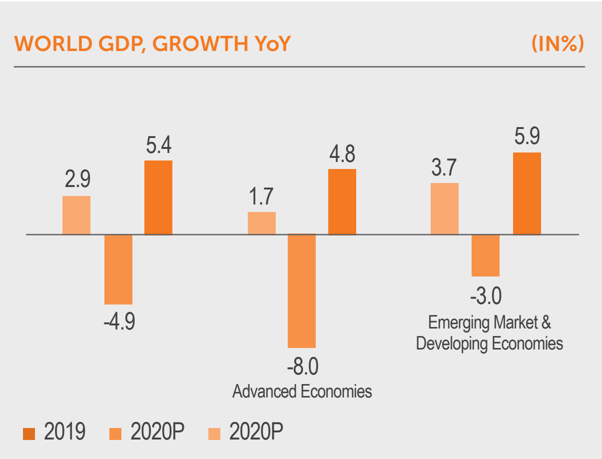
# MANAGEMENT DISCUSSION AND ANALYSIS

## ECONOMIC OVERVIEW

According to World Economic Outlook June 2020, COVID-19 pandemic is expected to push the global economy into recession with -4.5% growth in 2020, after registering back-to-back growth of 3.6% and 2.9% in calendar years 2018 and 2019. The steep contraction in the world's economic growth is significantly severe than the 2008-09 global financial meltdown. The health crisis has adversely impacted the global economic activity forcing several nations to comply with isolation, lockdowns and widespread closures.

Advanced Economies growth is estimated to contract by 8.0% in 2020 as voluntary containment measures are likely to weigh on economic prospects. The Advanced Economies are expected to bounce back to the growth trajectory surging by 4.8% in 2021.




*Source: IMF's World Economic Outlook (WEO), June 2020*

### UNITED STATES OF AMERICA (US)

The US economy is expected to experience the deepest contraction of 8.0% amongst the Advanced Economies. To support the dwindling economy, the US government provided additional forgivable loans to small and medium-sized enterprises by approving US$483 billion packages (2.5% of GDP) in April 2020. Additionally, the pending legislative approval to fund subnational governments and additional cash transfers stand at US$3 trillion. The US economy is projected to achieve a 4.5% growth in 2021.

### UNITED KINGDOM (UK)

The UK was no longer part of the European Union from February 2020. The UK's economy is estimated to contract by 10.2% in 2021. The UK is experiencing mounting unemployment levels. As the economic activity has collapsed due to lockdown, UK has announced an 80% payment of furloughed workers'monthly salary up to a ceiling.

### EUROZONE

The Euro Zone is projected to contract from 10.2% in 2020. The European Union has proposed a grant-based recovery fund of €750 billion during 2021-27 for promoting green recovery and dilute the pandemic's impact. The Euro region is expected to grow by 6.0% in 2021.

### EMERGING MARKET & DEVELOPING ECONOMIES (EMDEs)

EMDEs too is expected to contract by 8.0% in 2020 owing to weak external demand. India's economy is projected to contract by 4.5% in 2020, owing to the extension of lockdown and slow-paced recovery in April 2020. India is expected to register a 6.0% growth in 2021 backed by liquidity support through loans and guarantees to corporates and farmers, and equity infusion into financial institutions.

### MIDDLE EAST AND CENTRAL ASIA

Middle East and Central Asia is projected to contract by 4.7% in 2020 followed dramatic decline in oil prices in the beginning of 2020 weighing the near-term growth prospects. The region is expected to grow by 3.3% in 2021.

### CHINA

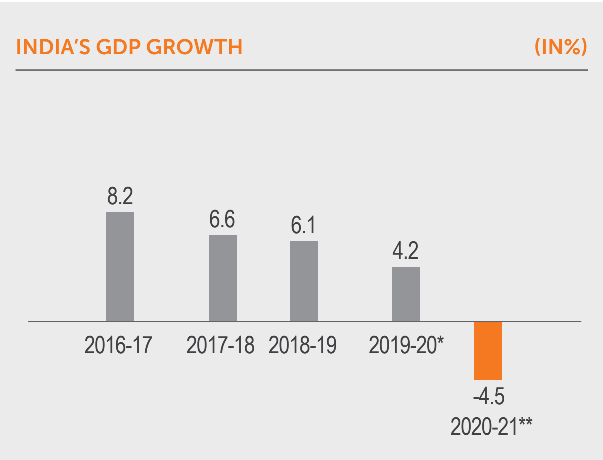
China's economy experienced recovery from the first quarter of the calendar year 2020 and is likely to register 1.0% growth in 2020 supported by policy stimulus, stronger than anticipated recovery in investment and services, expansion of social safety net and enhanced medical facilities. China's economy is estimated to register 8.2% growth in 2021.

### BRENT CRUDE OIL PRICE

The Organization of the Petroleum Exporting Countries (OPEC) plus coalition was called off on March 6, 2020, due to weak demand resulting in the worst single-day fall in the oil prices since 1991 to US$20 during the end of March 2020. The oil prices recovered in April 2020 as OPEC plus coalition resumed talks. Additionally, global international and domestic travel restrictions are expected to fuel a decline in oil demand in 2020. Containment of COVID-19 pandemic and positive outcome from OPEC conversation is expected to be positive for Brent crude oil price. On the other hand, the collapse of the OPEC coalition and strong resilience of US shale oil production will keep Brent crude oil price under check.

## INDIAN ECONOMY

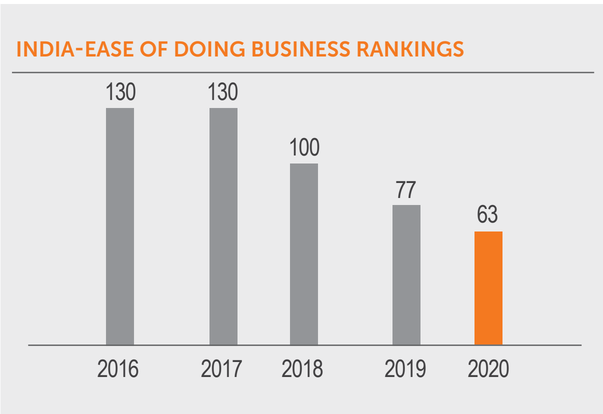
As per Central Statistics Organisation (CSO) estimates, India's GDP expanded 4.2% during 2019-20, the slowest pace in 11 years, hurt by economic slowdown aggravated by national lockdown due to COVID-19 pandemic. 'Public Administration, Defence and Other Services', 'Finance, Real Estate & Professional Services', 'Public Administration, Defence and Other Services', 'Agriculture, Forestry & Fishing' and 'Mining & Quarrying' sectors supported the GDP growth. On the other hand, 'Manufacturing'and 'Construction' sectors experienced a slowdown. The Gross Fixed Capital Formation declined by 2.8% in FY2020, indicating weak investment scenario in the economy. The Private Final Consumption Expenditure registered a 5.3% growth in FY2020 vis-à-vis 7.2% growth in FY2019. The exports contracted by 3.6% during FY2020.




