



# **HIRA**

## **GODAWARI POWER & ISPAT**

Investor Connect  
June 2019

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# Godawari Power & Ispat: Growing Stronger Together

## A fully Integrated Steel Company

- A fully backward integrated steel company with strong presence across the steel value Chain, present in every part of the Steel Value Chain – from operating 2 Iron Ore Mines to manufacturing & selling value-added steel products

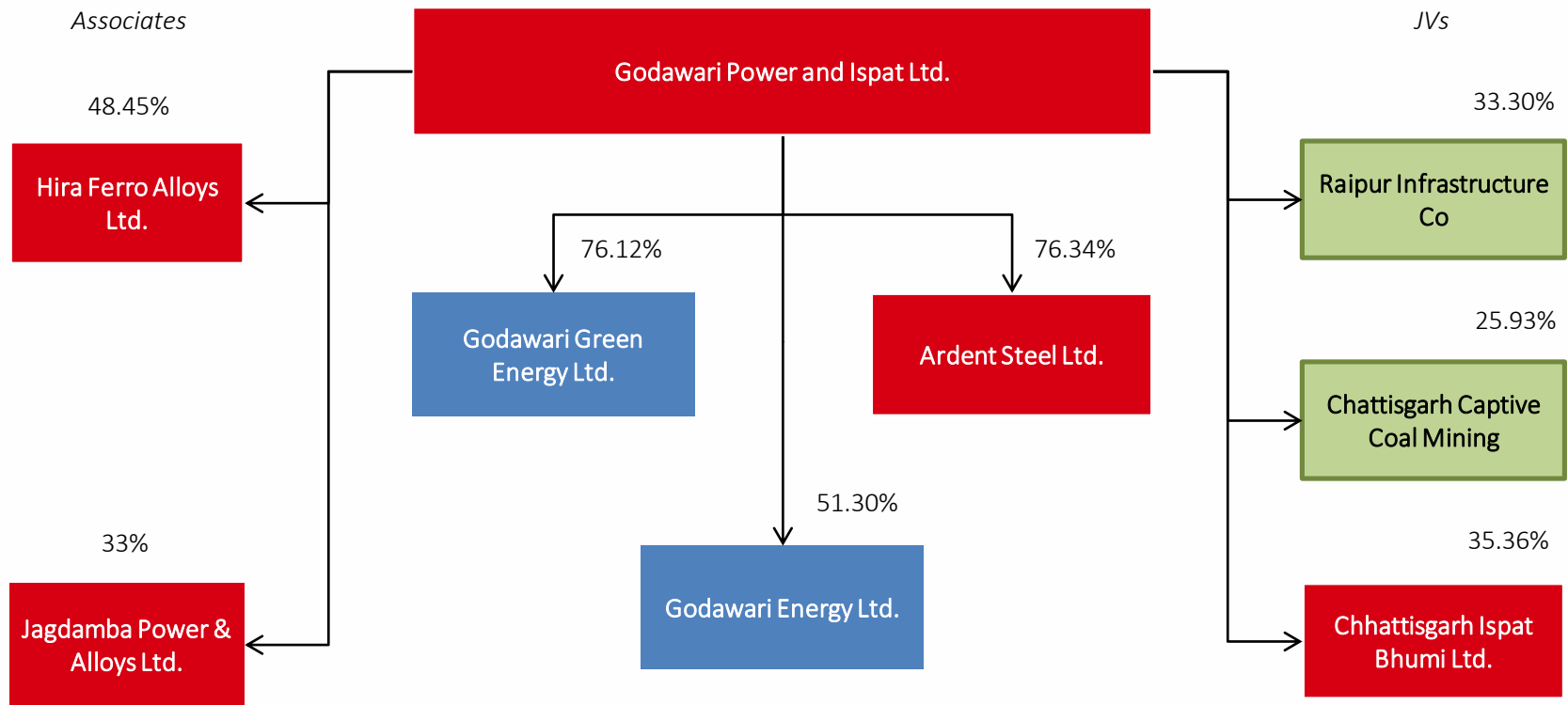
## Pedigreed Operations

- Operating since 1970, Godawari is a Hira Group Company; a dominant player in the long product segment of steel industry with an employees base of over 6,000 people

## Experienced Leadership Team

- Godawari Power & Ispat is spearheaded by Mr. B.L. Agrawal, who possesses over 4 decades of experience in the Steel industry.
- He is supported by the 2<sup>nd</sup> generation of stalwarts, Mr. Siddharth & Mr. Abhishek Agarwal

