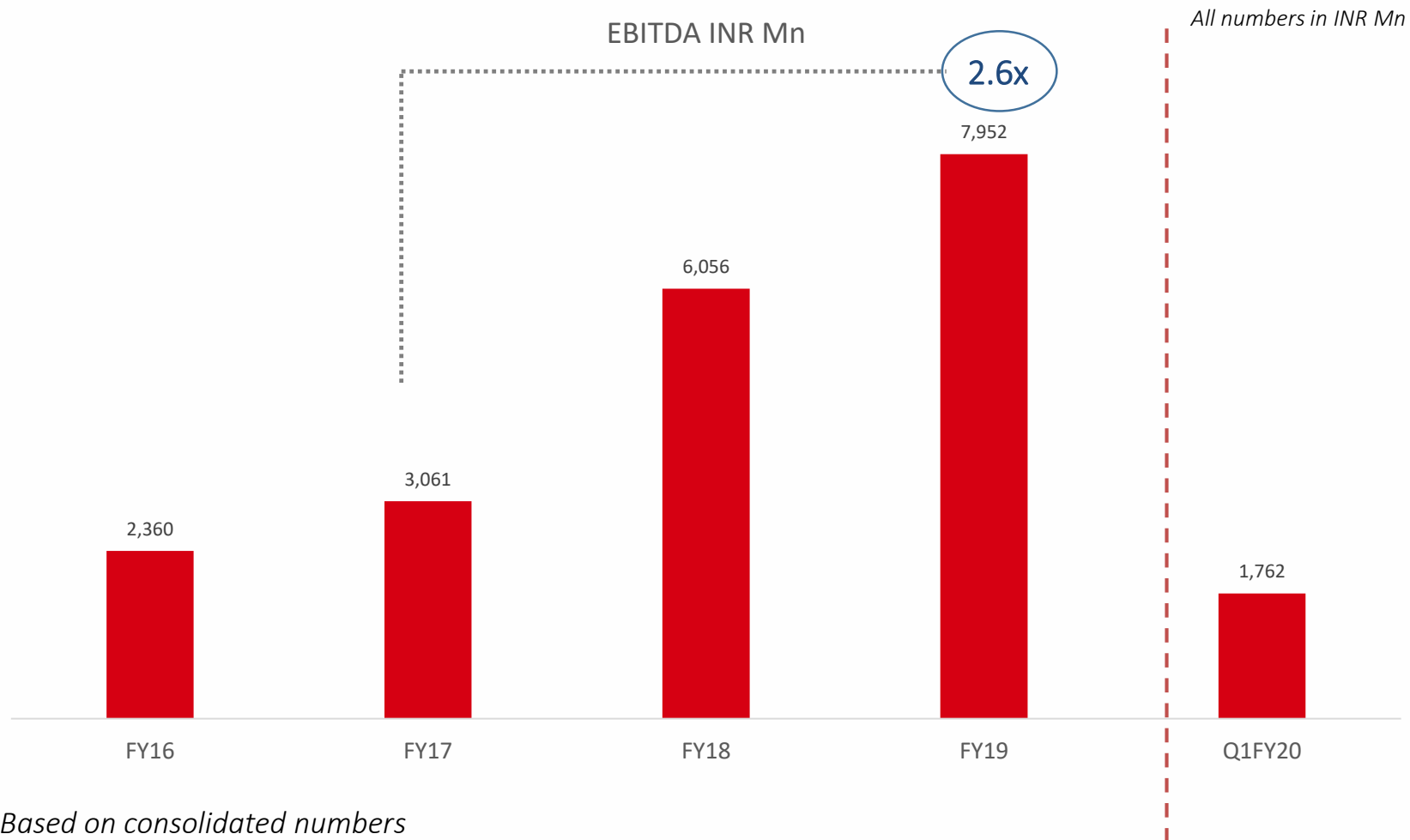


Balance Sheet De-Leveraging

Net Debt to equity Reduced to 1.4x from 3x; **Target <1x**

Credit Rating Updated to Investment Grade **BBB+**

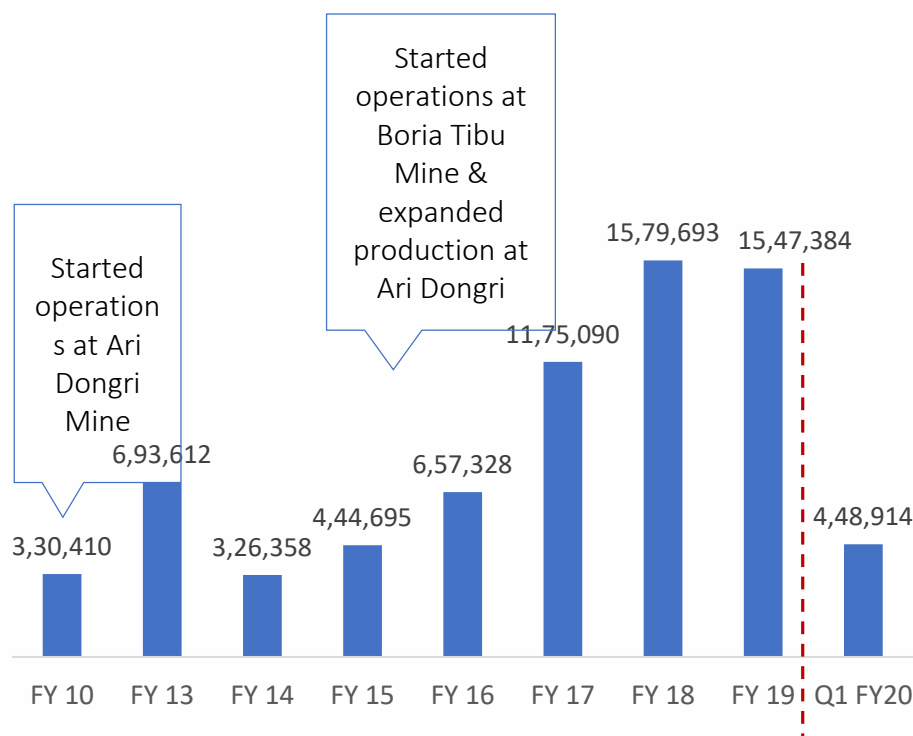
Strategy Focused on Consistent Profitability



Increased Captive Consumption Provides Significant Margin Expansion

Significant captive mining capacity & multiple long-term linkages aid in lowering costs & improving margins

Iron Ore Production (MT)



Coal

- Long-term linkage with Coal India
- c.75% of total coal sourced from long term linkage