*(Source: CSO and IMF; *Provisional Estimates & **Projected)*

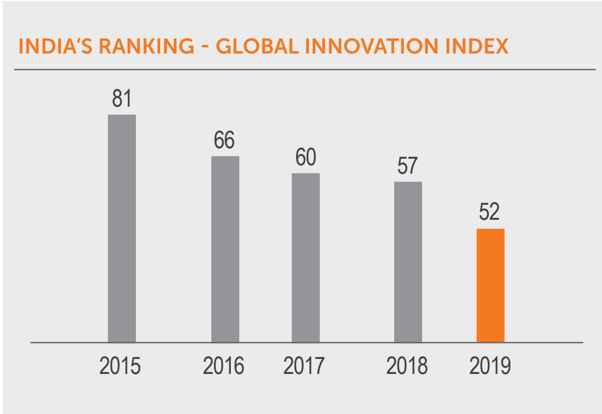
## EASE OF DOING BUSINESS

According to the World Bank's Ease of Doing Business 2020 report, India moved 14 places ranked at 63rd amongst 190 nations led by sustainable economic reforms attracting foreign investments. India was placed in the world's top 10 most improved countries for the third consecutive time.




## GLOBAL INNOVATION INDEX (GII)

As per GII rankings published by Cornell University, INSEAD and the UN World Intellectual Property Organisation (WIPO) and GII Knowledge Partners, India jumped 5 places ranked at 52nd in 2019.

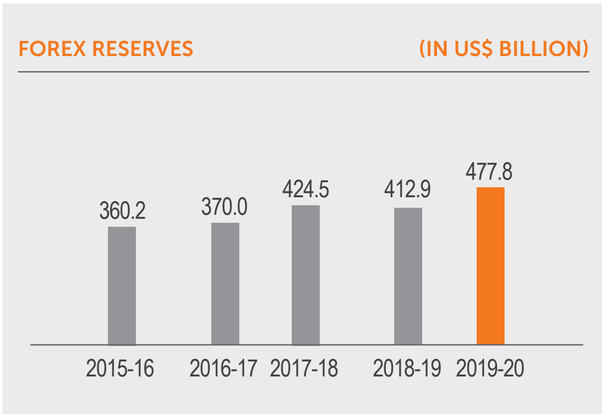



## CURRENT ACCOUNT DEFICIT (CAD)

India's CAD narrowed to 0.9% of GDP in FY2020 as against 2.1% in FY2019 aided by net services receipts and private transfer receipts. India records a current account surplus (US$ 0.6 billion) in Q4FY2020 for the first time in 13 years.

## FOREX RESERVES

During 2019-20, the forex reserves surged by 15.7% y-o-y to US$ 477.8 billion due to valuation gains of US$ 5 billion reflected by a rise in gold prices. India's forex exchange surpassed the half-a-trillion mark (US$ 501.7 billion) for the first time in June 2020 thanks to surging Foreign Currency Assets (FCA), which includes the appreciation or depreciation effect of non-US units like the euro, pound and yen held in the forex reserves.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INFLATION

India maintained its macroeconomic resilience by restricting the inflation in the 4-6% range for supporting growth.

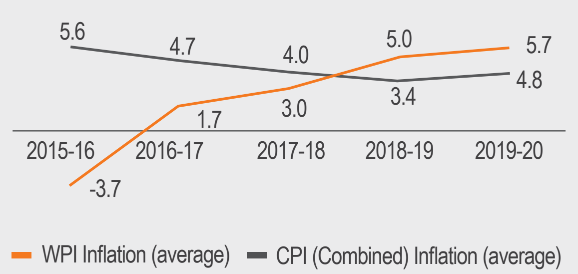
## WHOLESALE PRICE INDEX (WPI)

During 2019-20, WPI inflation stood higher at 4.3% vis-à-vis 3.0% last year due to a broad-based increase in inflation of all group except food prices.

## CONSUMER PRICE INDEX (CPI)

After declining for five successive years, the CPI inflation during 2019-20 stood at 4.8% as compared to 3.4% last year.

WPI & CPI INFLATION (IN%)



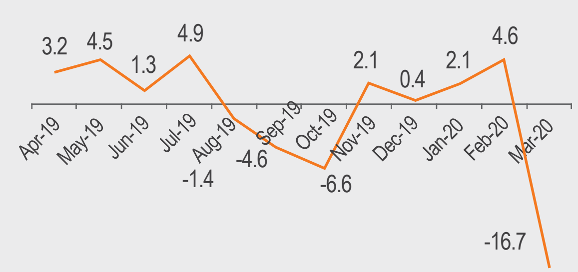

## REPO RATE

During 2019-20, the Monetary Policy Committee (MPC) reduced the policy repo rate from 6.5% to 4.4% for mitigating COVID-19 impact on the economy while ensuring the inflation remains within the target range.

## INDEX OF INDUSTRIAL PRODUCTION (IIP)

IIP growth entered the negative territory for the first time since 1980-81. The IIP growth contracted by 0.7% in 2019-20 as against 3.8% in 2018-19 marred by weak industrial output further aggravated by disruptive economy due to COVID-19.

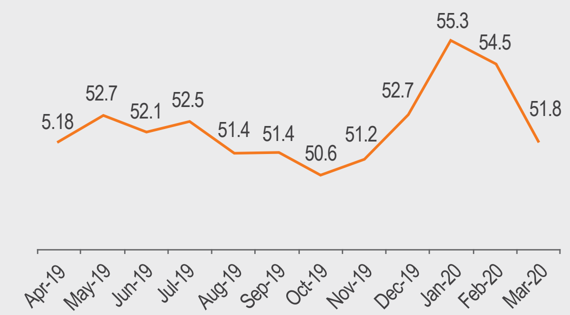
MONTHWISE IIP MOVEMENT - FY2020 (IN %)




## MANUFACTURING PURCHASING MANAGER'S INDEX (PMI)

India's Manufacturing PMI slipped to four-month low to 51.8 in March 2020 owing to a slow rise in output and impacted by steep decline in exports due to COVID-19 pandemic related lockdown in various countries.