# GPIL – Group Structure



Non-core businesses

No change in structure; will remain as they are

To be wound down; operations discontinued

# Integrated Asset Portfolio; Unique Presence Across Steel Value Chain

Asset

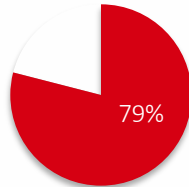
Capacity

FY 19 Utilisation



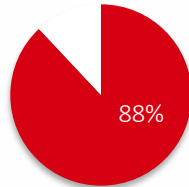
Iron Ore Mining

2.1 mt



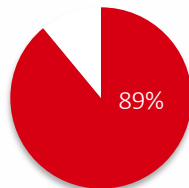
Iron Ore Pellets

2.7 mt



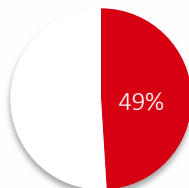
Sponge Iron

0.5 mt



Steel Billets

0.4 mt



Asset

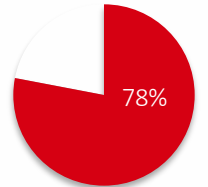
Capacity

FY19 Utilisation



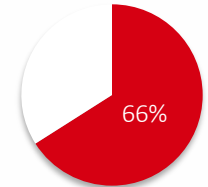
MS Rounds

0.2 mt



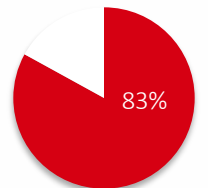
HB Wires

0.15 mt



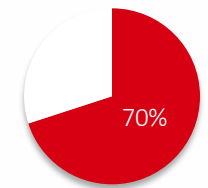
Ferro Alloys

16,500 mt

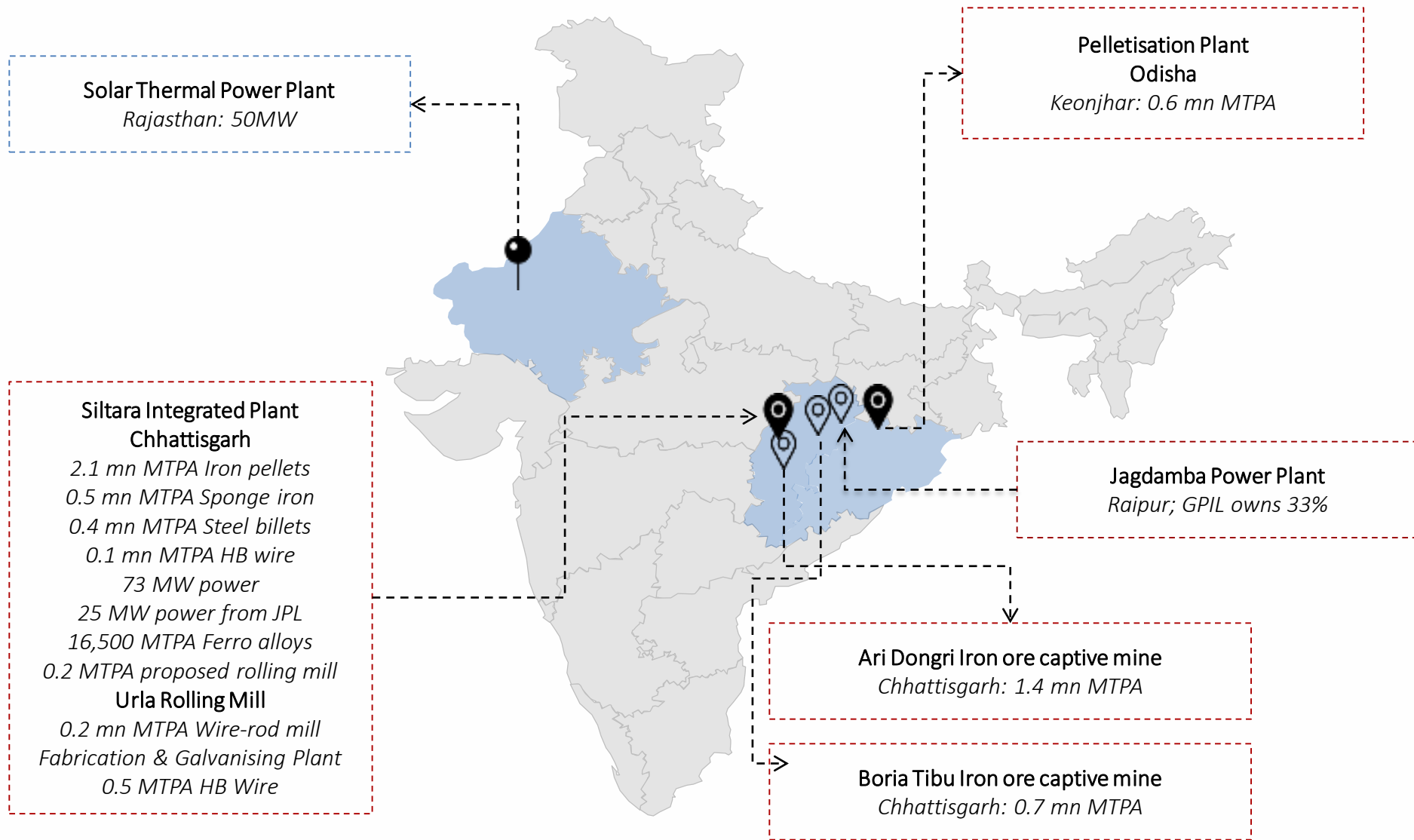


Power

98 MW\*;  
86 cr units



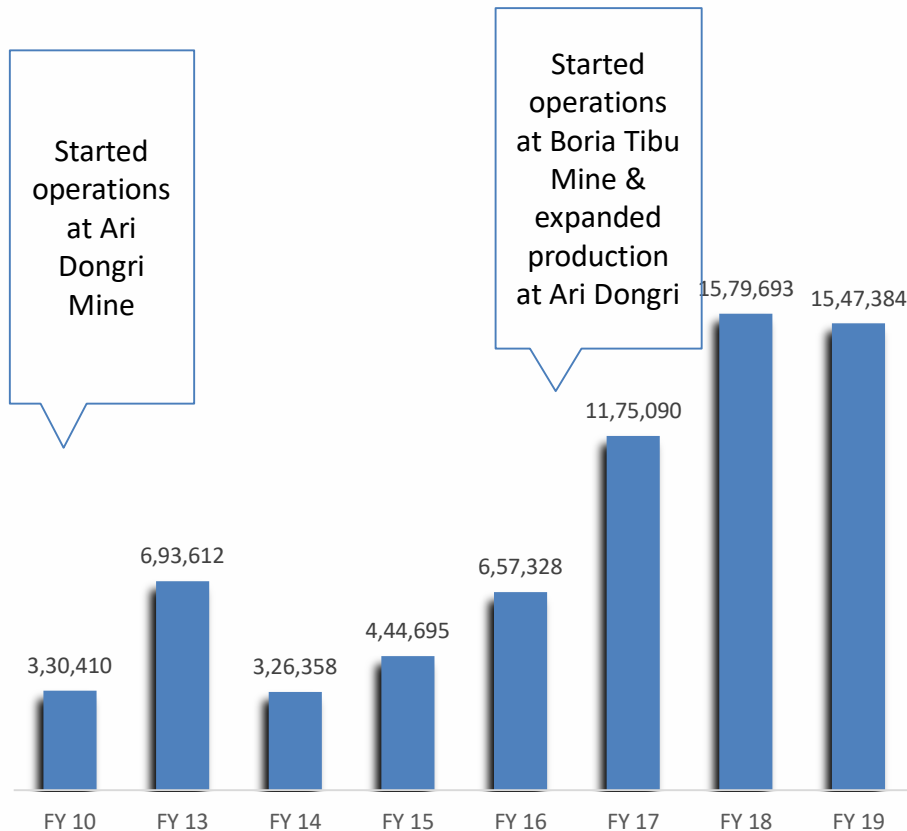
