



HIRA

GODAWARI POWER & ISPAT

Q3 & 9M FY20 Earnings Presentation
February 2020

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Q3 FY20 Strategic Update

Operations

- Captive mines fully integrated at standalone operations.
- Operating at higher capacities leading to incrementally higher EBITDA.
- EBITDA in Q3FY20 dropped on account of substantially lower sales realisation.

Received Environmental Clearance for:

- Rolling mill; proportion of value-added products to increase going forward.
- 1 mtpa Iron ore beneficiation plant.

Deleveraging Status

- Repaid INR 1.6 bn of long-term debt against a full year scheduled repayment of 1.03 Bn; Net Debt to Equity at 1.1x

Q3 FY20 Operational & Financial Highlights

Q3FY20 Operational (Volume) Highlights*

- Captive Iron Ore: **16% higher** at 449,554 MT
- Pellet: **24% higher** at 770,525 MT
- Sponge Iron: **10% higher** at 124,572 MT
- Steel billets: **9% higher** at 91,785 MT
- MS rounds: **4% higher** at 48,893 MT
- HB wires: **16% higher** at 38,459 MT
- Pre-Fab galvanized : **30% lower** at 7,999 MT

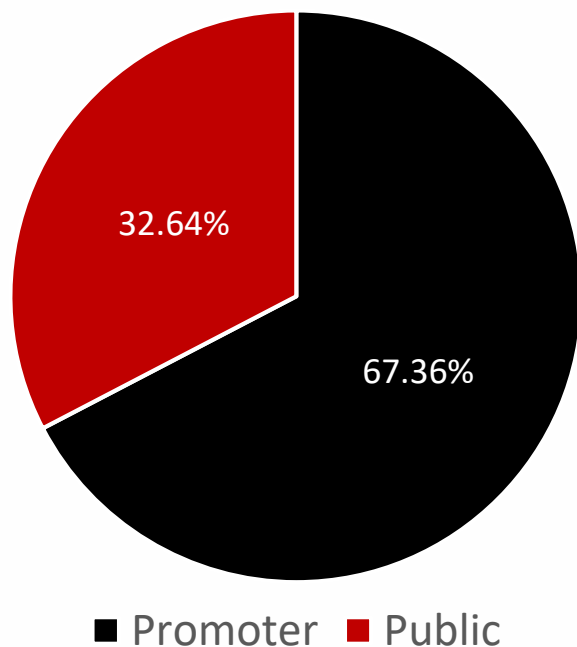
Q3FY20 Financial Highlights*

- Despite higher operational efficiencies, profitability impacted due to lower realisations
- Interest cost reduced by 17% YoY to INR 516 Mn
- Repaid INR 1,636 Mn of long-term debt in 9M FY20 against the full year scheduled repayment of INR 1,032 Mn
- Current credit rating of the company is BBB+

**consolidated*

Shareholding Pattern as on December 2019

Shareholding Pattern



Break up of Shareholding Pattern

Public Shareholding	% of Total Sh.
HSBC Global	3.62%
Others	29.02%
Total	32.64%

Promoter Shareholding	% of Total Sh.
Pledge*	32.57%
Total	67.36%

** Pledged with lenders as an additional collateral for working capital & long term loans taken by the company and is not on a mark to market basis. Thus there are no margin calls on account of fluctuations in stock price. The pledge has been with the banks for more than 10 years. The loan against pledged shares was taken by the company.*

Q3FY20 Production Summary

Production (in MT)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Iron ore Mining	4,49,554	3,87,657	16%	3,07,286	46%	12,05,754	11,11,331	8%
Iron ore Pellets - GPIL	5,77,350	4,35,300	33%	5,04,100	15%	15,58,150	13,93,250	12%
Iron Ore Pellets - ASL	1,93,175	1,86,518	4%	1,90,834	1%	5,16,914	4,07,328	27%
Sponge Iron	1,24,572	1,12,759	10%	1,32,275	-6%	3,79,115	3,36,150	13%
Steel Billets	91,785	84,130	9%	79,290	16%	2,47,540	2,08,028	19%
M.S. Rounds	48,893	46,917	4%	47,923	2%	1,43,730	1,39,031	3%
H.B. Wires	38,459	33,088	16%	33,785	14%	1,05,297	1,02,497	3%
Silico Manganese	965	3,666	-74%	3,337	-71%	7,703	6,890	12%
Pre- Fab Galvanized	7,999	11,383	-30%	6,425	24%	25,472	20,431	25%
Captive Power-GPIL (in cr)	11.7	10.8	8%	10.7	9%	33.8	34.4	-2%
GGEL - Solar Power (in cr)	1.7	2.2	-20%	2.0	-12%	6.8	6.5	5%

Q3FY20 Sales Volume Summary

Sales Volume (in MT)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Iron Ore Pellet - GPIL	3,83,680	3,14,395	22%	3,63,604	6%	10,73,107	10,50,779	2%
Iron Ore Pellet - ASL	1,94,365	1,68,558	15%	2,15,129	-10%	5,37,977	4,00,220	34%
Sponge Iron	29,888	22,846	31%	49,894	-40%	1,16,737	1,09,487	7%
Steel Billets	42,103	33,496	26%	29,598	42%	1,05,370	79,283	33%
M.S. Round	20,953	22,808	-8%	15,113	39%	60,504	59,313	2%
H.B. Wire	37,402	33,289	12%	32,332	16%	1,03,536	1,03,807	0%
Silico Manganese	774	2,546	-70%	2,277	-66%	5,873	5,070	16%
Pre-Fab Galvanized	7,273	9,584	-24%	5,953	22%	20,768	19,277	8%
GGEL (in Cr)	1.6	1.9	-19%	1.7	-11%	6.1	6.0	2%

Q3FY20 Realisation Summary

Realisation	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Iron Ore Pellet - GPIL*	5,742	7,502	-23%	6,617	-13%	6,220	6,635	-6%
Iron Ore Pellet - ASL*	4,803	7,163	-33%	5,609	-14%	5,257	6,056	-13%
Sponge Iron	15,969	19,698	-19%	16,043	0%	16,611	20,083	-17%
Steel Billets	26,465	32,988	-20%	26,702	-1%	27,962	33,675	-17%
M.S. Round	30,459	38,604	-21%	32,304	-6%	33,566	39,205	-14%
H.B. Wire	32,564	41,213	-21%	33,965	-4%	35,200	40,890	-14%
Silico Manganese	58,042	68,781	-16%	63,861	-9%	64,060	67,883	-6%
Pre-Fab Galvanized	59,429	68,233	-13%	62,628	-5%	61,984	64,406	-4%
GGEL (in Cr)	12.2	12.2	0%	12.2	0%	12.2	12.2	0%

**explant realisation*

GPIL Consolidated - Profit & Loss

Particulars (in Mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Net Sales	8,368	9,028	-7%	8,279	1%	24,985	24,273	3%
Total Expenses	7,082	6,893	3%	6,623	7%	20,298	18,257	11%
Other Income	38	11	258%	16	143%	70	29	141%
EBITDA	1,323	2,146	-38%	1,672	-21%	4,756	6,045	-21%
EBITDA Margin (%)	15.8%	23.8%		20.2%		19.0%	24.9%	
Depreciation	335	327	2%	349	-4%	1,018	995	2%
Finance Costs	516	621	-17%	548	-6%	1,622	1,899	-15%
PBT	472	1,198	-61%	775	-39%	2,117	3,150	-33%
Tax	169	463	-64%	245	-31%	715	1,173	-39%
PAT	303	736	-59%	530	-43%	1,402	1,978	-29%
EPS (INR)	8.41	19.32	-56%	13.00	-35%	37.86	54.70	-31%

GPIL Standalone - Profit & Loss

Particulars (in Mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Net Sales	7,168	7,533	-5%	6,803	5%	21,246	21,092	1%
Total Expenses	6,228	6,061	3%	5,692	9%	17,926	16,408	9%
Other Income	30	8	268%	9	243%	53	21	160%
EBITDA	970	1,480	-34%	1,120	-13%	3,373	4,705	-28%
EBITDA Margin (%)	13.5%	19.7%		16.5%		15.9%	22.3%	
Depreciation	234	225	4%	232	1%	694	681	2%
Finance Costs	380	443	-14%	398	-4%	1,183	1,367	-13%
PBT	357	813	-56%	490	-27%	1,497	2,656	-44%
Tax	146	313	-53%	162	-10%	552	983	-44%
PAT	211	500	-58%	329	-36%	945	1,674	-44%
EPS (INR)	6.18	14.66	-58%	9.32	-34%	27.69	49.06	-44%