MONTHWISE INDIA MANUFACTURING PMI




## OUTLOOK

According to IMF, India's GDP is expected to contract by 4.5% in FY2021 owing to a slowdown in the economy coupled with a longer period of lockdown due to COVID-19. The Reserve Bank of India (RBI) has announced the following measures to revive the economy: -

- Expand the liquidity in the market,
- Steps to reinforce monetary transmission,
- Ease financial stress by relaxing repaying pressures and
- Improve the functioning of markets because of huge volatility.

The RBI has slashed its cash reserve ratio (CRR) for the banks by 100 bps to 3% from March 27, 2020, infusing Rs. 1.37 lakh crore of liquidity in the system. The RBI increased accommodation under the marginal standing facility from 2% of Statutory Liquid Ratio to 3%. These measures have injected Rs. 3.74 lakh crore in the monetary system, which is equivalent to 3.4% of the GDP. Additionally, the RBI allowed the commercial banks to allow a three-month moratorium on payment of instalments of all term loans as on March 1, 2020. The move would not result in the downgrading of asset classification or Non-Performing Assets, thereby safeguarding the credit history of the borrowers.

The Government's revenues have been impacted due to COVID-19. However, there are some green shoots visible in power and petroleum consumption, highway transport activity and retail financial transactions. The proactive and decisive measures taken by the Government and RBI create a conducive environment for gradual revival of economic activities in the second half of 2020-21.

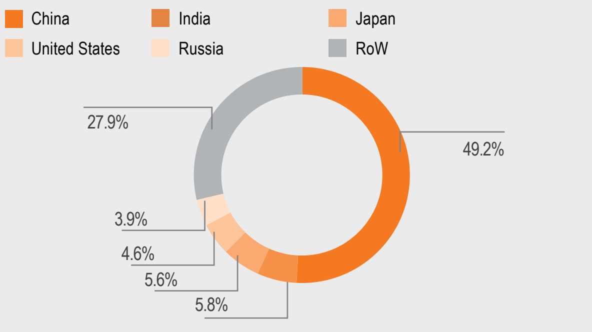
# THE STEEL INDUSTRY

## GLOBAL STEEL INDUSTRY

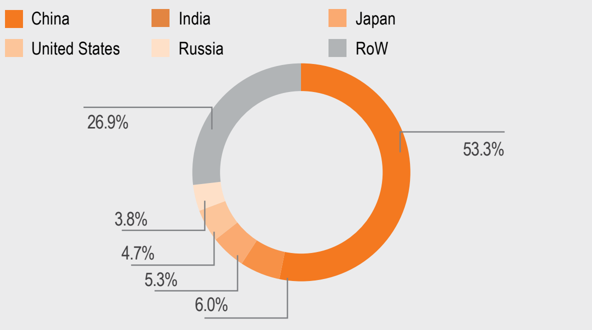
According to the World Steel Association (WSA), global crude steel production grew by 3.0% YoY at 1,868.8 million tonnes per annum (MTPA) in 2019. China, India, Japan, and the USA continued to be the top four countries in crude steel production in 2019, producing more than 69% of the world's total steel output. Russia frog-leaped South Korea and was placed 5th in crude steel production in 2019. The Middle East's crude steel production surged by 19.2% YoY to 45.3 MTPA in 2019.

### Crude steel production (MT)

SHARE OF CRUDE STEEL PRODUCTION IN 2018




SHARE OF CRUDE STEEL PRODUCTION IN 2019




## OUTLOOK

According to WSA, the COVID-19 crisis is expected to contract steel demand by 6.4% to 1,654.0 MT in 2020 due to freeze in consumption, shutdowns and disrupted supply chains in major economies. China's faster than expected recovery than the rest of the world is likely to mitigate the decline in the global steel demand.

## DEVELOPED ECONOMIES

A slowdown in consumer and service sectors, massive disruptions in spending and labour markets and weak consumer sentiment are likely to push steel demand in developed economies to contract by 17.1% in 2020. Strict social distancing norms backed by policy support hints a partial recovery with a 7.8% growth in 2021. The US steel demand is expected to hit its nadir in 2020, muddled with manufacturing recession due to COVID-19, steep fall in crude oil prices and mounting unemployment. The EU steel demand is likely to experience a recession due to slowdown in the automotive sector. The Japanese steel industry is likely to contract in double-digits owing to declining exports. Korea's steel demand too is expected to experience a double-digit decline due to dismal export markets coupled with weak domestic demand.

## EMERGING ECONOMIES

Steel demand in the emerging economies (excluding China) is projected to decline by 11.6% in 2020; however, it will bounce back strongly to 9.2% growth in 2021. The steel demand in India is likely to be pruned by 18.0% in 2020 owing to stringent nationwide lockdown measures, supply chain disruption coupled with slower demand recovery in the automotive sector. The steel demand in India is expected to witness a sharp growth of 15.0% in 2021 on the back of the government stimulus and its continued support to increase rural income. The oil-producing Middle East and North Africa (MENA) region's steel demand is severely hit by the double blow of COVID-19 outbreak and a slump in oil prices.

## KEY CHALLENGES OF GLOBAL STEEL

**Short term Challenges:**

- COVID-19 pushed the steel industry into a prolonged slowdown; the industry was already bruised with oversupply and multiple years of low demand
- Broad-based macroeconomic weakness to plummet the steel demand in core industries like manufacturing, automotive, construction, and oil and gas exploration
- Deteriorating global trade environment weighed by supply chain disruption
- US new national security tariffs to adversely impact China, Taiwan, Japan and the EU

# MANAGEMENT DISCUSSION AND ANALYSIS

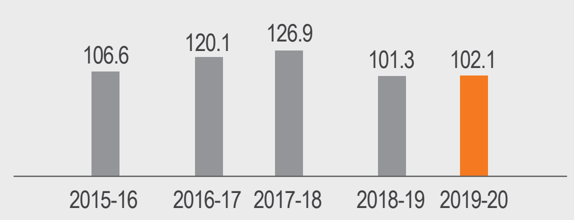
**Long term Challenges:**

- Tremendous amount of uncertainty for the recovery path from COVID-19 crisis
- Protectionism leading to increasingly regionalised steel markets in the long term
- China (World's largest producer and consumer of steel) exports to dwindle further owing rising trade protectionism and poor overseas demand
- Continued slowdown in major economies

## INDIAN STEEL INDUSTRY

India became the 2nd largest producer of crude steel in 2018 and 2019 owing to a rapid rise in production. As per Joint Plant Committee (JPC), India's production of total finished steel stood at 102.1 MT in 2019-20.