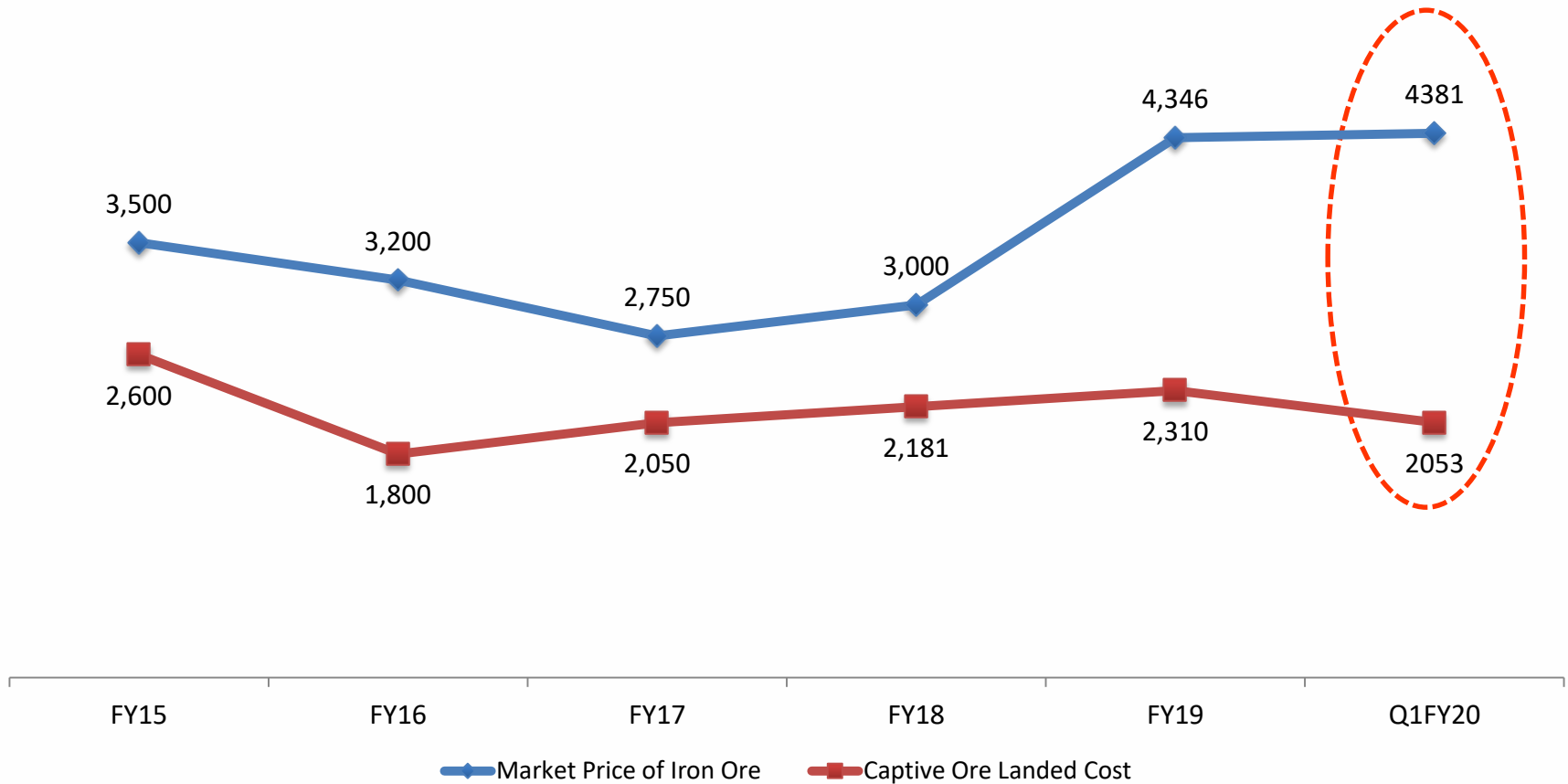
Power

- In-plant power generation capacity of 73 MW
- 42 MW captive energy from waste heat recovery + 11 MW from coal thermal plant + 20 MW biomass power capacity
- Additional 25 MW from Jagdamba Power PPA*