Ardent Steel Limited Standalone - Profit & Loss

Particulars (in Mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Net Sales	1,007	1,257	-20%	1,273	-21%	3,013	2,485	21%
Total Expenses	796	779	2%	908	-12%	2,262	1,723	31%
Other Income	0	0	100%	0	-50%	1	1	-52%
EBITDA	211	478	-56%	365	-42%	752	764	-2%
EBITDA Margin (%)	21.0%	38.0%		28.7%		25.0%	30.7%	
Depreciation	36	28	27%	36	0%	104	84	23%
Finance Costs	27	42	-37%	34	-21%	101	137	-27%
PBT	149	407	-64%	295	-50%	548	542	1%
Tax	36	156	-77%	87	-59%	146	206	-29%
PAT	113	251	-55%	208	-46%	402	336	20%
EBITDA Per Ton	1,086	2,561	-58%	1,697	-36%	1,398	1,909	-27%

Godawari Green Energy Limited - Profit & Loss

Particulars (in Mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Net Sales	193	238	-19%	213	-9%	746	700	7%
Total Expenses	49	52	-6%	35	42%	123	130	-6%
EBITDA	144	189	-24%	178	-19%	624	570	9%
EBITDA Margin (%)	75%	79%		84%		84%	81%	
Other Income	1	3	-57%	6	-77%	9	7	29%
Depreciation	68	74	-8%	78	-12%	220	230	-4%
Finance Costs	112	138	-19%	119	-6%	345	401	-14%
PBT	-35	-23	52%	-13	173%	68	-53	-227%
Tax	-10	-7	32%	-4	159%	17	-16	-201%
PAT	-25	-16	62%	-9	179%	51	-37	-238%

Q2FY20 Return & Liquidity Ratios

	Unit	Standalone	Ardent	GGEL	Consolidated
RoE*	%	12%	34%	3%	14%
RoCE*	%	17%	31%	8%	17%
BVPS	INR	343	-	-	420
Net Debt to EBITDA*	x	2.46	0.91	4.71	2.46
Net Debt to Equity	x	1.02	0.46	1.62	1.14
Interest Coverage*	x	3	6.35	1.82	3.18

*TTM Basis

Business Strategy Going Forward

Efforts Towards Greater Operational Efficiencies

Jagdamba (power division) merger proposed (25 MW)

- Billet production increased through long term supply of power from Jagdamba.

Rolling Mill Update

- Aiming towards 100% captive utilisation of sponge iron for increased production of steel billet.
- Rolling mill commissioned; Trial production commenced. Environment clearance received.
- Expected savings of INR 1,000/MT on incremental production of rolled products.

Generating Incrementally Higher FCFs

- Free cash flow from operation to be utilized towards deleveraging, aiming to become a long-term debt free company.

Domestic Tailwinds

International Market

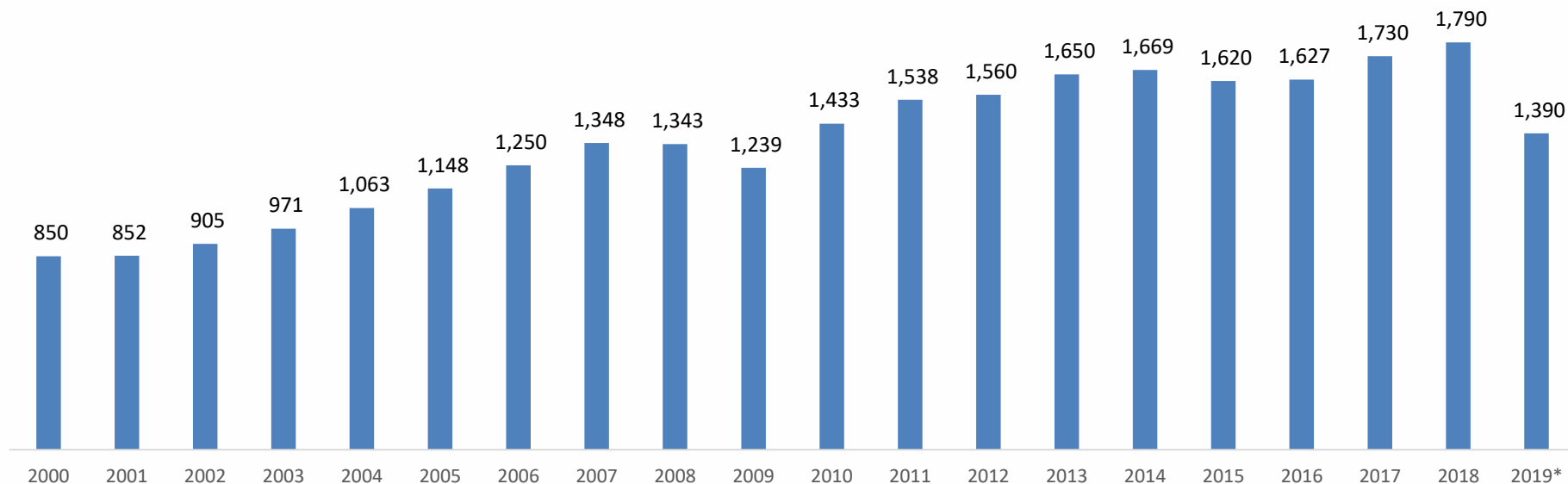
- Steel prices corrected quite sharply in Q3 to a low of US\$420/t but saw a “V” shaped recovery by Jan’20 to US\$538/t. Steel prices have seen minor correction recently due to Corona virus outbreak and subsequent demand disruption.
- Short term price outlook will be determined on how China reacts post opening up of the market. Any sharp increase in exports will cause steel prices to come under pressure further.
- Iron ore globally have been in range of US\$75-90/t post the recovery in production in Brazil. Iron ore is likely to trade in this range in near future unless steel production is curtailed meaningfully in China. Iron ore pellet prices have been tracking iron ore prices but remain strong at US\$120/t CNF China allowing GPIL to explore export opportunities

Domestic Market

Domestic iron ore prices to remain firm: By 31st March, 288 Mining leases are set to lapse which translates to a production loss of c.85 mtpa – 40% of India’s Iron Ore Production. The auction process has started and has witnessed aggressive bidding. Premium of winning bids are ranging from 85% to 145%.

Outlook on Global Steel Demand

Crude Steel Production (in MT)

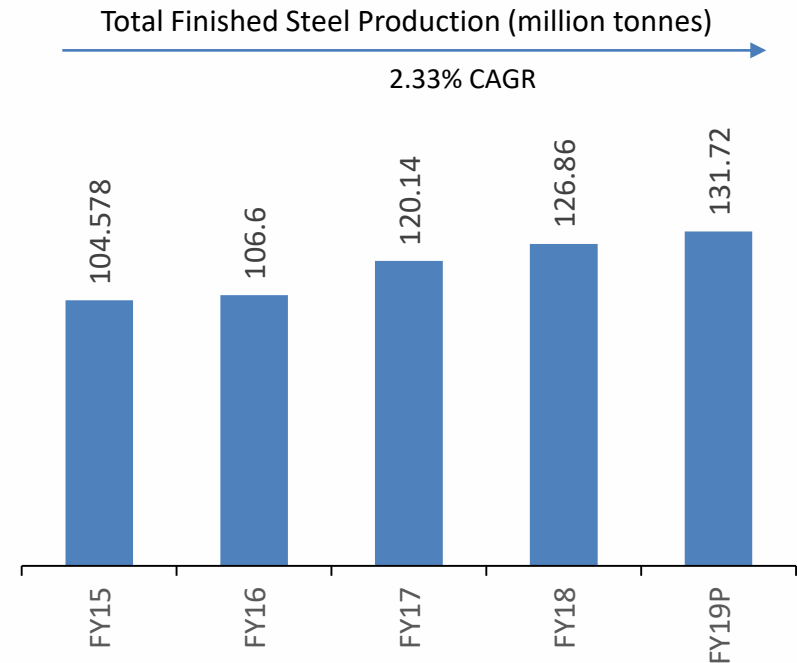
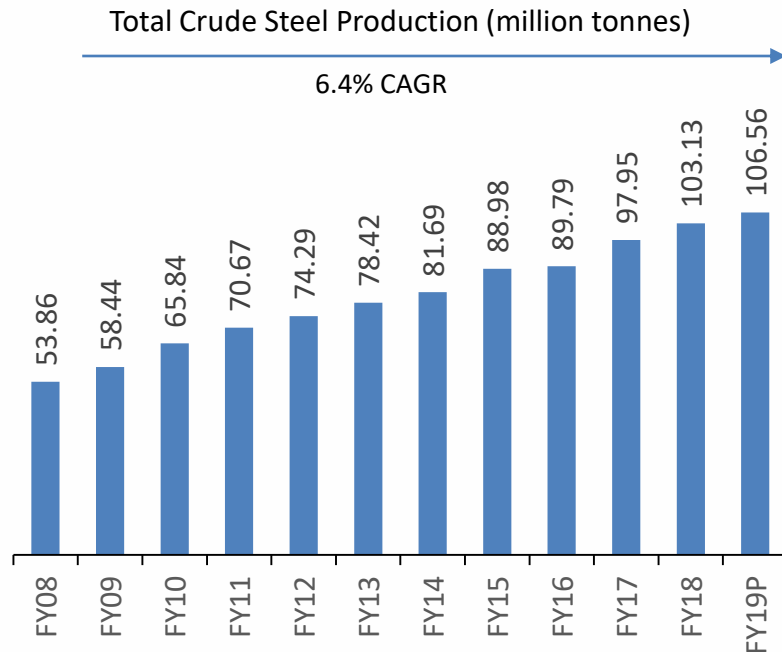


*Data until September 2019

- In 2019 World Steel forecasts that steel demand in China will grow by 7.8% to reach 900.1 Mt and the rest of the world is expected to record 0.2% growth to 874.9 Mt.
- In 2020, Chinese steel demand is expected to grow by 1.0%, whereas steel demand in the rest of the world will grow by 2.5%, driven by 4.1% growth in the emerging and developing economies excluding China.
- Global steel demand will grow by 3.9% to 1,775.0 Mt in 2019 and will grow by another 1.7% in 2020, reaching 1,805.7 Mt.