PRODUCTION OF TOTAL FINISHED STEEL (ALLOY/ STAINLESS+NON ALLOY (MIILON TONNES)




*Source: Joint Plant Committee*

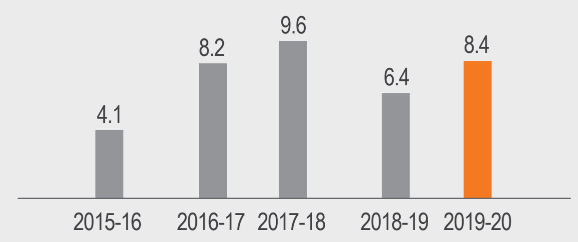
The Indian steel industry accounts for about 2% to the country's GDP with an output multiplier of 1.4x and an employment multiplier of 6.8x on the overall economy.

### IMPORT AND EXPORT OF STEEL IN INDIA

IMPORT OF TOTAL FINISHED STEEL (ALLOY/ STAINLESS+NON ALLOY (MILLION TONNES)


During FY2020, India imported 6.8 MT of finished steel, down 13.6% YoY, with non-alloy HRC accounting for 34% of the total imports. Imports from Korea accounted for 40% of the total imports.

EXPORT OF TOTAL FINISHED STEEL (ALLOY/ STAINLESS+NON ALLOY (MILLION TONNES)

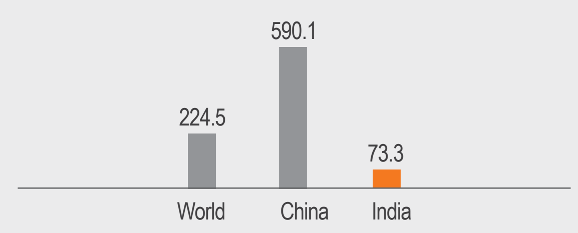



India remained a net exporter of finished steel during FY2020, with exports of 8.4 MT, up 31.4% YoY. Non-alloy HRC was the most exported product at 4.8 MT, while bars and rods led the non-alloy, non-flat segment exports with 0.5 MT.

### PER CAPITA FINISHED STEEL CONSUMPTION

According to WSA, the global per capita finished steel consumption in 2018 was pegged at 224.5 kg and 590.1 kg for China. As per JPC, India's per capita finished steel consumption in 2018 stood at 73.3 kg and is estimated to reach 74.6 kg in FY2020.

PER CAPITA FINISHED STEEL CONSUMPTION IN 2018 (IN KG)




### GOVERNMENT INITIATIVES

Riding high on growing economy and increasing steel demand, the Indian steel industry entered an interesting phase post-de-regulated and liberalised market scenario. The Government has opted to be a facilitator by laying the policy guidelines. Additionally, it wants to create a conducive environment for enhancing the efficiency and performance of the steel sector.

## OPPORTUNITIES FOR GROWTH FOR INDIAN STEEL INDUSTRY

### I. Atmanirbhar Bharat Abhiyan

Atmanirbhar Bharat Abhiyan, the Rs. 20 lakh crores COVID-19 stimulus package (10% of GDP) is laced with bold reforms making India self-reliant. The package focuses on land, labour, liquidity and laws across cottage industries, MSMEs, the working class, middle class and industry.

## AFFORDABLE HOUSING

The credit-linked subsidy scheme for middle income households (income group Rs. 6-18 Lakh) was extended to March 2021. The move is expected to infuse fresh investments of Rs. 70,000 crores in housing sector, thereby boosting sectors like steel, cement and create jobs.

## AIDING MSMEs

The collateral free loan of Rs. 3 lakh crores for MSMEs will kickstart 45 lakh units to restart business operations and save jobs.

## UPGRADING INFRASTRUCTURE

The government allocated Rs. 1 lakh crore for strengthening the farm gate infrastructure like cold chains, post-harvest storage infrastructures, etc.

## ATTRACTING PRIVATE SECTOR INVESTMENT

The government facilitated private sector investment to the tune of Rs. 8,100 crores in Social Infrastructure with the new Viability Gap Funding Scheme.

## Vocal for Local

The government has urged all the stakeholders in the steel industry to come together and utilize only domestically produced steel. Additionally, the global tendering of government purchases up to Rs. 200 crores were waived off, hence widening the protection shield for MSMEs from the competition. The Oil and Gas sector is one of the largest end-users of steel. The steel demand is set to rise with the expansion of city gas distribution network for covering 70% of India's population, refining capacity augmentation, roadmap to setup 10,000 CNG stations, and exploration and production activities. Procuring steel from domestic manufacturers and minimizing steel imports will generate employment opportunities in the sector and spur MSMEs growth encouraging them to produce more value-added products. The opening of coal blocks for commercial mining aimed at achieving self-sufficiency in energy demand will further benefit the overall steel industry.

### II. Encouraging Indigenise Production

The Ministry of Defence announced to indigenise production of 101 items, thereby promoting import substitution. The items include artillery guns, assault rifles, light combat helicopters, armoured vehicles for the army, submarines for the navy and light combat aircraft for airforce and others. The step is expected to create business opportunities of Rs. 4 lakh crores in the next five to seven years.

### III. Opportunity in Indian Railways and Metro Sector

Indian Railways plays a key role in the economy with intermodal share of rail in freight traffic at around 35%. It continues to enjoy a lion share of transportation of bulk commodities like coal, iron ore, cement and food grains. According to the Union Budget 2020-21, the railway's capital expenditure is pegged at Rs. 1.61 lakh crores.

### Key Highlights of Union Budget 2020-21

- Complete 3,750 route-km of new lines, gauge conversion or provision of additional tracks in 2020-21, up from 3,150 route-km in 2019-20.
- Installation of automatic block signalling on 1,830 km across eight zonal railways.
- Focus on developing infrastructure
  - Construction of new lines – Rs. 12,000 crores
  - Gauge Conversion – Rs. 2,250 crores
  - Doubling – Rs. 700 crores
  - Rolling Stock – Rs. 5,787 crores
  - Signalling and Telecom – Rs. 1,650 crores
- Proposal to set up a large solar power facility on railway land.
- Invitations for participation in PPP deals covering the operation of 150 passenger services, as well as four station redevelopment projects.
- Run a greater number of Tejas – high quality trains connecting tourist destinations.
- Develop a 148 km suburban network in Bangalore, with fares on a 'metro model'. The central government will infuse 20% of equity and provide external assistance covering up to 60% of the Rs. 18,600 crores project cost.