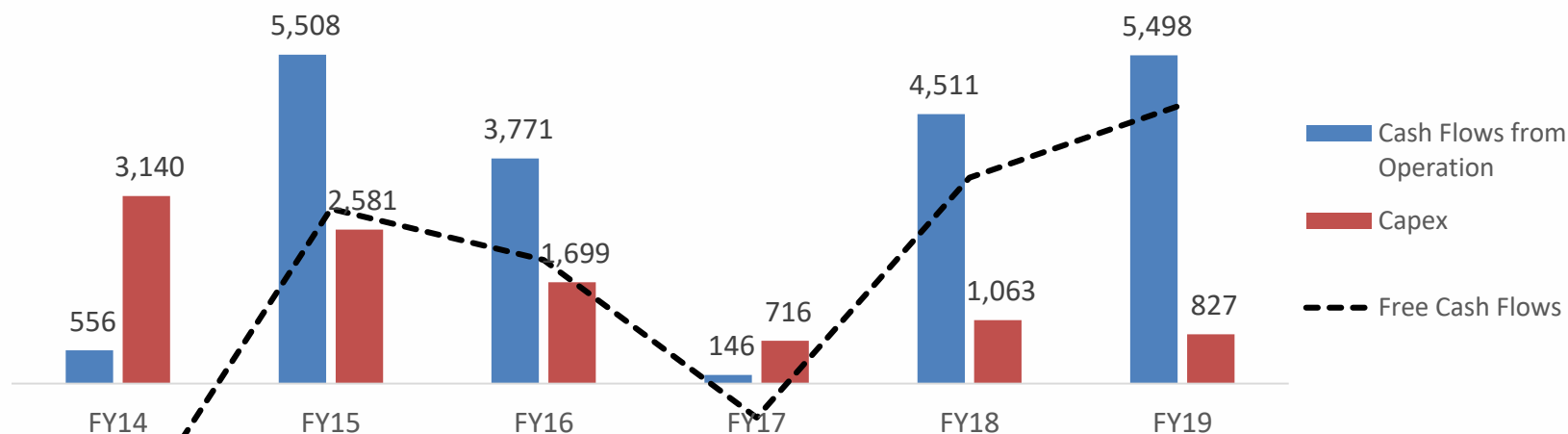
Water

- Agreement with Chhattisgarh Ispat Bhoomi Ltd to draw 10,000 KL of water/day

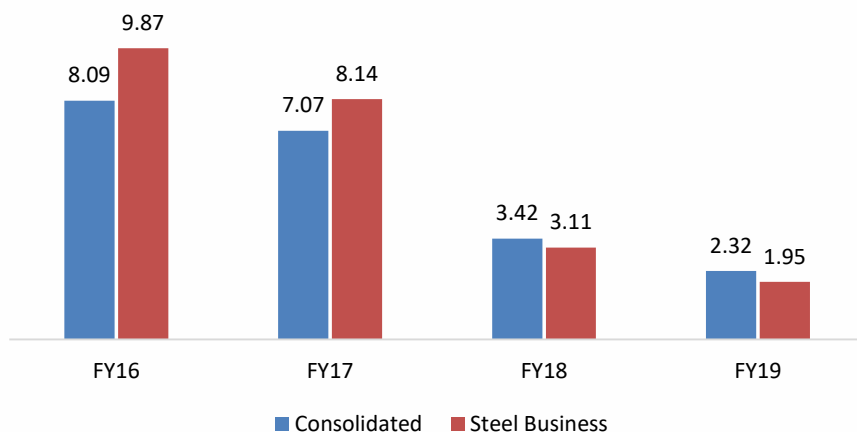
Captive mining leading to a huge raw material costs saving



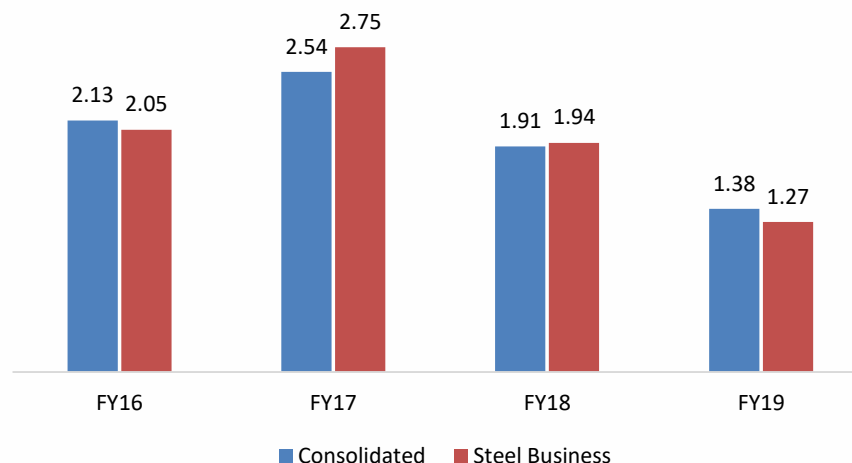
Improving liquidity ratios



Net Debt to EBITDA



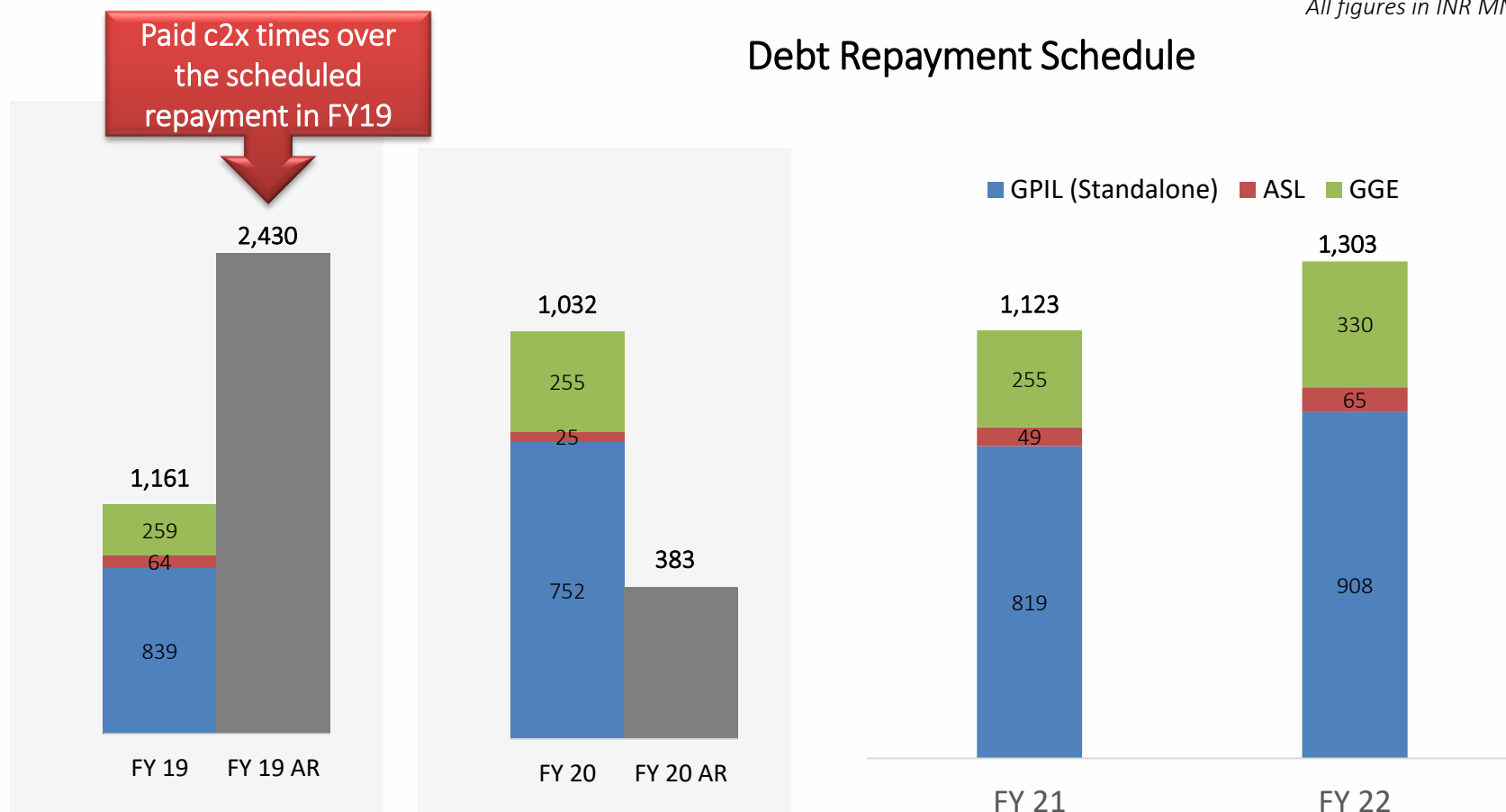
Net Debt to Equity



Incremental Cash flows to be utilised for De-Leveraging

All figures in INR MN

Debt Repayment Schedule



FY20 Repayment Guidance: INR 2.5 – 3.0 Billion

FY20: Three Pronged Strategy to Drive Growth

Asset Optimisation

- Increasing capacity utilisation across value chain to over 90%

Focus on Value Addition

- Billet capacity utilisation to improve to 90%+
- Commissioning of additional wire rod capacity
- Adding new product line: Fabricated galvanised products
- Focus on manufacturing of high grade pellets