Source : World Steel Association

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

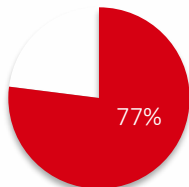
Capacity

FY 19 Utilisation



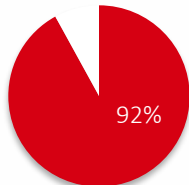
Iron Ore Mining

2.1 mt



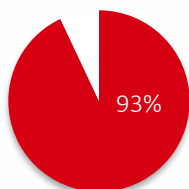
Iron Ore Pellets

2.7 mt



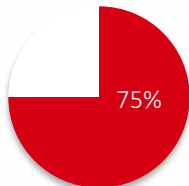
Sponge Iron

0.5 mt



Steel Billets

0.4 mt



Asset

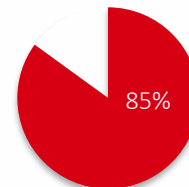
Capacity

FY19 Utilisation



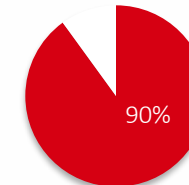
MS Rounds

0.2 mt



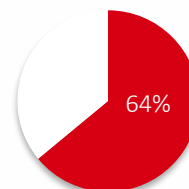
HB Wires

0.15 mt



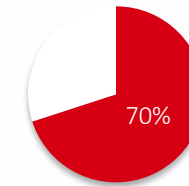
Ferro Alloys

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

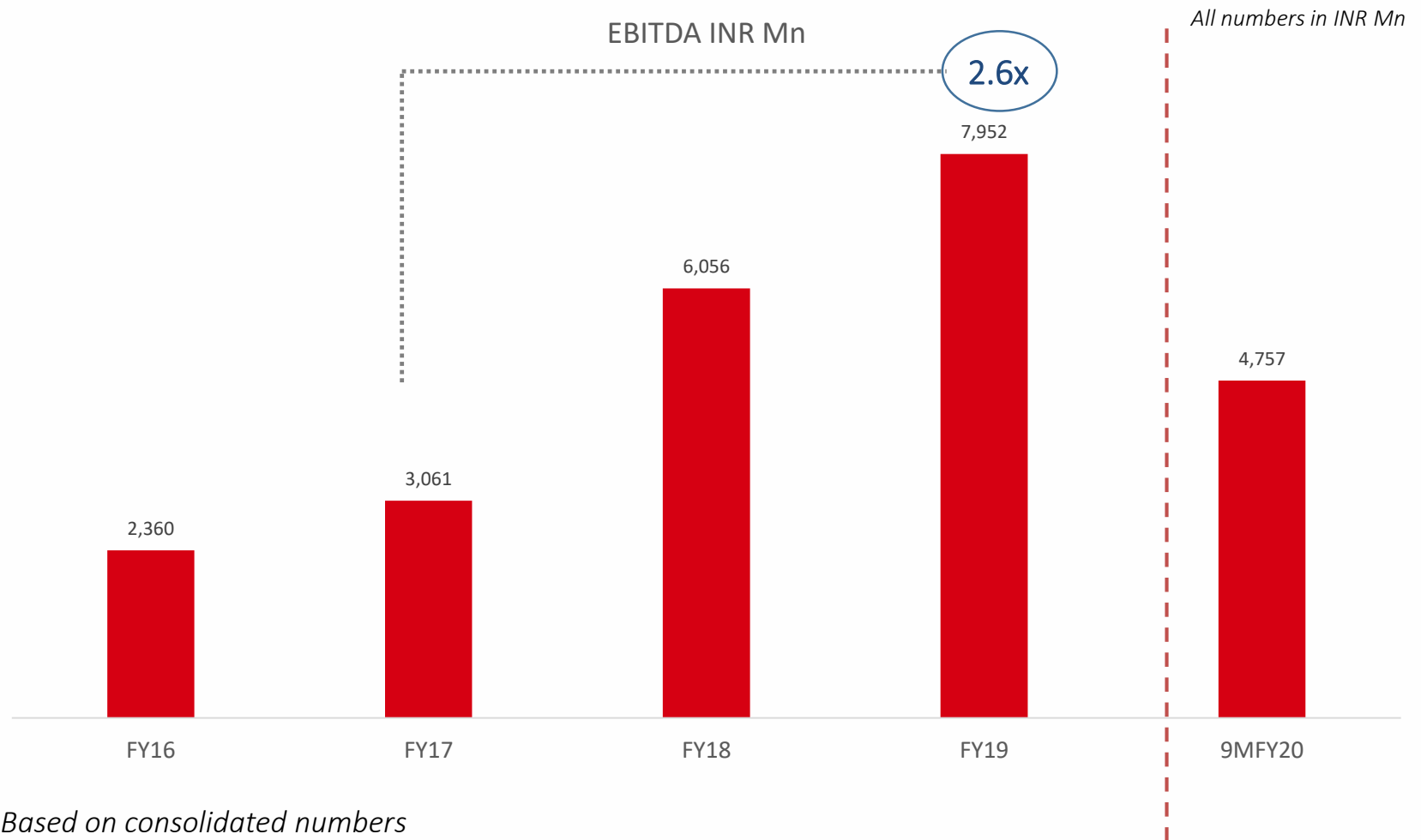


Balance Sheet De-Leveraging

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

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

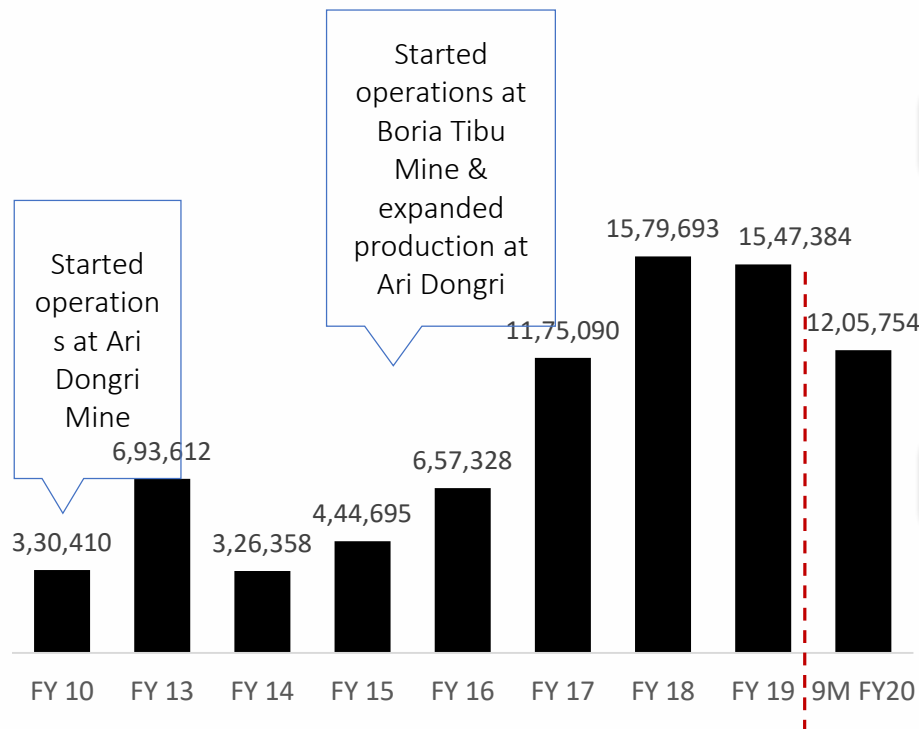
Strategy Focused on Consistent Profitability



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 to the extent of 75% of total requirement.