### Char Dham Project

Indian Railways plans to lay a railway line of 327 km connecting Gangotri, Yamunotri, Badrinath and Kedarnath of Char Dham, via Dehradun and Karanprayag in Uttarakhand at a project cost of Rs. 43,292 crores.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Bullet Train Project

The 508 km upcoming Ahmedabad-Mumbai bullet train project is poised to be a testimonial towards 'Atmanirbhar Bharat' in the engineering space. Tiruchirapalli's Welding Research Institute will certify the work for 65,000-ton steel fabrication for the 27 bridges in the high-speed rail corridor upgrading Indian Inc's capabilities of making complex steel bridges.

### Privatization Plan

Indian Railways invited Request For Qualifications (RFQ) from private players for operating 151 trains in 109 pairs of route. It will attract an investment of Rs. 30,000 crores in the railways.

### Dedicated Freight Corridors (DFC)

The government plans to create Dedicated Freight Corridor in India with a combined length of 4,000 km at a cost of Rs. 1.8 lakh crores to be completed by December 2021. These DFCs are segregated by the below railway freight lines :-

- East coast Corridor (1,115 km),

- East West Corridor (1,673 km),

- Andal Route (195 km) and
- North South Sub-corridor (975 km).

Additionally, the Indian Railways plan to complete 10 port connectivity projects and five coal connectivity projects by March 2024. Further, the Indian Railways are looking forward for 100% localisation. Indian players have shown their capabilities in Head Hardened Rails (R-1080 grade) and Metro Rails. The Railways are proactively converting single line of 11,500 km into double lines. Moreover, there is scope for private investment with new trains in specific medium speed routes.

### IV. The New Industrial Policy Regime

The New Industrial Policy Regime has allowed private investment in the steel industry by: -

a. Eliminating it from the list of industries reserved for the public sector

b. Exempting it from compulsory licensing

The imports of foreign technology and Foreign Direct Investment (FDI) are permitted up to certain limits under the automatic route.

Additionally, the introduction of the Government's National Steel Policy (NSP) 2017 has set up a roadmap of the growth trajectory of the Indian steel industry until 2030-31.

### NSP: Key milestones

- India's steel production capacity expected to surpass 300 MT per annum by 2030-31
- At 85% capacity utilisation, crude steel production is projected to touch 255 MT by 2030-31
- Finished steel production to reach 230 MT with a conversion ratio of 90% (conversion of crude steel to finished steel), thereby, assuming a yield loss of 10%
- Domestic steel consumption to achieve 206 MT by 2030-31 with a net export of 24 MT
- Increase per capita steel consumption to 160 kg
- Envisage an additional investment of Rs. 10 lakh crores

### V. Promotion of Greenfield investments

The Ministry of Steel has suggested three models for states to implement for setting up a greenfield unit with a capacity of over 4 MT.

» Identify a suitable land parcel and a mine for end-use and auction the combine to the end-users through a fair and transparent process.

» The combined auctioning of an identified land by the states and a guaranteed long-term raw material linkage from state-owned PSUs.

» Jointly auctioning of land parcel and a minority 26% share transfer for the end-user for setting up the greenfield facility.

The greenfield investments will enable the Ministry of Steel for achieving 160MT domestic steel consumption target by 2024-25.

### VI. Steel Scrap Recycling Policy

The Steel Scrap Recycling Policy aims to minimise imports, preserve resources and save energy. The Scrap Policy is in compliant with 6Rs principles of Reduce, Reuse, Recycle, Recover, Redesign and Remanufacture. According to the Ministry of Steel, India's steel scrap imports stood at Rs. 24,500 crores in 2017-18 with a deficit of 7 MT. The domestic steel scrap industry is pegged at 25 MT. Further, the 7 MT scrap facility requires 70 scrap processing centres with 1 lakh tonnes capacity without disturbing the existing dismantling centres. Additionally, these scrap processing centres will require 300 collection and dismantling centres (assuming four collection and dismantling centres catering onescrap processing centre). With steel production rising to 250 MT, the industry's steel scrap requirement is expected to rise to 70-80 MT leading to an additional requirement of 700 scrap processing centres and 2800-3000 collections and dismantling centres across India. Thus, NSP aims at bridging the demand and supply gap of scrap and driving the industry to be self-sufficient by 2030.

## MITIGATING COVID-19 IMPACT

The India Steel Association (ISA) expects India's steel demand to plummet by 7.7% to 93 MT in 2020 owing to COVID-19 pandemic. The steel demand in the construction industry is expected to pick up in the second half of 2020 coinciding with migratory construction workers returning to construction sites. The steel demand from the Automotive sector was impacted by supply chain disruptions coupled with unsold BS-IV inventories. ISA expects a slow recovery in the festive season for the Automotive industry. The industry players are counteracting the weak demand and prices by exporting over two-thirds of the production. The long products segment is likely to witness accelerated demand owing to the government impetus on infrastructure spending.

## THE ROAD AHEAD

India aspires to be a manufacturing hub through policy initiatives Make in India. The steel sector is one of the key focus areas with direct and indirect linkages to multiple industries. The industry can achieve a positive trade balance in steel by enhancing its export manufacturing capabilities. With the necessary push from the Government laced with the adoption of emerging technologies, India's economy can reach US$ 5 trillion landmarks in 2024. India's crude steel production is expected to touch 255 MT in 2030-31 with production to clock 7.2% CAGR.

# THE POWER SECTOR

According to the Central Electricity Authority, the total installed power generation capacity of the country stood at 3,70,499 MW in May 2020. This included 2,30,636 MW of thermal power generation capacity, 45,699 MW of hydropower generation, and 87,384 MW of renewable energy generation capacity. Renewable energy comprises of wind, solar and biomass-based electricity. India is the world's third-largest producer as well as consumer of electricity. For the third successive year, the renewable energy sources added new capacity than the conventional energy sector. As of May 2020, the clean energy sector's share stands at 23.6%of the total installed energy capacity.India sprints up to 22nd rank in 2019 from 137th rank in 2014 on World Bank's Ease of Doing Business – 'Getting Electricity' ranking. The electricity demand is backed by economic growth and the push to deliver uninterrupted power to all.