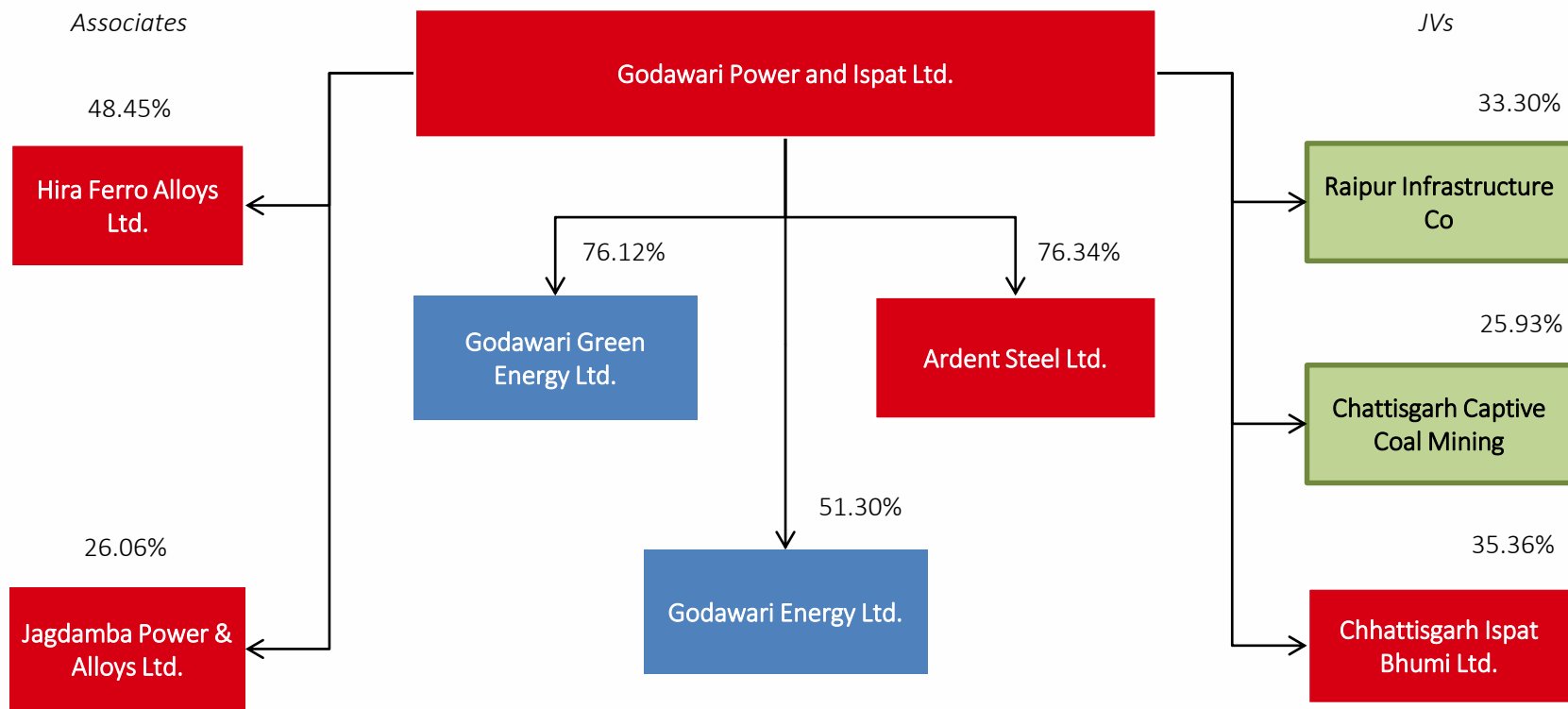
De-leveraging

- Incremental free cash flows to be used for debt reduction
- Gross Debt to be reduced by INR 2,500-3,000 mn in FY20 vs actual repayment of INR 1,032 mn
- Capex of ~INR 1 bn including maintainance capex

How we improved Sustainable EBITDA

	Production (MT)	Cost Savings at Mid Cycle (Rs/Tonne)	EBITDA (Rs Mn)
FY16 “Bottom of Cycle” EBITDA			2,086
Increase Captive Iron Ore Production	0.90	1,000	900
Increase in Pellet/Sponge Iron Production	0.88	1,500	1,320
Increase in Steel Production	0.13	5,000	640
Sustainable Standalone EBITDA			4,946