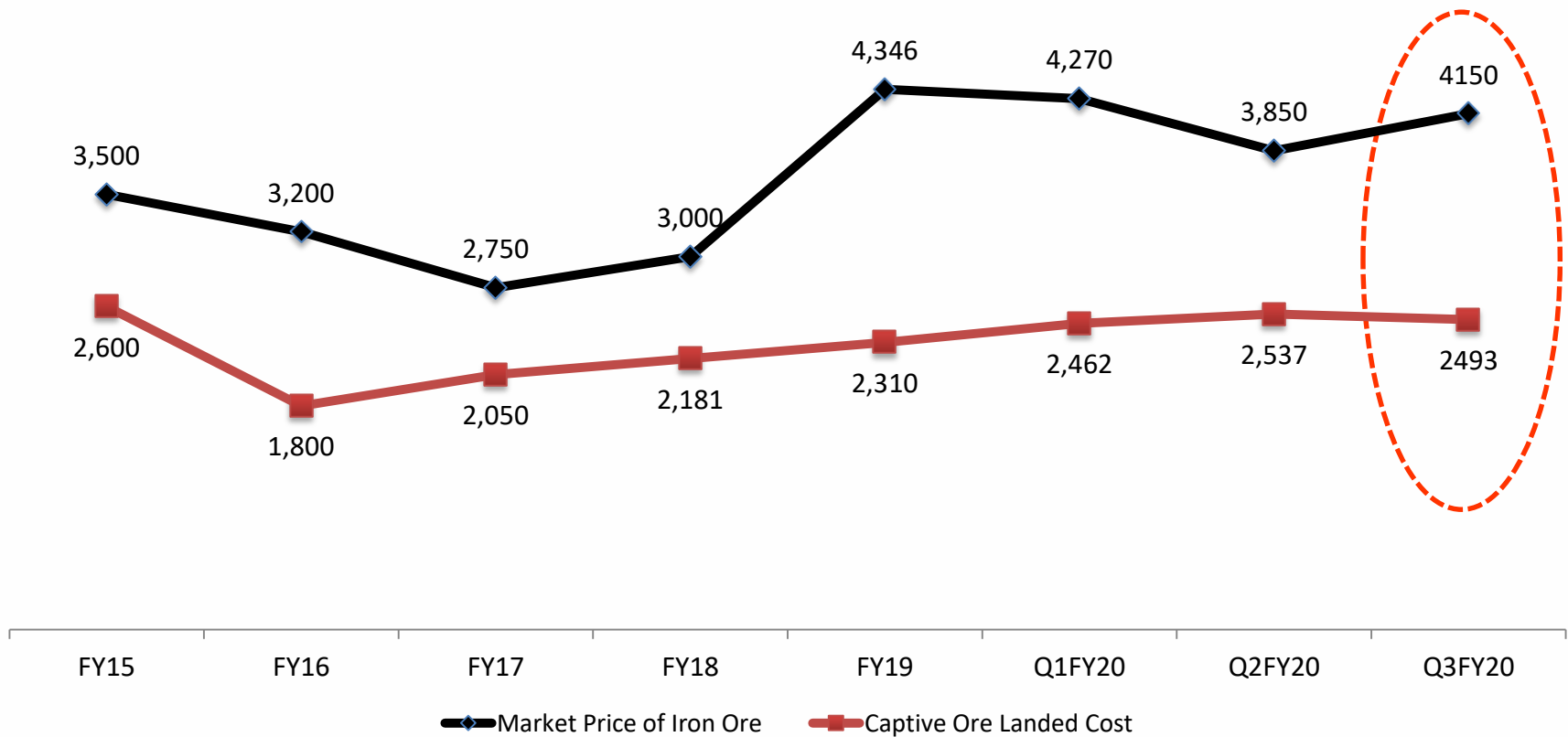
Power

- 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

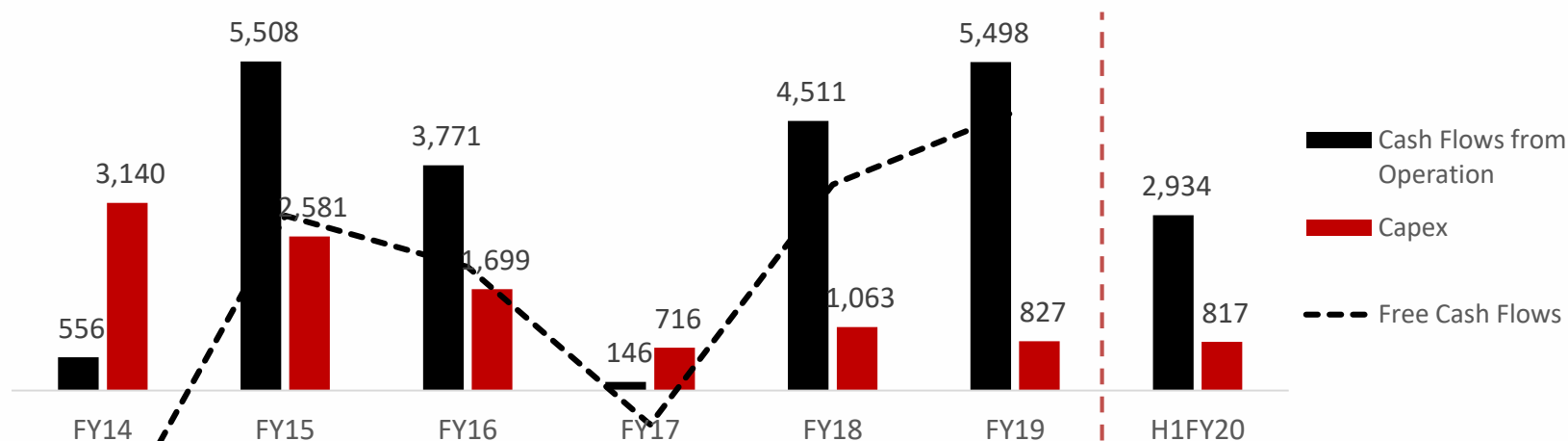
Water

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

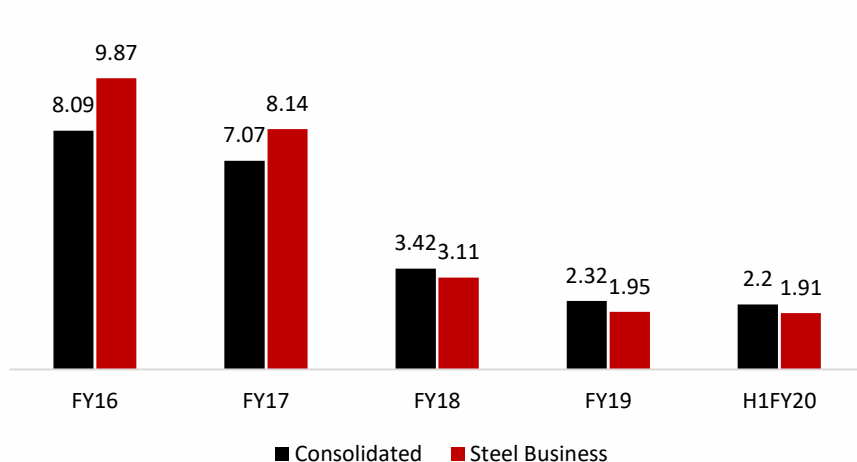
Captive Mining Leading To Huge Raw Material Costs Saving