# Large Portfolio of Long-life Assets



# Our Captive Mines Give us an Unparallel Advantage

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

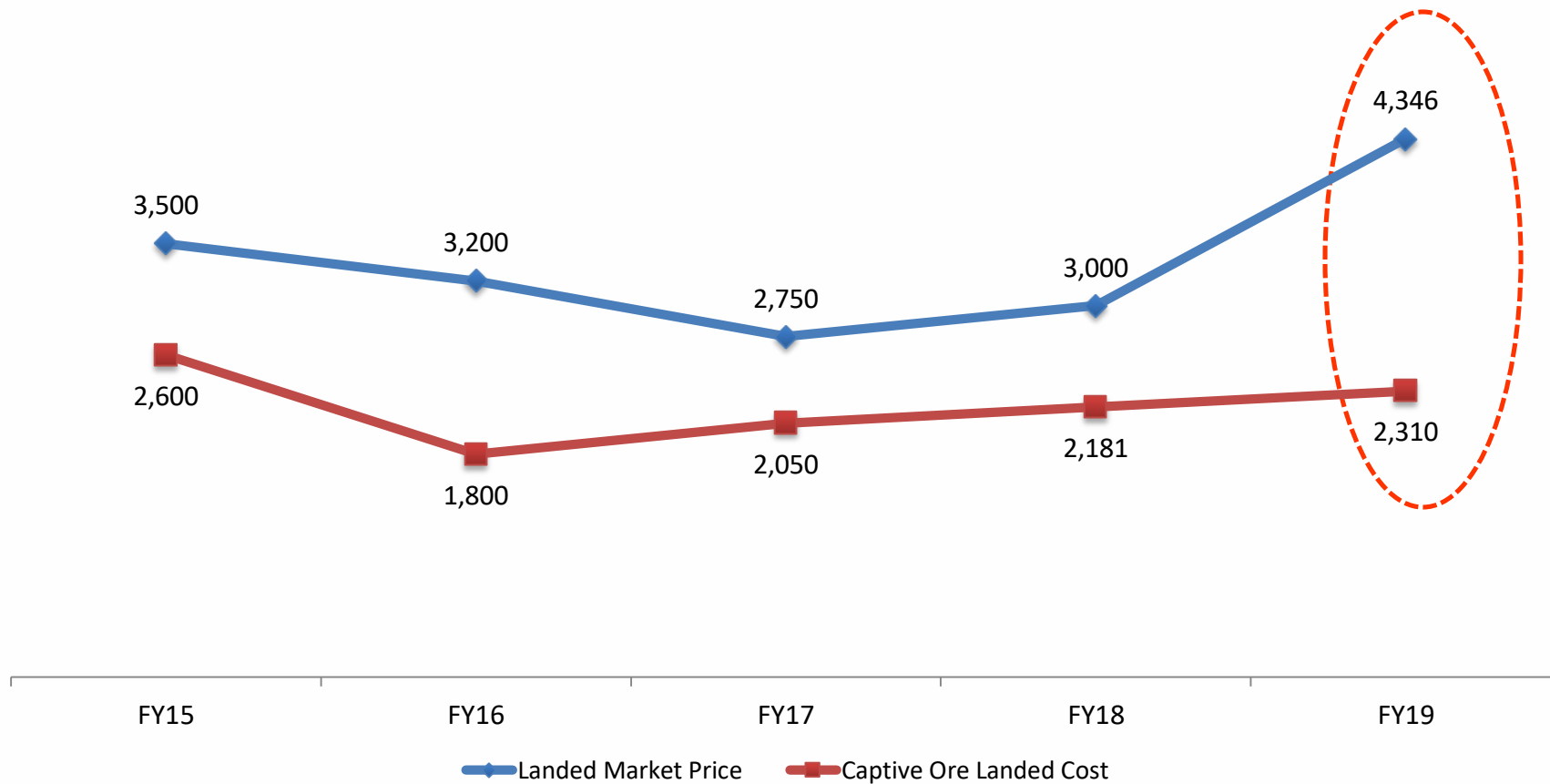
## Power

- 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

## And Huge Raw Material Costs Saving





# 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

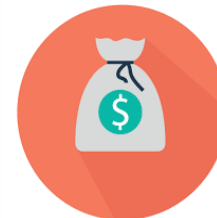
Supply Chain optimisation through **rolling mill expansion (brownfield)**