Group Structure

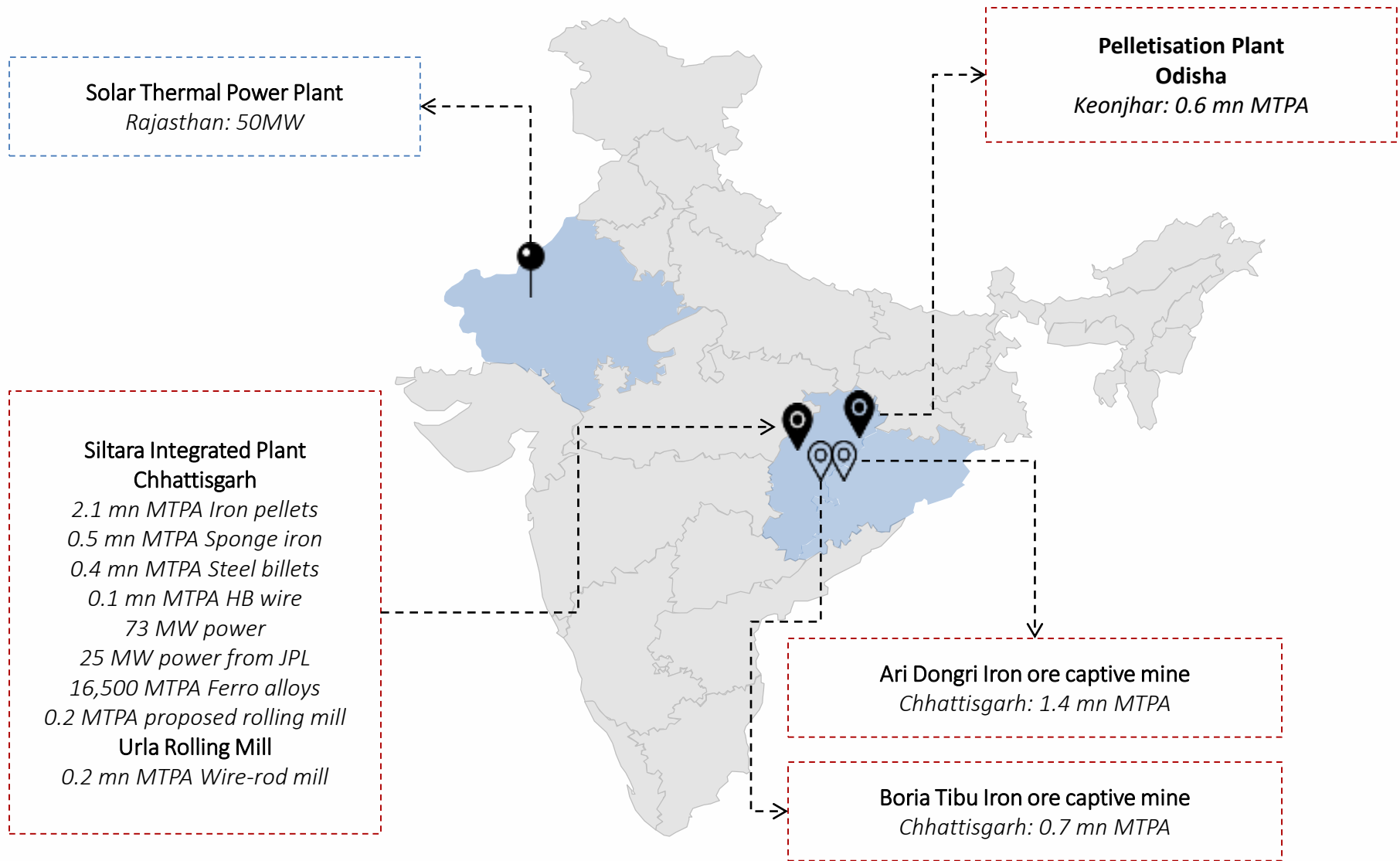


Non-core businesses

No change in structure; will remain as they are

To be wound down; operations discontinued

Large Portfolio of Long-life Assets



Board of Directors



Mr Biswajit Choudhary (Chairman & Independent Director)

5 decades of experience in Engineering, Banking & Finance; Mechanical Engineering from IIT, Kharagpur



**Mr BL Agarwal
Managing Director**

- 1st generation entrepreneur with almost 4 decades of experience; Graduated as an electronic; started GPIL



Mr. Dinesh Agrawal (Executive Director)

2+ decades of association with GPIL; 2nd generation entrepreneur; Electrical Engineer; Overseeing setting up of captive power plant



Mr Abhishek Agarwal (Executive Director)

2nd generation entrepreneur; Masters in International Business from Leeds University, Started pellet plant in GPIL



Mr. Vinod Pillai (Executive Director)

2 decades of experience in Sales, Administration, Liaison & Logistics; Commerce graduate; plays vital role in commissioning of new projects of Hira Group of Industries



Mr. Siddharth Agrawal (Non-Executive Director)

Managing Director of subsidiary Godawari Green Energy Limited ; MBA with over 10 years of experience in various competencies

Board of Directors



Mr. Dinesh Gandhi
(Non-Executive Director)

3 decades of experience in
Accounts, Finance & Project
Financing; Chartered Accountant



Mr. Shashi Kumar (Independent
Director)

4+ decades of experience; B.Sc. In
Mining Engineering; Advisor to
NTPC, IFFCO & Chhattisgarh Power
Ltd



Mr. B N Ojha (Independent Director)
Bachelor of Electrical Engineering
from BIT Sindari with over 4
decades of experience; Member of
Export Committee, Department of
Atomic Energy, Govt of India



Ms. Bhavna G. Desai (Woman
Independent Director)

Over 2 decades of capital market
experience; Bachelor of Commerce
from University of Mumbai

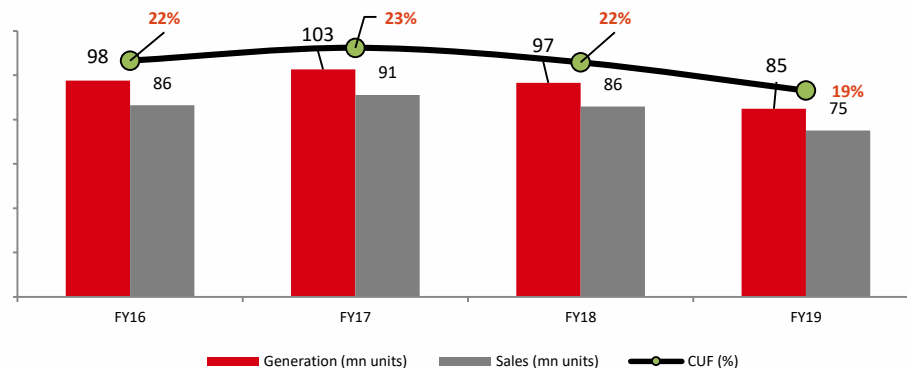


Mr. Harishankar Khandelwal
(Independent Director)
Almost 3 decades of experience in
corporate planning & strategy,
financial analysis, budgeting etc
Chartered accountant by profession

Subsidiary | Godawari Green Energy

- 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 first plant to be commissioned in India & 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, beginning from September 2016
- Operating cash-flow of solar plant is self sufficient to meet its debt obligation, without resorting to GPIL standalone cash-flow.