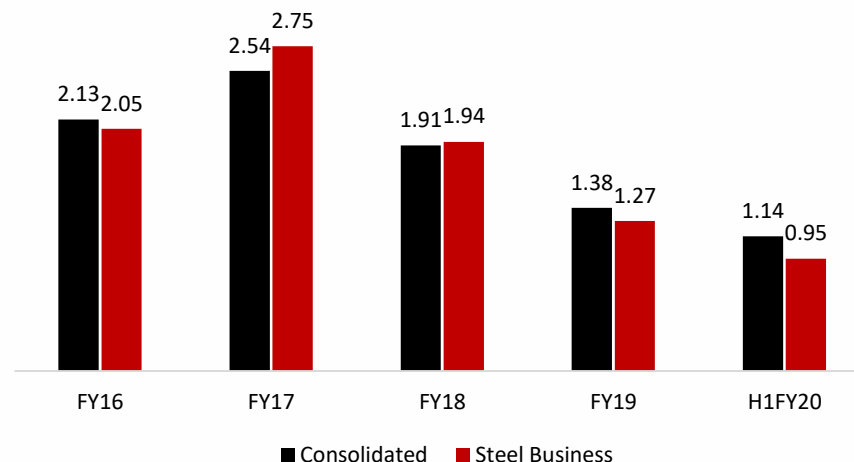
Improving Liquidity Ratios



Net Debt to EBITDA

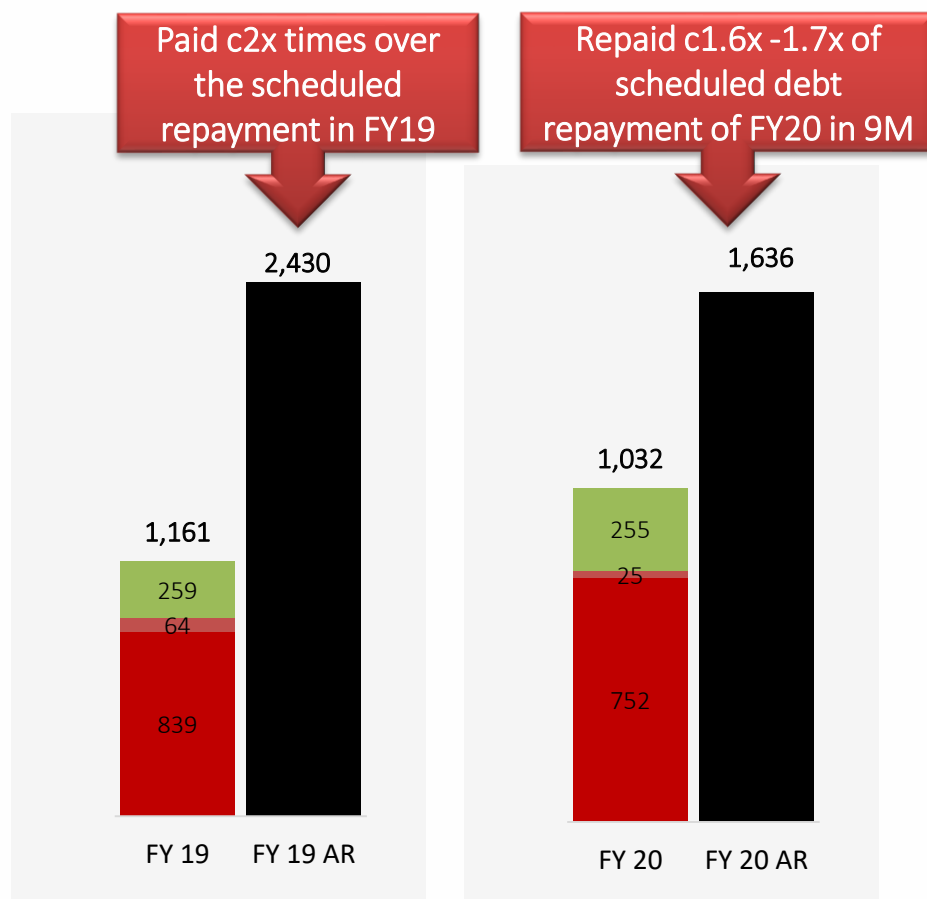


Net Debt to Equity

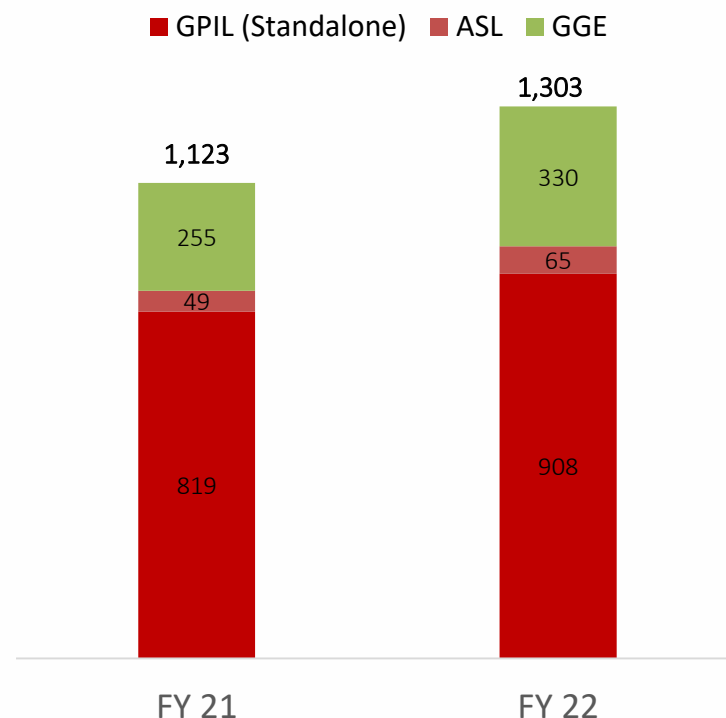


Incremental Cash Flows to be Utilised for De-Leveraging

All figures in INR MN



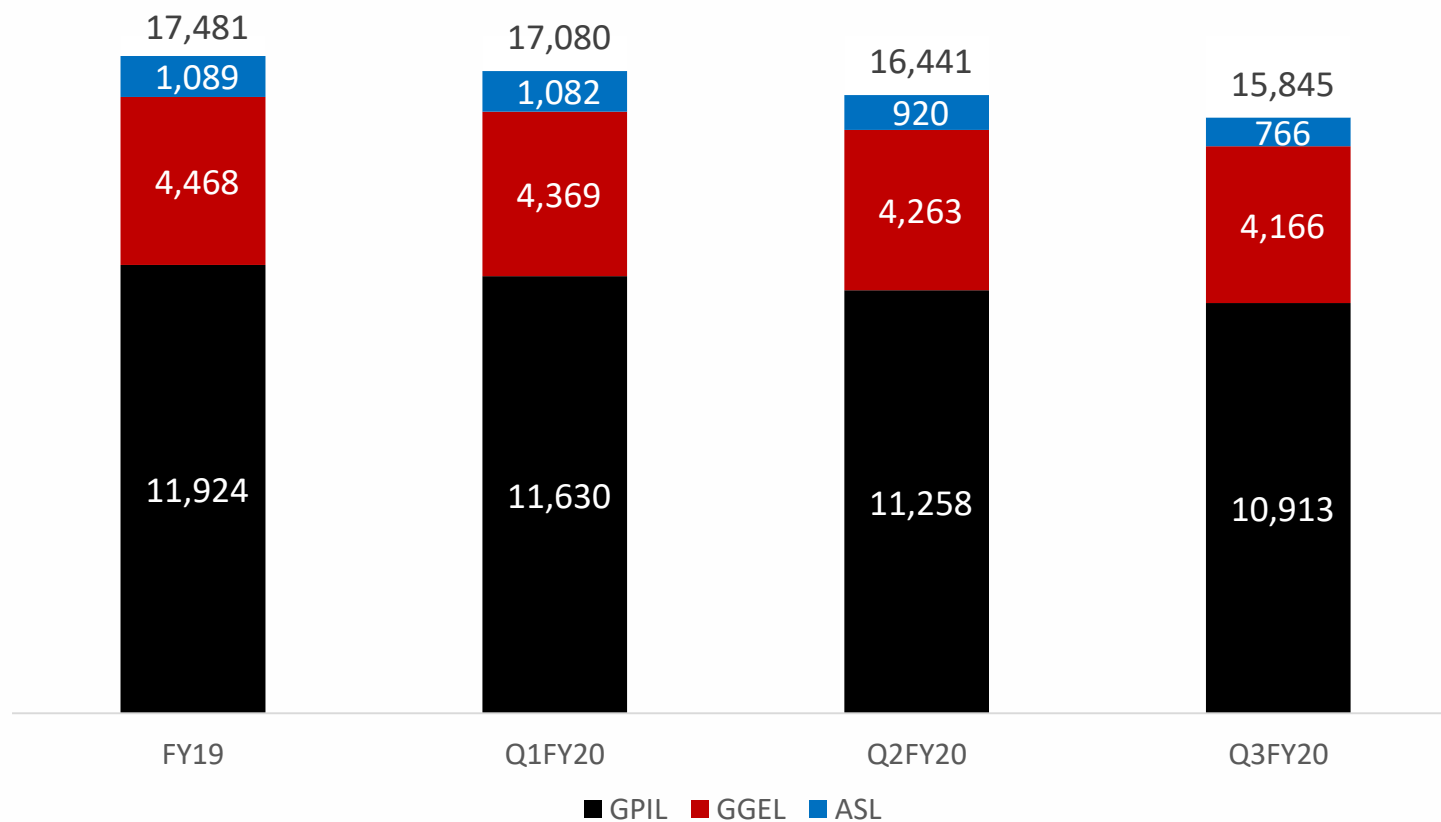
Debt Repayment Schedule



FY20 Repayment Guidance: INR 2 – 2.25 Billion

Long Term Debt Reduction

All figures in INR MN



FY20: Three-Pronged Strategy to Drive Growth

Asset Optimisation

- Increasing capacity utilisation across value chain to over 90%

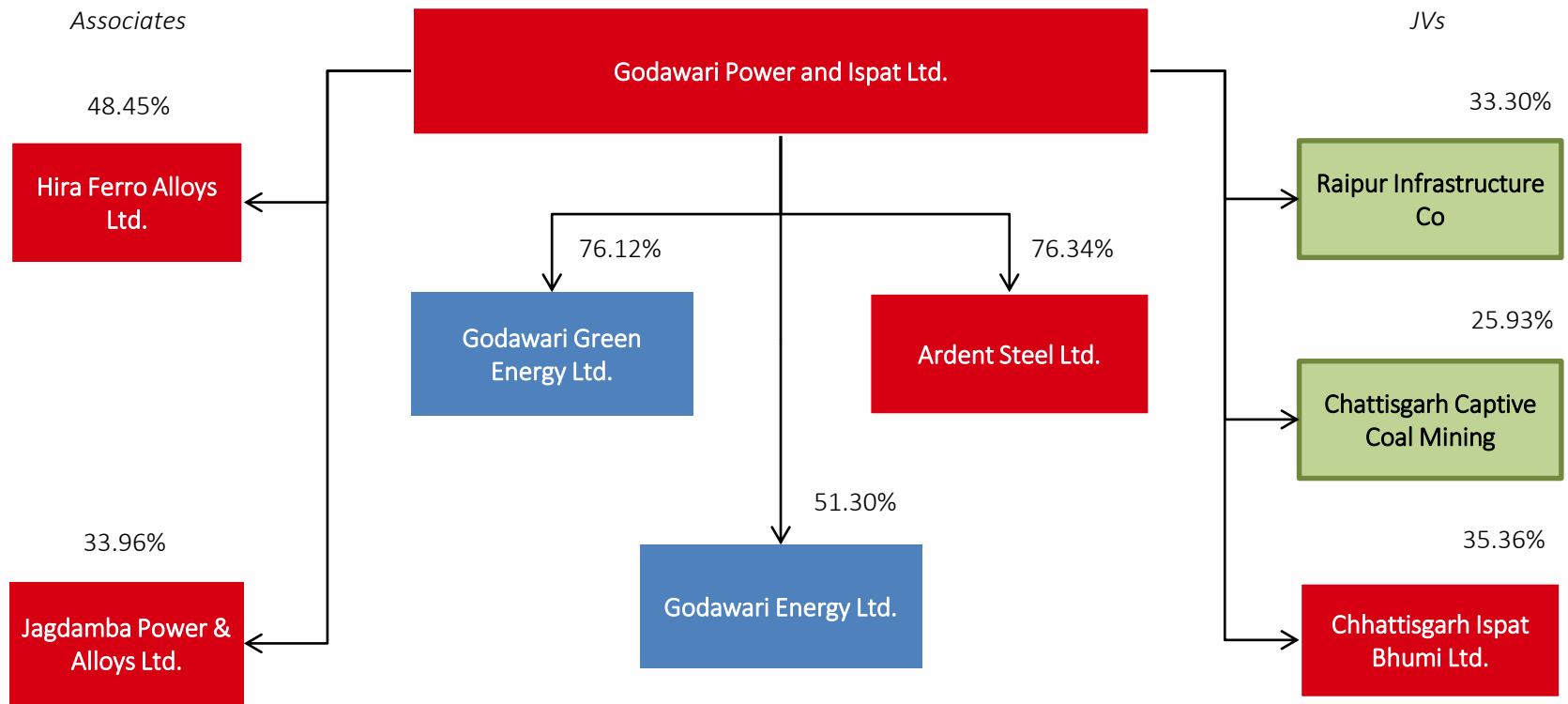
Focus on Value Addition