**Power Installed Capacities as on May 2020**

| Particulars | Installed Capacity (MW) | % Share |
|---|---|---|
| **Hydro** | **45,699.2** | **12.3%** |
| **Thermal** | **2,30,635.7** | **62.3%** |
| Coal | 1,98,524.5 | 53.6% |
| Lignite | 6,610.0 | 1.8% |
| Gas | 24,991.5 | 6.7% |
| Oil | 509.7 | 0.1% |
| **Renewable Energy Sources** | **87,384.0** | **23.6%** |
| **Nuclear** | **6,780.0** | **1.8%** |

*Source: Central Electricity Authority*

The Government has set an ambitious vision to bring secure, affordable, sustainable 24X7 power supply to all its citizens. The Government is planning to come up with various reforms, including the direct benefit transfer (DBT) scheme in the power sectors. It enhances better targeting of subsidies, promotes retail competition and infuses financial discipline at state-owned electricity distribution companies (DISCOMs). According to the draft Electricity Act (Amendment) Bill 2020, the Government has proposed a cost-reflective tariff and setting up an Electricity Contract Enforcement Authority to enforce power purchase agreements (PPAs). Additionally, the Government has planned to infuse Rs. 90,000 crore liquidity injection into DISCOMs. It helps the DISCOMs to honour their financial commitments with electricity generation companies, which in turn can pay their outstanding dues to coal miners. Indian Energy Exchange's real-time electricity market (RTM) will facilitate the utilities buy and sell power within an hour before the requirement. The RTM will create a win-win for consumers (including DISCOMs) and captive users.

India had deployed a total of 87GW of grid-connected renewable electricity capacity in May 2020. The Government aims to increase renewable capacity to 175GW by 2022 and further to 275GW by 2027. According to the International International Energy Agency, India's energy demand is poised to double by 2040, with electricity demand projected to be tripling due to a continual rise in appliance ownership and cooling needs.

# MINING SECTOR

India is home to 95 minerals – 4 fuel-related minerals, 10 metallic minerals, 23 non-metallic minerals, 3 atomic minerals and 55 minor minerals (including building and other minerals) with 1,531 operating mines. Mining is one of the core sectors and growth driver of the Indian economy valued at 2.8 lakh crores. Mining is the second biggest generator of employment

# MANAGEMENT DISCUSSION AND ANALYSIS

followed by the construction industry. The industry provides basic raw materials to key industries like power generation (thermal), iron and steel, cement, petroleum and natural gas, petrochemicals, fertilizers, precious & semi-precious metals/ stones, electrical and electronics equipment, glass, ceramics, etc.

## IRON ORE MINING

India accounts for 8% of the world's iron ore deposit. With a production of 111.2 MT, India became the second-largest crude steel producer in 2019. As per GlobalData, Mining Intelligence Centre, India's iron ore output is expected to contract by 12.5% YoY to 205.7 MT in 2020 due to delay in mine auctions in Orissa coupled with lack of clarity on the maximum lease area. According to the Ministry of Steel, India is likely to witness a disruption of 45-50 MT iron ore supply in 2020-21 owing to the expiry of 37 working merchant mines (250+ mines in total) as on FY2020. India has exported 23 MT of iron and pellets from December 2019 to May 2020. The secondary steel manufacturers have urged for Government's intervention to resolve raw material shortages arising due rise iron ore pellets to China. Iron ore attracts 30% export duty as against zero duty on iron pellets. Exporters are converting iron ore fines to pellets and are shipping to China. The Ministry of Steel has proposed to the Ministry of Mines to trim the royalty of iron ore fines from the existing 15% to 5% to incentivize beneficiation and pelletization as well as minimize the stockpile of low-grade fines dumped at mine heads. According to GlobalData, Mining Intelligence Centre, the iron ore production in India is expected to touch 271.2 MT in 2024 growing at 7.2% CAGR for the forecast period 2020-24 backed by resumption of operations at the auctioned mines.

### REFORMS AND POLICIES IN MINING INDUSTRY

The government's launched National Mineral Policy 2019 for transparency, better regulation and enforcement and balanced socio-economic growth of the sector. The National Infrastructure Pipeline -2019 guides to invest Rs. 100 lakh crore. The latest reforms in the mining industry includes bidding rules for mining rights initiating from the participation and process to permitting commercial mining. Additionally, it lays clarity on the new dynamics of cash generation for state and bid winner with visibility related to pricing, revenue sharing, market access and stamp duty payment, incentivising output and productivity of mining operations. The reforms attracts an investment of Rs 20,000 crore for building the necessary infrastructure for enhancing the mined outputs. With the private players, the measure of mining efficiency will shift from total tonnage of mined coal to profit/hour from mining outputs. Additionally, the private sector participants will further increase investment in modern technology in exploring and production process.

### COMMERCIAL COAL MINING IN INDIA

India imports 250 MT of coal annually, despite being the third-largest reserves of coal in the world. The government kickstarted initiation of commercial coal mining by auctioning 41 coal blocks with a yearly capacity to produce 225 MT coal. The government plans to spend Rs. 50,000 crore for creating infrastructure around coal mining. The private players can mine coal commercially without having any end-use restrictions with abolishment of captive and non-captive mining. Additionally, the government has allowed 100% Foreign Direct Investment in the coal sector facilitating global companies to participate in the auctions. The decision of permitting commercial coal mining on revenue sharing basis with simplified entry and exit norms will facilitate both domestic and global players to boost coal production in India. The government estimates that the sector can attract capital investment of Rs. 33,000 crores in the next 5-7 years. The government targets to boost coal production and make India self-reliant in meeting its coal requirement with the involvement of private players with an aim to spur fresh investments, ramp-up production and create employment opportunities.

### ENCOURAGING COAL GASIFICATION

The government has promoted incentivising Coal gasification and liquefaction through rebate in revenue sharing. Incentivising coal gasification is a bold step for the sponge iron industry which generally encounters cut-throat competition from the cheap scrap import. Manufacturing sponge iron through coal gasification trims the cost of production by 10-15% vis-à-vis using coal as feedstock. Morever, India has adequate coal reserves which can be utilized for another 300 years. Additionally, it is the appropriate time to use the reserve. The gasification technology can bridge India's perennial shortage of oil, gas, menthol, ammonia and urea. It fosters the economy and promotes clean coal technologies to utilize coal in an environment-friendly method. Further, coal can be converted into syngas which can be used for manufacturing petrol, diesel and other petroleum products, thereby trimming India's dependency on crude oil imports. Globally, The Direct Reduced Iron (DRI) manufacturers prefer Syngas over dearer natural gas. Further, Syngas is used as a reductant in converting iron ore and iron pellets into DRI or sponge iron. The government's step to gasify at least 100 MT of coal across industry will attract use of new technologies, thereby minimizing dependency on coking coal imports. The gasification process has lesser adverse impact to the environment as compared with the coal combustion process.