Operating Performance



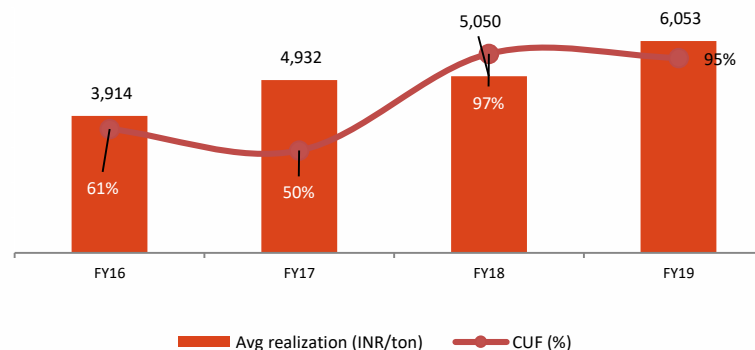
Summary financials

Particulars (INR mn)	FY17	FY18	FY19
Net Sales	1,113.5	1,065.6	928
EBITDA	1,025.2	898.6	762
EBITDA Margin (%)	92.1%	84.3%	82%
Depreciation	307.6	310.8	304
Finance Costs	624.4	580.1	532
PAT	64.8	6.1	-47
PAT Margin (%)	5.8%	0.6%	-

Subsidiary | Ardent Steel

- The company has a total production capacity of 0.69 mn 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 debt has also been restructured by the lenders for a for a tenor of 14 years starting FY17
- FY 19 – INR 422 mn has been repaid in current year against scheduled repayment of INR 63 mn. Reducing the term debt to 1,076 mn from 1,498 mn.

Operating Metrics

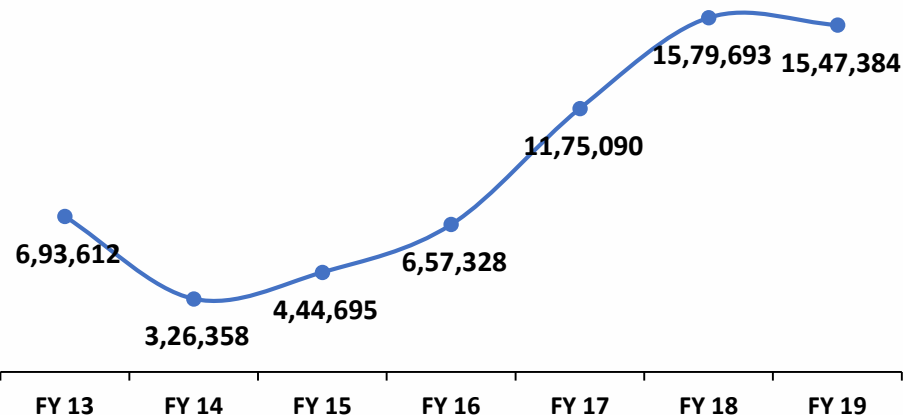


Summary financials

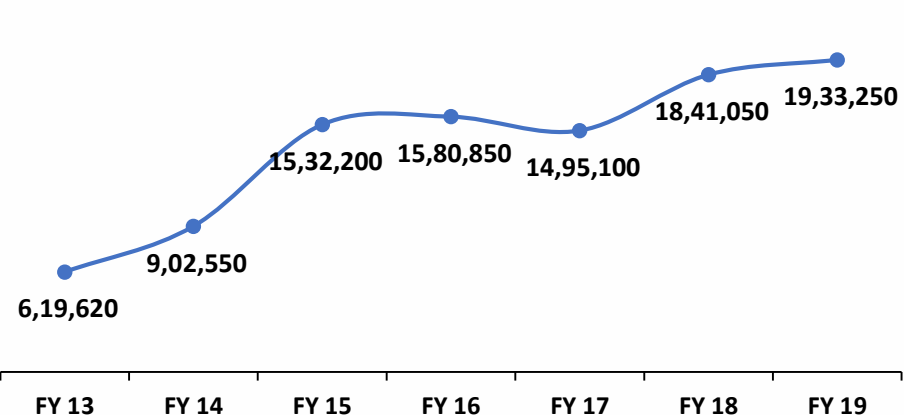
Particulars (INR mn)	FY17	FY18	FY19
Net Sales	1,470.5	2,965.6	3540
EBITDA	279.7	764.3	915
EBITDA Margin (%)	19.0%	25.8%	26%
Depreciation	111.4	112.2	120
Finance Costs	216.1	222.6	179
PAT	(32.3)	281.8	441
PAT Margin (%)	(2.2%)	9.5%	12%

GPIL Standalone – Past Operational Performance at a Glance...

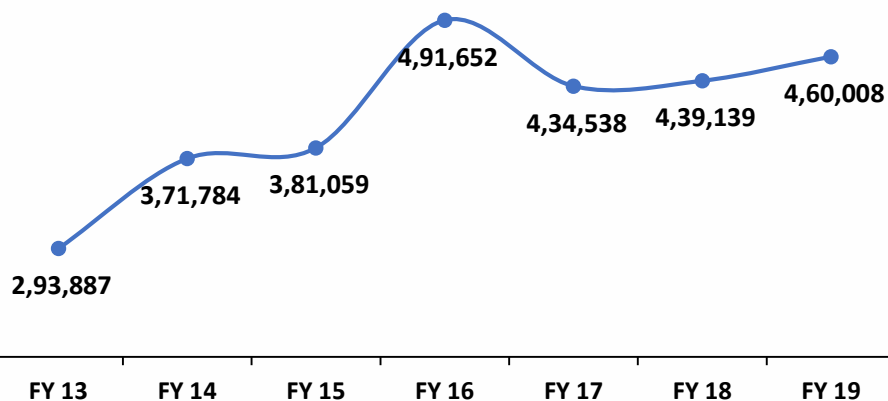
Trend of Iron Ore Mining (mt)



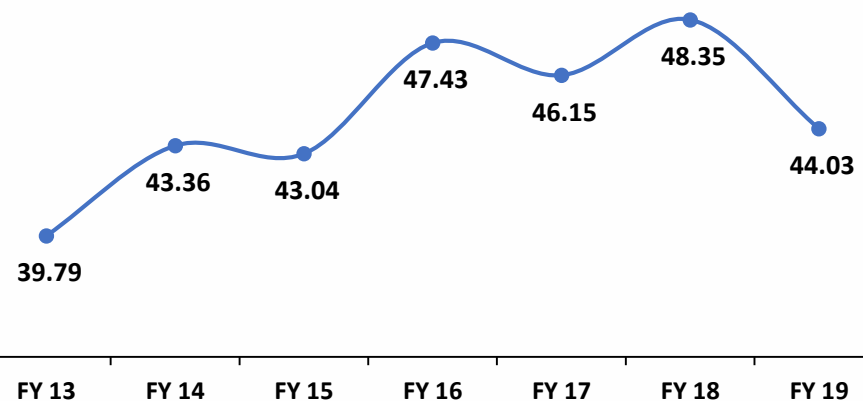
Trend of Pellets Production (mt)



Trend of Sponge Iron Production (mt)