## Improving Financials

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

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

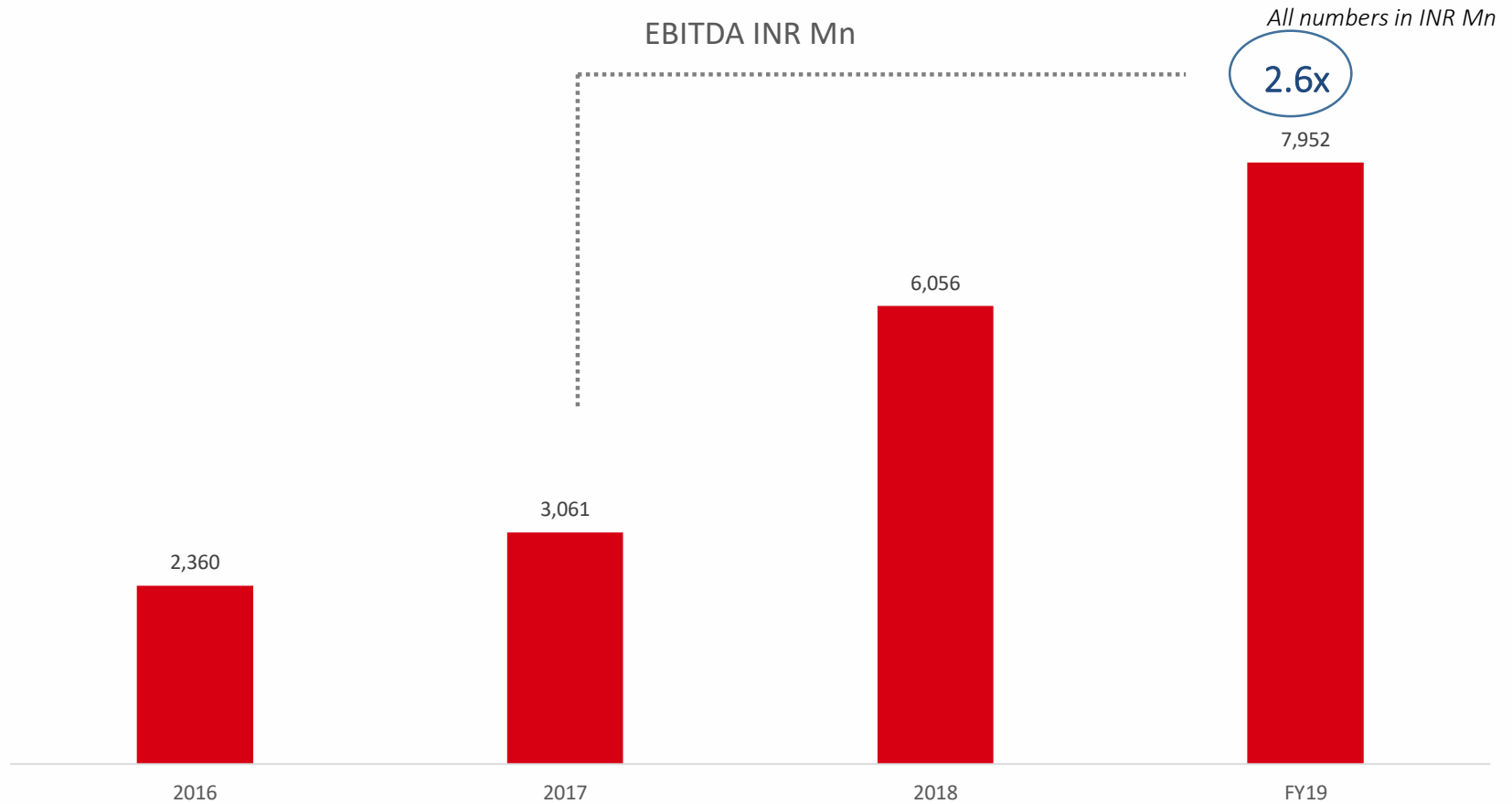


## Balance Sheet De-Leveraging

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

Credit Rating Updated to Investment Grade **BBB**

# Strategy Focused on Consistent Profitability



*Based on consolidated numbers*

# Efforts Towards Greater Operational Efficiencies

- Plans to revisit Jagdamba merger.
- 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 rolling 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

# The Winning Combination

Improving competitive advantage  
through greater integration and higher  
value addition

Restoring balance  
sheet strength  
through significant  
deleveraging

Disposal of non  
core assets to  
become a focussed  
steel company



***Target to become a debt-free & dividend paying company***

# GPII Consolidated – Operating Performance for FY19

Particulars (in INR Million)	FY19	FY18	YoY (%)	Q4FY19	Q4FY18	YoY (%)
Net Sales	33,216	25,274	31%	8,944	7,429	20%
Total Expenses	25,323	19,305	27%	7,066	5,355	32%
Other Income	58	87	-33%	30	39	-24%
EBITDA	7,952	6,056	31%	1,907	2,113	-10%
EBITDA Margin (%)	24%	23%		21%	28%	
Depreciation	1,329	1,318	1%	333	325	3%
Finance Costs	2,526	2,633	-4%	627	662	-5%
PBT	4,097	2,104	95%	947	1,127	-16%
Tax	1,529	-64		357	-94	
PAT	2,607	2,147	21%	591	1,028	-43%

# FY19: Strong Growth despite a Challenging Environment



## Restoring Balance Sheet

- Term debt reduced by 2,430 mn to INR 17,463 mn
- All repayments done much ahead of schedule



## Strong Financial Performance

- All-time high revenues of INR 33,210 mn
- FY19 EBITDA: INR 7,952 mn, up 31% YoY



## Superior Asset Optimisation

- Mine production stable at 1.5 mn tonnes
- Billet production up by 51% YoY
- Production of MS Rounds up by 28% YoY
- H.B. Wire production 15% higher YoY