## CEMENT AND CONSTRUCTION

According to the Cement Manufacturing Association, the India cement industry is only next to China with 545 MT production capacity. The cement industry continues to attract huge investments, both from Indian as well as foreign investors after the deregulation in the year 1982. The cement and gypsum products attracted FDI worth US$ 5.28 billion between April 2000 and March 2020, as per data released by the Department of Industrial Policy and Promotion (DIPP).In Budget 2020-21, the Indian Government has extended benefits Section 80 - IBA of the Income Tax Act till March 31, 2020, for promoting affordable housing in India. The Budget 2020-21 has allocated US$ 1.93 billion under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart Cities Mission. The cement demand is expected to be buoyant with the Government's infrastructure push coupled with 'Housing for All', 'Smart Cities Mission' and 'Swachh Bharat Abhiyan'. Additionally, the Government's plan to upgrade 1,25,000 km of road length over the next five years will provide a fillip to the cement demand. The COVID-19 pandemic has dented the bright prospects of the cement industry by curbing the utilisation curve with weak volumes. The cement recovery is expected to be visible from the second half of 2020, driven by infrastructure demand followed by rural and low-cost housing. The cement industry is projected to achieve 550-600 MT in 2025 owing to the rising demand from housing, commercial construction and industrial construction.

## THE JSPL EDGE

As a part of the US$ 22 billion group, Jindal Steel and Power Limited (JSPL/the Company) is one of the leaders in the Indian steel industry, with a significant global presence. The Company has a substantial presence in domestic power, mining and infrastructure sectors. The Company's geographical footprints span across Asia, Africa, Australia and the Middle East. It produces steel and power, both economically and efficiently through a highly integrated approach that captures the entire value chain. The Company's product portfolio spans across multiple steel categories, from the widest flat products to a whole range of long products and the longest of the rails. JSPL exports its diversified product portfolio to 30 countries.

### PRODUCT PORTFOLIO

| Steel Products | Construction Solutions | Construction Materials |
|---|---|---|
| TMT Bar | Fabricated Steel Sections | Light Weight Aggregate (LWA) |
| Rails and Head Hardened Rails | Speed floor | Jindal Global Road Stabilisers |
| Parallel Flange Beams and Column | TMT WeldedMesh | Jindal Panther Cement |
| Angles and Channels | Cut and Blends | Fly-Ash Bricks |
| Plates | | Light Gauge Structures |
| Coils | | Insulated Dry Wall Panels |
| Wire Rods | | EPS Panels |
| Cast Round and Billets | | |

### CORE CAPACITIES

| Core Capacities | Construction Solutions |
|---|---|
| Steel | 8.6 MTPA Steel<br>3.11 MTPA Iron Ore<br>9 MTPA Pellet Plant |
| Power | 3,400 MW (IPP)<br>1,634 MW (CPP) |
| Oman | 2.4 MTPA (Steel) |

### STRONG PRODUCT PORTFOLIO BACKED BY EXTENSIVE SALES AND DISTRIBUTION NETWORK

JSPL's distinct product portfolio (widest flat products to a whole range of long products) caters to markets across the steel value chain. Additionally, JSPL is a pioneer in manufacturing longs track rails, which is a testimonial to its strong manufacturing capabilities. The Company's product portfolio has a Pan India presence, thanks to its extensive sales and distribution network. Additionally, JSPL exports its products to 30 countries.

### COST LEADERSHIP

JSPL is one of the lowest-cost producers of steel and power in India. The Company's 3,400 MW IPP is set up at a competitive project cost.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GAINING ACCESS TO TRANSPORT HIGH-QUALITY IRON ORE FROM SMPL

With the Supreme Court's allowance, JSPL can transport 12 MT of iron ore worth ~ Rs. 2,000 Crores from SMPL to its pellet plant at Barbil. The move assures JSPL a certainty of iron ore supply for one year thereby, lifting the pellet plant's utilisation levels, enhancing EBITDA margins, higher cash flow generation and augment the Company's overall profitability.

## SECURING CAPTIVE IRON ORE LINKAGES BY WINNING GUALI MINE

During Q4FY2020, JSPL has won Guali mine with an iron ore reserve of ~200 MT. Securing captive iron ore mine located less than 30 kms from the Barbil Pellet Plant allows the company to remain self-reliant for iron ore in the coming years. The company can further scale up its domestic steel-making capacity which is currently pegged at 6.3 MTPA in FY2020.

## BARBIL PELLET PLANT'S EDGE

The company's Barbil Plant is India's largest single-location pellet manufacturing facility with 4.5 MTPA Dry Grinding Unit and a 4.5 MTPA Wet Grinding Unit. JSPL pellet plant helps to process low-cost iron ore fines as against expensive lumps, thereby handing a cost advantage. Laced with state-of-art technology backed with proximity to iron-ore access, JSPL's Barbil Plant has emerged India's largest pellet exporter in recent years.

## DEBT REDUCTION ROADMAP

The Company targets a debt reduction of Rs. 5,000-5,500 crores in FY2021. JSPL eyes a net debt target of Rs. 15,000 crores in FY2023. The target debt reduction is augmented with no major planned capex, consistent rise in utilisation of existing capacities coupled with the access of low-cost iron ore inventory usage. Additionally, the expected divestiture of Jindal Shadeed Iron and Steel Co LLC (JSIS Oman) will trim JSPL's debt by Rs. 6,000 crores (US$ 800 million) in FY2021. The move signifies JSPL's determined focus towards its goal of achieving net debt of Rs. 15,000 crores in FY2023.

## NET DEBT TO EBITDA: KEY BUSINESS DRIVER

| Net Debt to EBITDA | FY2020 | FY2019 |
|---|---|---|
| Standalone Basis | 2.54x | ~3.0x |
| Consolidated Basis | 4.57x | ~4.65x |

JSPL's operational efficiencies, unwavering focus on deleveraging its balance sheet, and debt reduction roadmap have resulted in clocking an impressive net debt to EBITDA in FY2020. The Company continues to make notable progress for enhancing its Net Debt to EBITDA and create value for its stakeholders.

## VERTICAL SPECIFIC PERFORMANCE

### STEEL

1. **Standalone:**

   During FY2020, production of steel grew by 13% YoY to 6.30 MT, whereas the sales of various steel products grew by 12% YoY to 6.06 MT in FY2020.

2. **Consolidated:**

   During FY2020, production of steel grew by 12% YoY to 8.17 MT, whereas the sales of various steel products grew by 10% YoY to 7.94 MT in FY2020.

### POWER

During FY2020, the power generation was 9,583 MU as against 10,396 MU in FY2019.