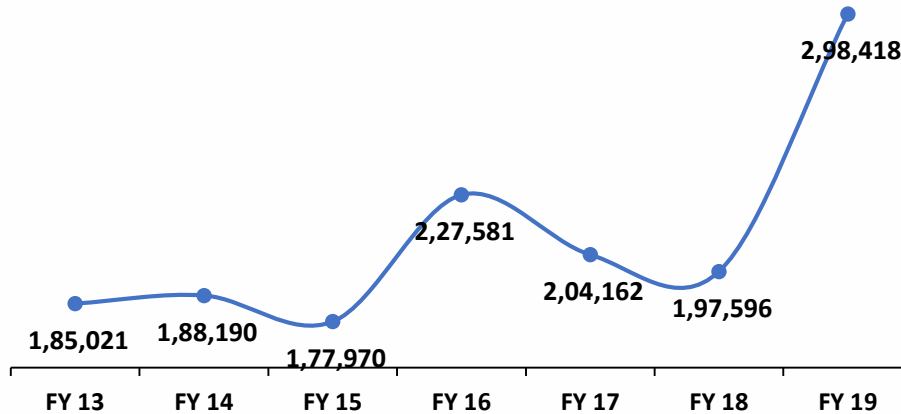


Trend of Power Generation (kwh in cr)

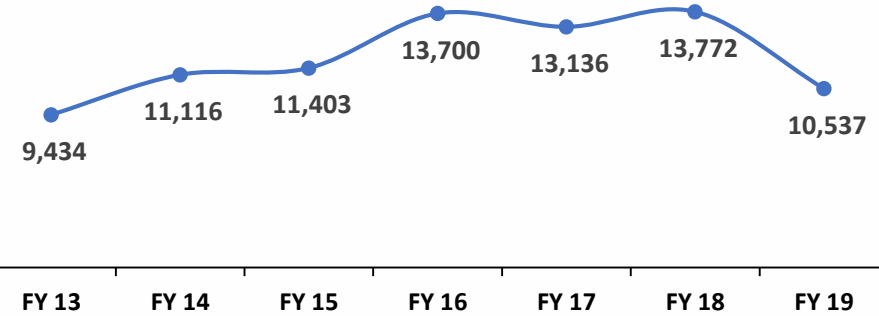


GPIL Standalone – Past Operational Performance at a Glance...

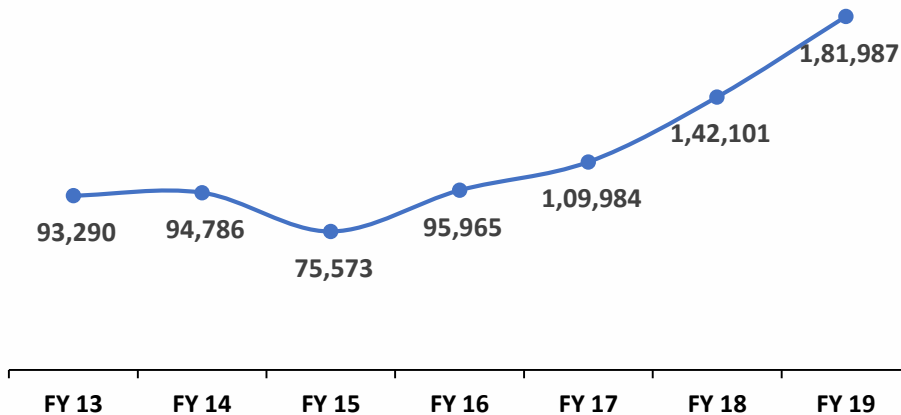
Trend of Steel Production (mt)



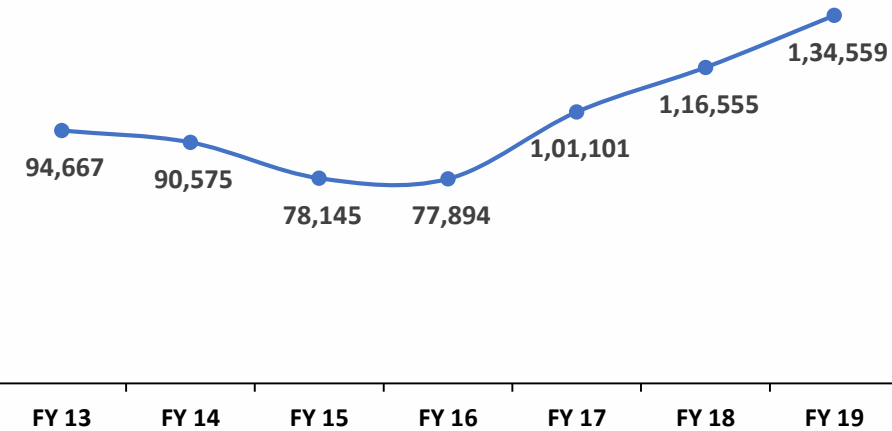
Silico Manganese (mt)



MS Rounds Production (mt)

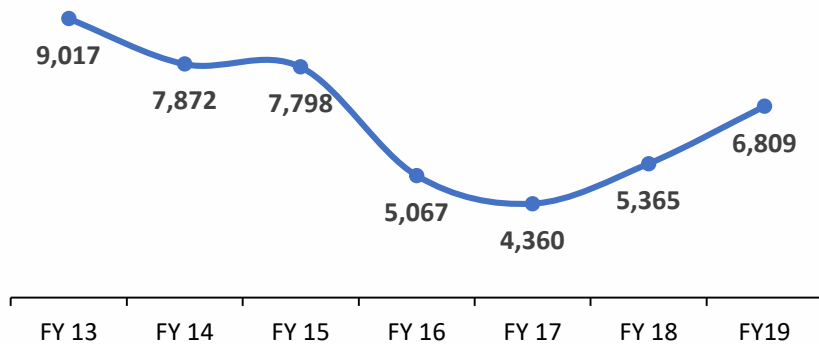


HB Wire Production (mt)