**31%\***

Increase in  
Revenue

**31%**

Increase in EBITDA

**24%**

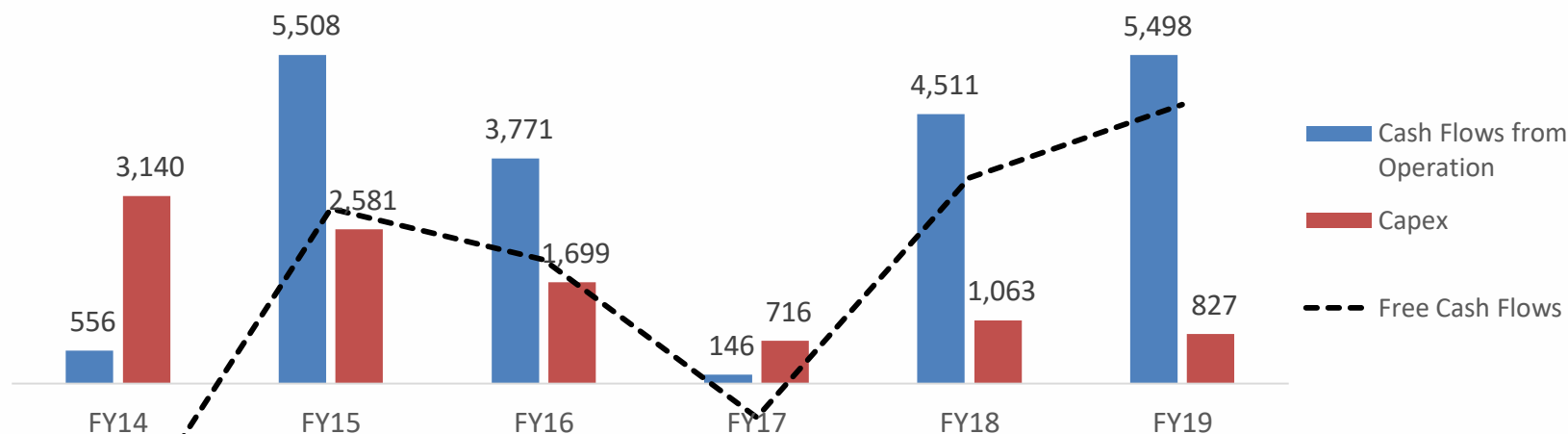
EBITDA Margin

**2,430 mn**

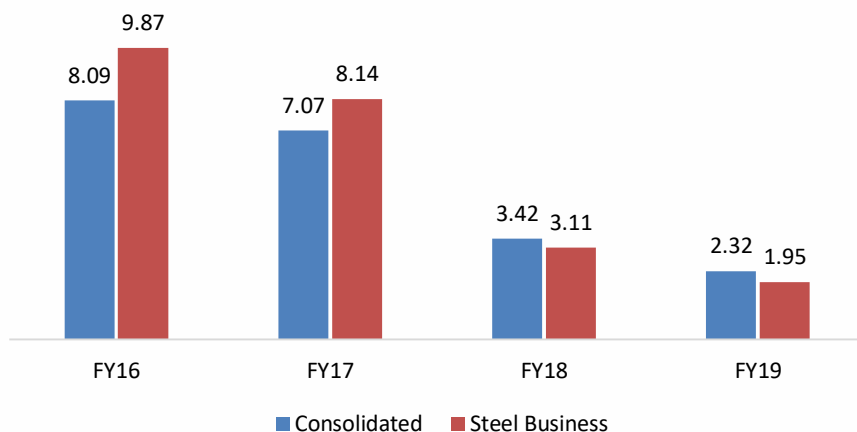
Gross Debt  
Reduction

\* Adjusted for Excise duty

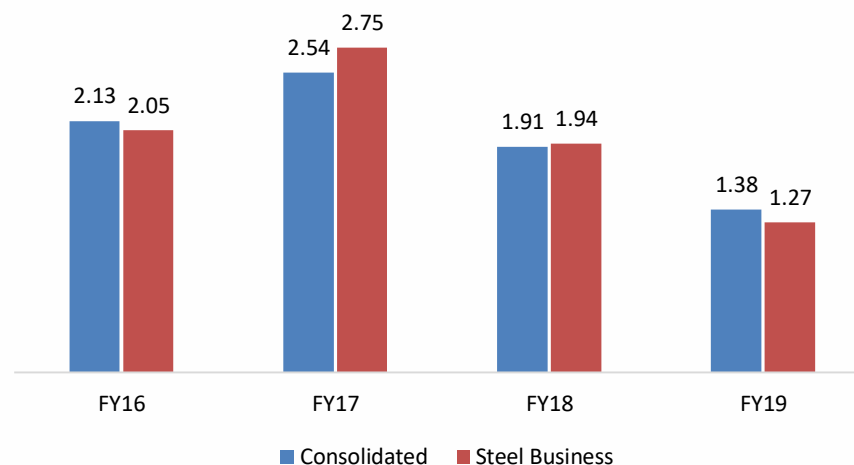
# Resulting in Higher Incremental FCFs for Deleveraging