- Billet capacity utilisation to improve to 90%+
- Commissioning of additional wire rod capacity
- 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 2000-2,250 mn in FY20; Have repaid 1.6 bn of long term debt in 9M FY20
- Capex of ~INR 1 bn including maintenance capex

Group Structure

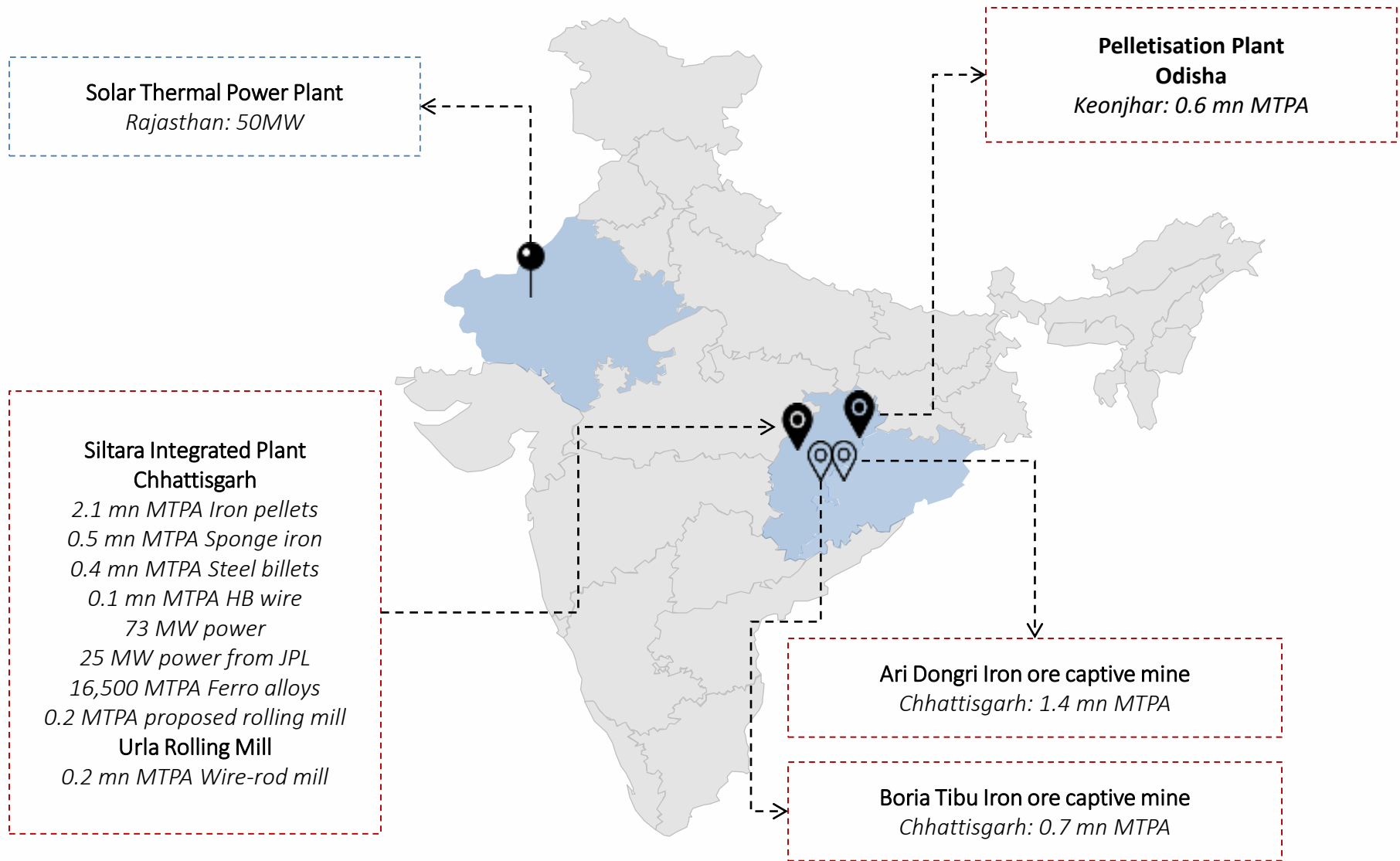


Non-core businesses

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

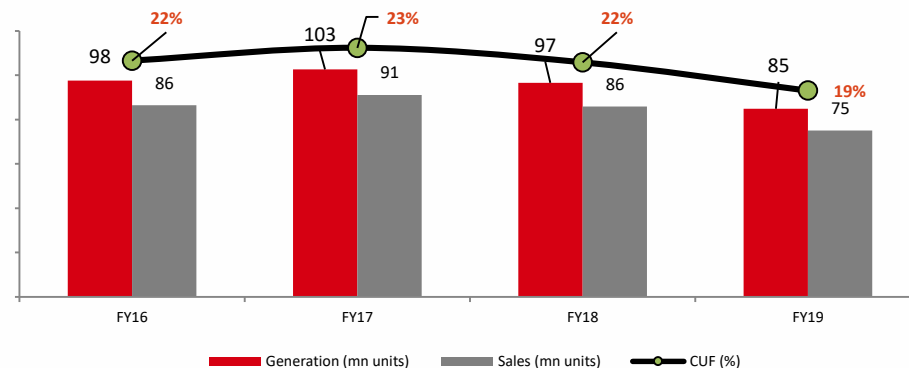


Mr. Harishankar Khandelwal
(Independent Director)
Almost 3 decades of experience in
corporate planning & strategy,
financial analysis, budgeting etc
Chartered accountant by profession