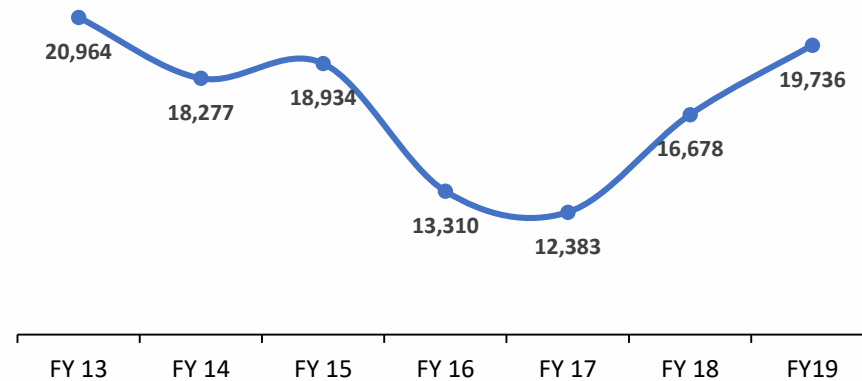


Past Sales Realisations

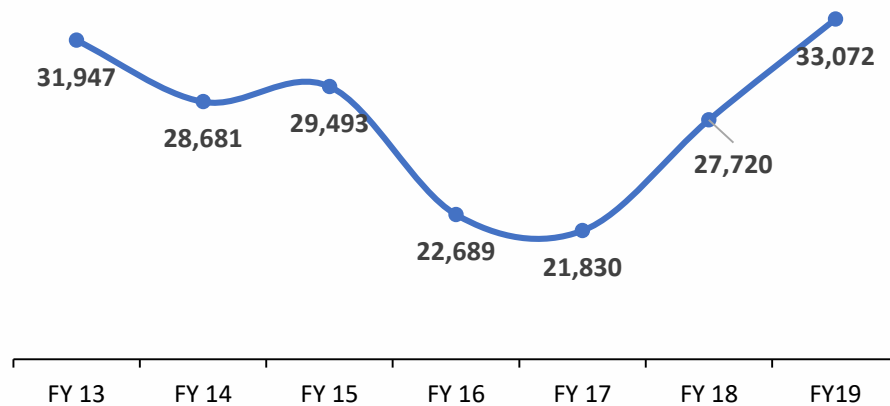
Iron ore Pellet



Sponge Iron

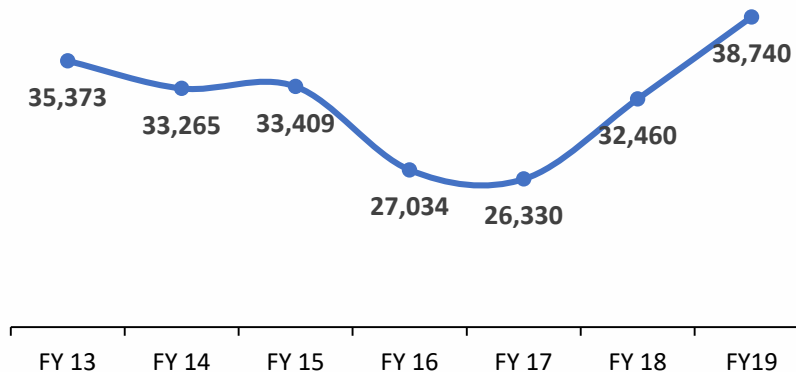


Steel Billets

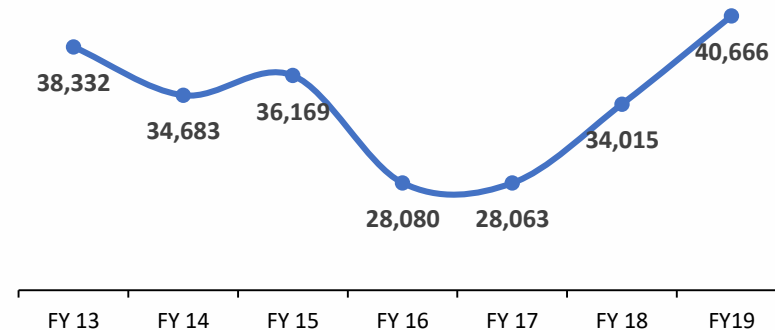


Past Sales Realisations

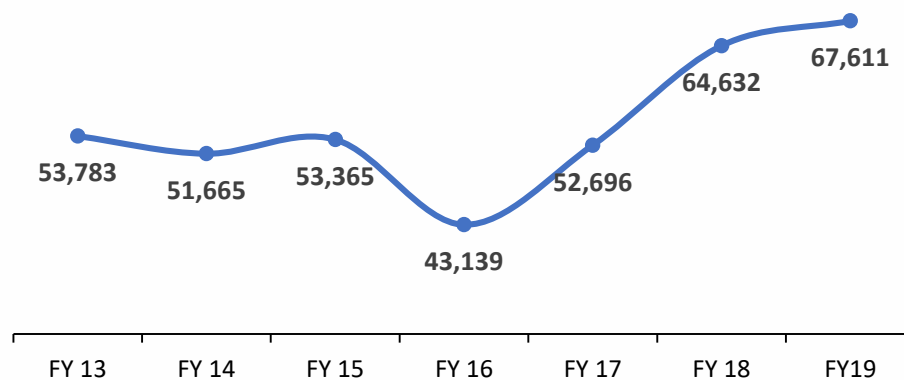
M.S. Round



H.B. Wire



Silico Manganese



GPII Consolidated – Historical Profit & Loss

Particulars (in Million)	FY19	FY18	FY17	FY16
Net Sales	33,216	25,274	19,941	22,037
Total Expenses	25,323	19,305	17,033	19,866
Other Income	58	87	153	189
EBITDA	7,952	6,056	3,061	2,360
EBITDA Margin (%)	24%	23%	15%	11%
Depreciation	1,329	1,318	1,201	1,265
Finance Costs	2,526	2,633	2,592	2,520
PBT	4,097	2,104	-729	-1,470
Tax	1,529	-64	7	-471
PAT	2,607	2,147	-736	-999

GPIL Consolidated – Historical Balance Sheet

Particulars (INR mn)	FY19	FY18	FY17	FY16
Net Worth	13,364	10,837	8,503	8,983
Non-Controlling Interest	1,672	1,604	1,533	1,034
Debt				
Long Term Debt	16,431	18,730	19,799	13,660
Short Term Debt	1,393	1,344	1,955	3,408
Other Long Term Liabilities	127	103	82	66
Current liabilities				
Accounts Payable	2,030	1,611	1,247	4,439
Other Current Liabilities (including current maturities of LT Debt)	1,766	1,892	948	3,594
Total Liabilities and Equity	35,111	34,517	32,532	34,150
Non Current Assets				
Net Fixed Assets	21,332	21,377	22,221	21,986
Other Long Term Assets	3,930	5,059	3,733	4,620
Current Assets				
Inventory	6,164	4,323	3,044	4,098
Accounts Receivable	1,669	1,558	1,136	982
Loans and Advances and Other Current Assets	1,628	1,678	1,889	1,483
Cash and Cash Equivalents (Including bank balances)	389	522	511	981
Total Application of Funds	35,111	34,517	32,532	34,150

Thank you