Net Debt to EBITDA



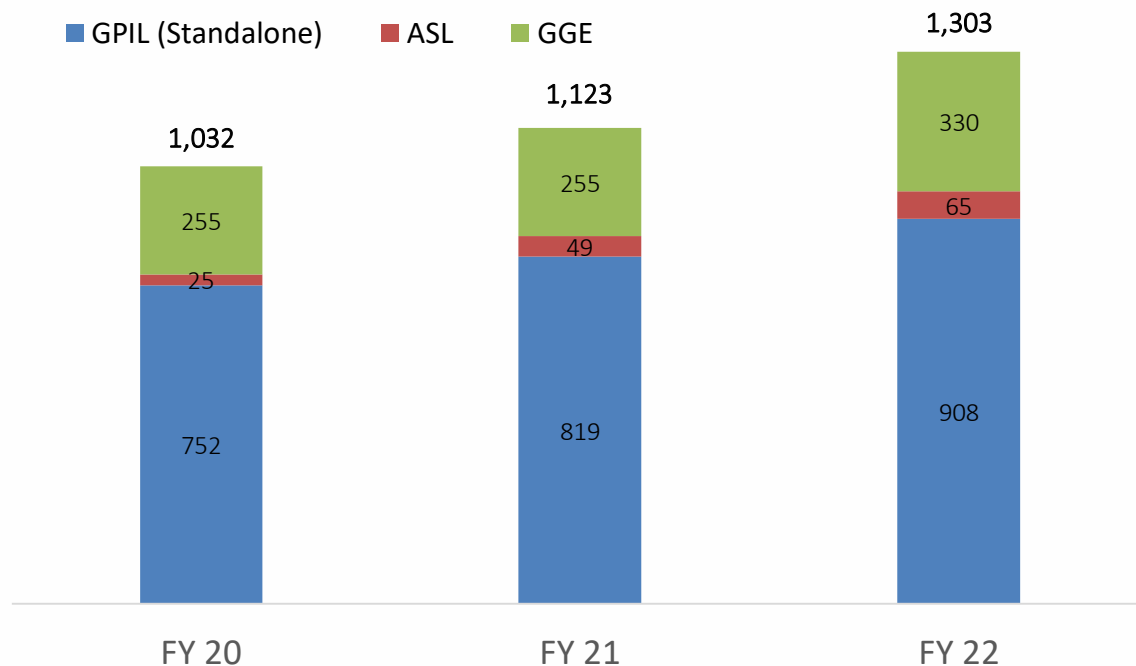
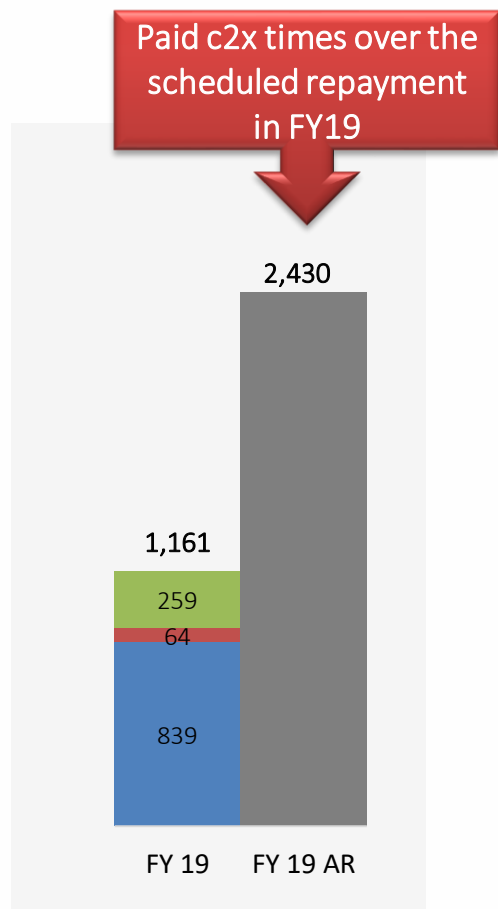
Net Debt to Equity



# Incremental Cash flows to be utilised for De-Leveraging

## Debt Repayment Schedule

*All figures in INR MN*



*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 maintenance capex

# FY20: Supportive Global Tailwinds

## International Market

- **Major supply disruption as Iron Ore major reduces guidance – Production loss of 95-100 mn tonnes**
  - Vale has reduced its guidance for 2019 production by 75 mnt as it grapples with environmental issues at its mines.
  - Both Rio and BHP have also cut guidance for 2019 by 14 mnt and 8 mnt respectively due to disruption from Cyclone Veronica
- **Pellet prices expected to stay strong in India CY2019 as there is an increased demand for high grade ore from China on account of environmental concerns supply shortage of iron ore**

## 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
- **Environmental clearances and G2 level exploration to disrupt auction process significantly**

## How we Improved Sustainable Standalone 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



Appendix

## Q4 and FY19 Production Summary

Production (in MT)	FY19	FY18	YoY (%)	Q4 FY19	Q4 FY18	YoY(%)
Iron ore Mining	1,547,384	1,579,693	-2%	436,053	430,173	1%
Iron ore Pellets - GPIL	1,933,250	1,841,050	5%	540,000	487,450	11%
Iron Ore Pellets - ASL	572,673	590,876	-3%	165,345	151,291	11%
Sponge Iron	460,008	439,139	5%	123,858	119,629	4%
Steel Billets	298,418	197,596	51%	90,390	53,089	70%
M.S. Rounds	182,088	142,101	28%	42,956	36,432	18%
H.B. Wires	134,558	116,555	15%	32,062	28,040	14%
Silico Manganese	10,536	13,772	-23%	3,647	3,646	0%
Power – GPIL (units in cr)	44.02	48.35	-9%	9.59	12.63	-24%
Solar Power (Units in cr)	8.49	9.65	-12%	2.02	2.42	-17%