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



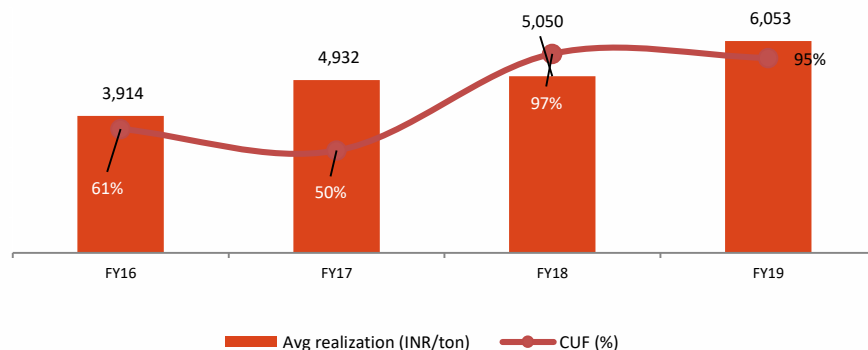
Summary financials

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

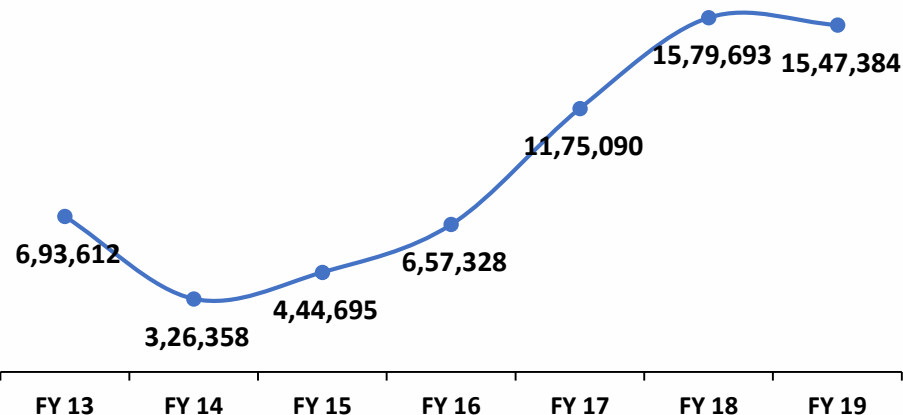


Summary financials

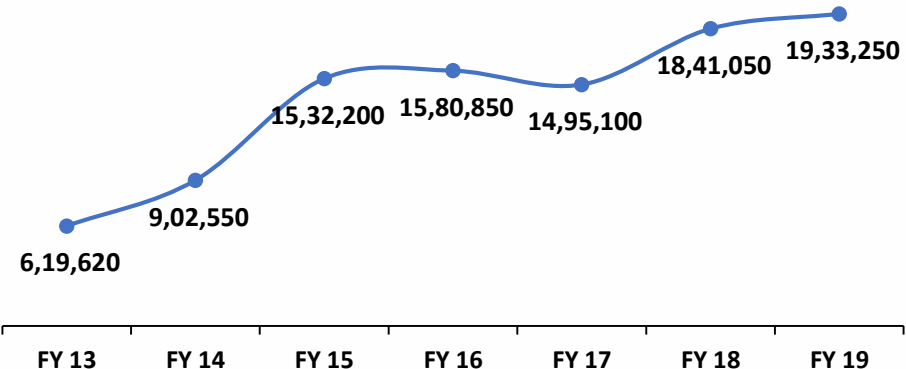
Particulars (INR mn)	FY17	FY18	FY19
Net Sales	1,470.5	2,965.6	3540
EBITDA	279.7	764.3	915
EBITDA Margin (%)	19.0%	25.8%	26%
Depreciation	111.4	112.2	120
Finance Costs	216.1	222.6	179
PAT	(32.3)	281.8	441
PAT Margin (%)	(2.2%)	9.5%	12%

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

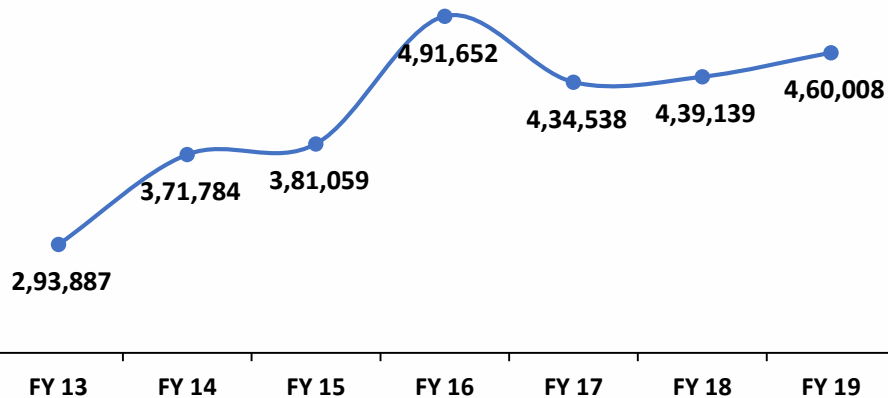
Trend of Iron Ore Mining (mt)



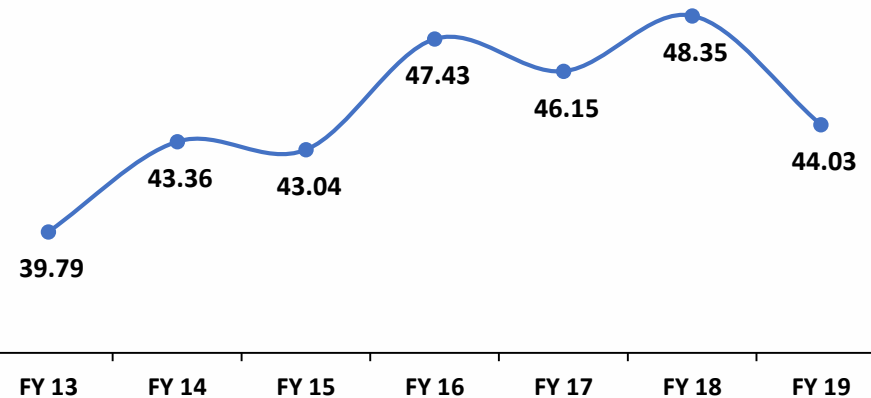
Trend of Pellets Production (mt)



Trend of Sponge Iron Production (mt)

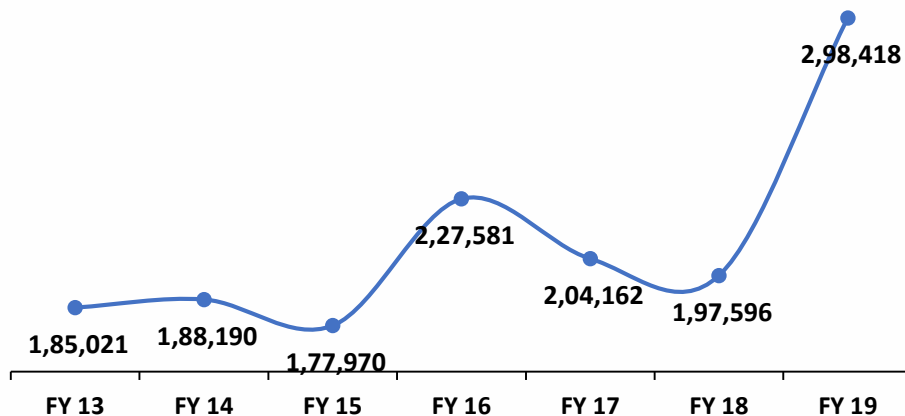


Trend of Power Generation (kwh in cr)

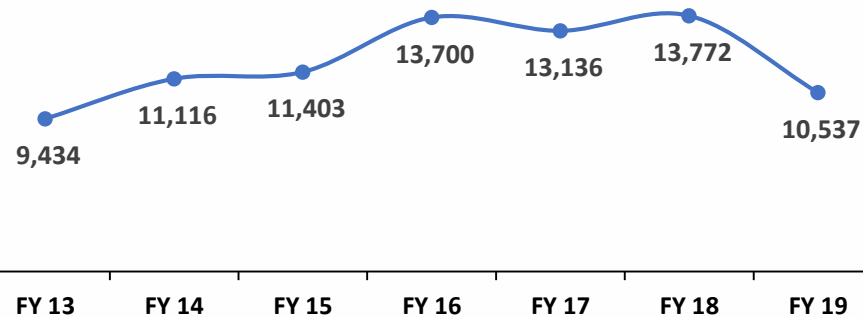


GPII Standalone – Past Operational Performance at a Glance...