# Q4 and FY19 Sales Summary

Sales & Realization	FY19		FY18	
	Quantity (MT)	Realization (/tons)	Quantity (MT)	Realization (/tons)
Iron Ore Pellet - GPIL	1,452,549	6,809	1,247,361	5,365
Iron Ore Pellet - ASL	560,831	6,053	584,459	5,050
Sponge Iron	140,218	19,736	228,469	16,678
Steel Billets	121,632	33,072	81,560	27,722
M.S. Round	79,099	38,741	74,813	32,457
H.B. Wire	134,558	40,667	116,562	34,015
Silico Manganese	7,664	67,612	10,891	64,632

Sales & Realization	Q4 FY19		Q4 FY18	
	Quantity (MT)	Realization (/tons)	Quantity (MT)	Realization (/tons)
Iron Ore Pellet - GPIL	401,771	6,737	280,636	6,207
Iron Ore Pellet - ASL	177,431	5489	175540	5,307
Sponge Iron	30,729	18,501	60,382	19,768
Steel Billets	42,349	31,942	22,535	31,579
M.S. Round	19,786	37,346	19,908	36,833
H.B. Wire	30,752	39,909	27,173	38,591
Silico Manganese	2,594	67,082	2,850	68,985

## 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
<b>Net Worth</b>	13,364	10,837	8,503	8,983
<b>Non-Controlling Interest</b>	1,672	1,604	1,533	1,034
<b>Debt</b>				
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
<b>Current liabilities</b>				
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
<b>Total Liabilities and Equity</b>	<b>35,111</b>	<b>34,517</b>	<b>32,532</b>	<b>34,150</b>
<b>Non Current Assets</b>				
Net Fixed Assets	21,332	21,377	22,221	21,986
Other Long Term Assets	3,930	5,059	3,733	4,620
<b>Current Assets</b>				
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
<b>Total Application of Funds</b>	<b>35,111</b>	<b>34,517</b>	<b>32,532</b>	<b>34,150</b>



# 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**

- 1<sup>st</sup> 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

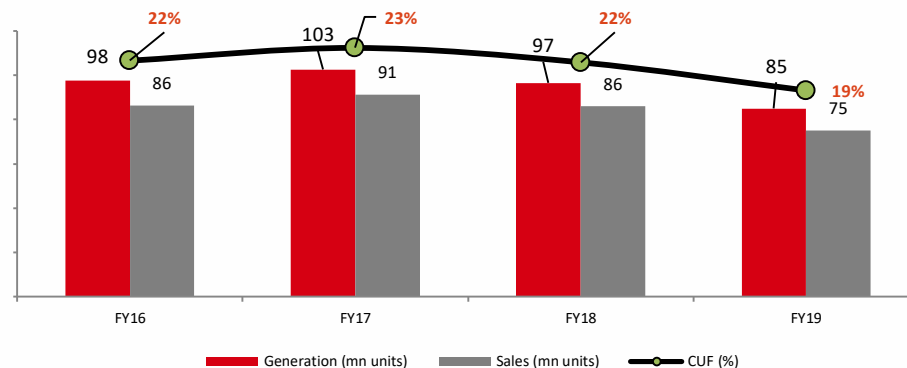


Mr. Harishankar Khandelwal  
(Independent Director)  
Almost 3 decades of experience in  
corporate planning & strategy,  
financial analysis, budgeting etc  
Chartered accountant by profession

# 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



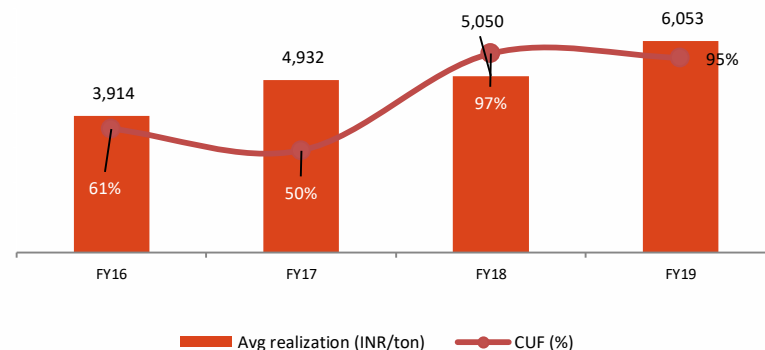
Summary financials

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%

# Thank you

For further information, please get in touch with:

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