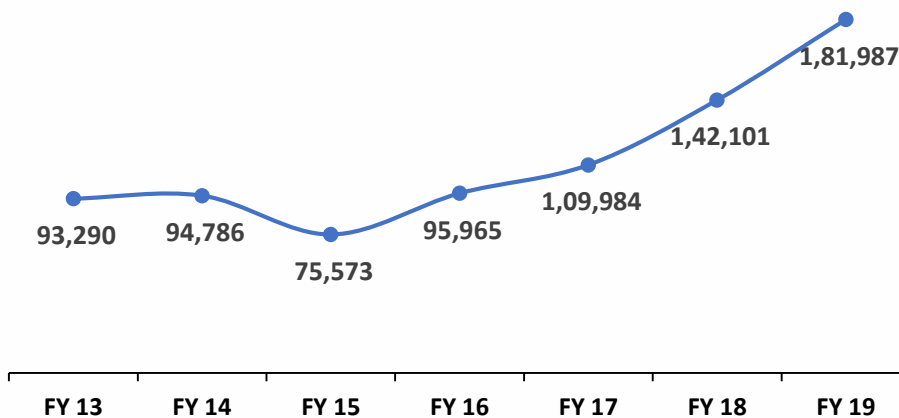
Trend of Steel Production (mt)



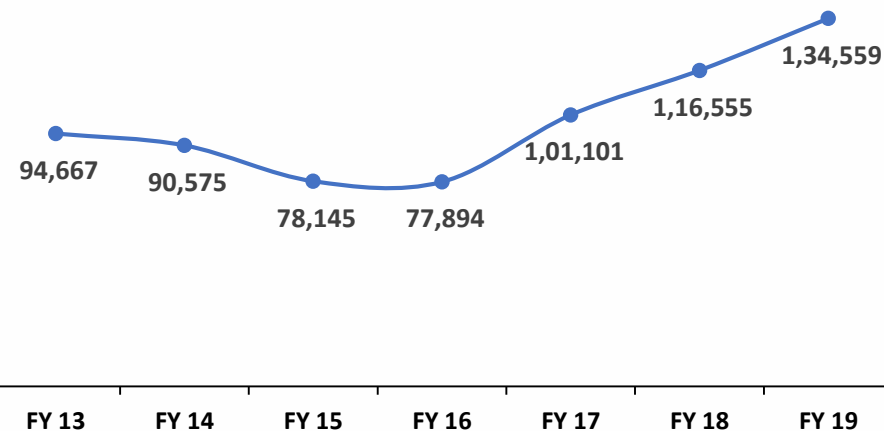
Silico Manganese (mt)



MS Rounds Production (mt)

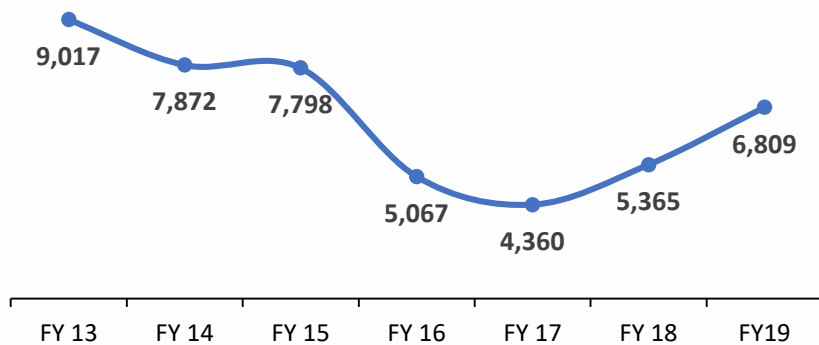


HB Wire Production (mt)

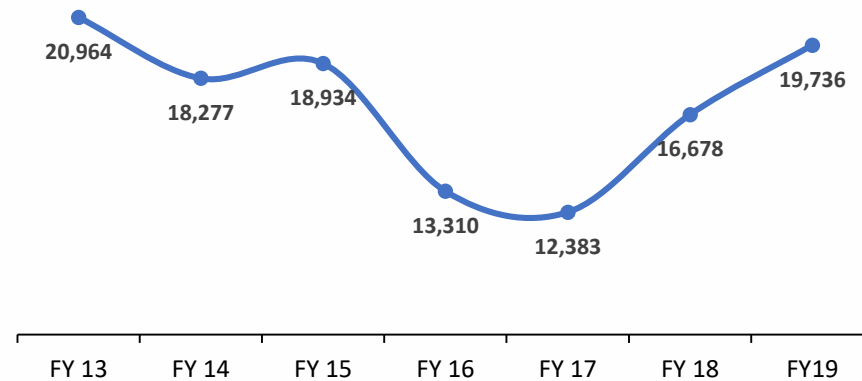


Past Sales Realisations

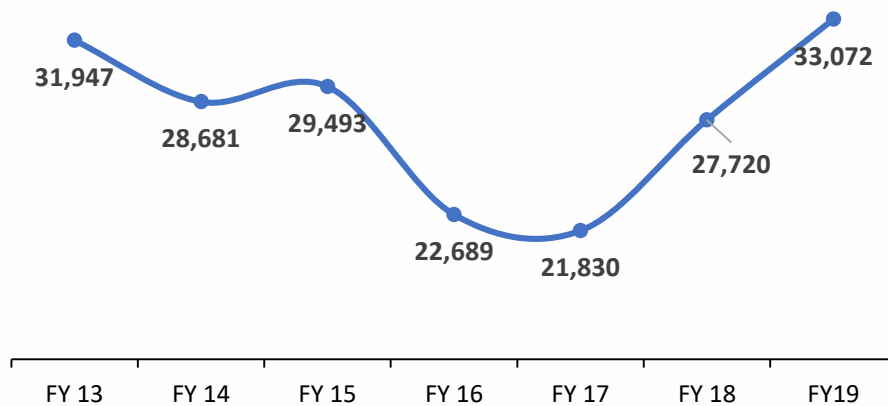
Iron ore Pellet



Sponge Iron

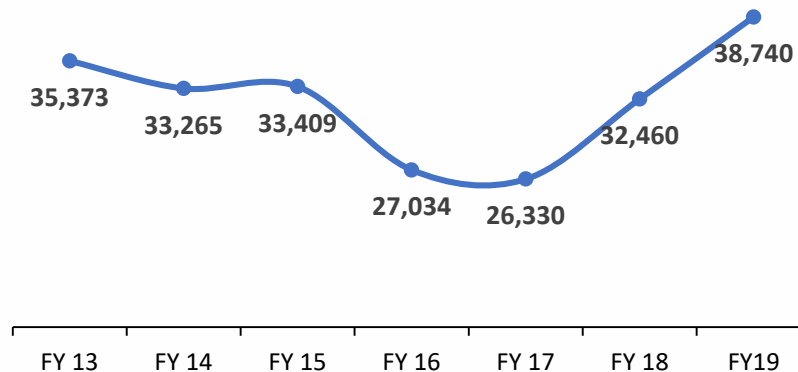


Steel Billets

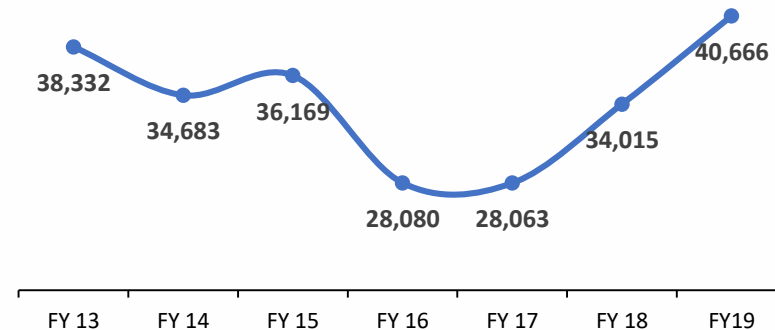


Past Sales Realisations

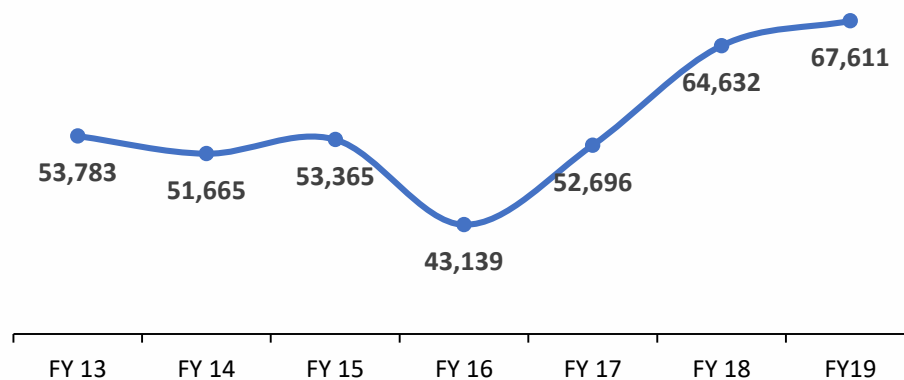
M.S. Round



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



GODAWARI POWER & ISPAT