### GLOBAL VENTURES

## OMAN OPERATIONS

JSIS was acquired in 2010 as a 1.5 MTPA Direct Reduced Iron (DRI) capacity at Sohar Industrial Port Area in Oman. The Company successfully commissioned a 2 MTPA Integrated Steel Plant (ISP) in July 2014 by adding a 2 MTPA Steel Melting Shop (SMS) facility, using technology from M/s Danielle Italy. The SMS was commissioned in 23 months from the date of commencement of the site work.

The capacities were progressively expanded to the current capacity of 1.8 MTPA Direct Reduced Iron (DRI), 2.4 MTPA Steel Melting Shop (SMS) and 1.4 MTPA Rebar Mill.

A few highlights of JSIS are as below:

### OPERATIONAL HIGHLIGHTS

- JSIS steel production increased by 9.37% to 1.87 MT in FY2020 from 1.71 MT achieved in FY2019. The JSIS Sales have increased by 4% to 1.88 MT in FY2020 from 1.81 MT achieved in FY2019.

- JSIS Clocked EBIDTA of US$ 145.9 Million in FY2020.

### ACHIEVEMENTS

**Direct Reduced Iron:** Ever Highest Annual Production achieved 1.78 MT in 2019-20 surpassing previous best of 1.55 MT in 2018-19.

**Steel Melting Shop:** Ever Highest Annual Production achieved 1.88 MT in 2019-20 surpassing previous best of 1.71 MT in 2018-19. 9% increase YoY as compared to 2018-19

## OUTLOOK

JSIS constitutes Direct Reduced Iron (DRI), Steel Melt Shop (SMS) and Rolling Mill and JSIS achieved capacity utilization of 99%, 78% and 81% for DRI, SMS and Rolling Mill respectively for FY2020. Further, JSIS is committed to optimize the capacity utilization of its SMS and increase its production of steel to its fullest capacity along with achieving 2.4 MT of Finished Steel sales.

# MOZAMBIQUE OPERATIONS

JSPL Mozambique Minerals Limitada (JMML), an indirect subsidiary of JSPL, owns and operates an open-cast coking and thermal coal mine located in Chirodzi, Mozambique. The Govt. of Mozambique allotted 25 years of a Mining concession in December-2010 to Jindal Mozambique. The open-cast coal mine has a proven reserve of nearly 700 MT and mining operations has been ramped up to 5MTPA effectively. The coal mine is in Mozambique's coal-rich Moatize region. JMML has its own rolling stock to export the coal through Beira Port using Sena Railway Line. The mining area is under a lease period valid until 2035.

## OPERATIONAL HIGHLIGHTS

- Highest ever ROM production as well as coking coal & HGT production at 0.49 MT and 0.26 MT respectively.
- Washplant and digging operations effectively ramped up to output 5 MT at peak performance.

## OUTLOOK

The Company's prime focus is to stabilize the ramped-up operations, maximizing the efficiency of the operations. Due to weakened global coal demand induced due to economic slowdown in the wake of COVID-19, coking coal prices has experienced steep fall, but with an increase in production volume output, the Company will benefit from economies of scale. The Company foresees that the scenario will see improvement towards the H2 as commodity prices stabilize.

# AUSTRALIA OPERATIONS

Wollongong Coal Limited ("WCL") is an Australian mining company, which owns and operates Russel Vale Colliery (RVC) and Wongawilli Colliery (WWC) in the Southern Coalfields Region of New South Wales, Australia. In October 2013, JSPML acquired a majority stake and management control in Wollongong Coal Limited (formerly Gujarat NRE Coking Coal Ltd or GNCCL), a company registered in Australia and incorporated in October 2004 by Gujarat NRE Coke Limited (GNCL). The shareholding in the Company has increased since then by way of a rights issue. Currently, JSPL holds 60.38% stake in WCL through its subsidiary, JSPML. Both mines are near the Port Kembla Coal Terminal (PKCT) with RVC connected via road and WWC connected via rail. PKCT is privately owned and operated by six stakeholders, including WCL.

## OPERATIONAL HIGHLIGHTS

- Both mines under WCL i.e. RVC and WWC have been under care and maintenance in FY2020.

## ACHIEVEMENTS

- WCL and Jindal Steel and Power (Australia) Pty Ltd entered into a Scheme of Arrangement ('Scheme') with its secured creditors to restructure its long-term debt. The Scheme was approved by the Supreme Court of New South Wales and the restructured facilities became effective from 5th May 2020.

## OUTLOOK

- The Company is focused on obtaining the mining approvals for RVC and is also in the process of preparing for long-term approvals for further mining in the WWC.
- The Company is also looking to monetize its non-mining land parcels in WWC and the mandate for the same has been given to CBRE.

# SOUTH AFRICA OPERATIONS

Jindal Mining SA (Pty.) Limited, is a 73.94% owned indirect subsidiary of JSPML, which in turn is a 100% subsidiary of JSPL. Kiepersol Colliery is situated 35km southwest of the town of Piet Retief, Mpumalanga, South Africa with captive Railway Siding around 35 km from the mine and a distance of 337 km Railway Siding to Port distance. The colliery was acquired in July 2009 with a proven reserve of 22MT. Currently, three sections in two seams are operating. Two of these sections are operated in-house while the contractor operates one section; all with Mechanised underground mining through Bord & Pillar extraction method.

## OPERATIONAL HIGHLIGHTS

- The Company has successfully exited business rescue in November-2019. The operations are stable and profitable.
- EBITDA turn around, from negative USD 2.5 Mn (FY2019) to a positive USD 3.9 Mn (FY2020)
- Prime anthracite volume output increase by 33% as compared to FY2019.

## OUTLOOK

Due to COVID-19 induced economic slowdown, the coal market has experienced a significant negative impact leading to reduced NSR across all coal market variants. Even though the operations are stable with higher volume output vis-à-vis last year, the margins have shrunk significantly. The scenario is expected to improve as the infrastructure and power sector regains momentum and stimulates anthracite demand higher. The company is committed towards increasing the FY2021 ROM production by 20% YoY compared to FY2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OUTLOOK

The domestic steel demand is expected to be tepid due to COVID-19 pandemic hurting construction, automobiles and white goods demand. However, elevated export continues to be the bright spot partially offsetting dismal domestic demand. The demand for long products is expected to witness strong demand in the second half of 2020 with ease in lockdown and rise in government spending. JSPL is in a favourable position benefitting from the improvement in steel mix and a rise in production. The Government's announcement of permitting coal mining for commercial sale is likely to reduce India's dependence on imported fuel, boosting JSPL's both steel and power operations. JSPL is in the league of its own with the Government's impetus on infrastructure spending concurring with the Company's untapped capacities, diversified product portfolio, operational excellence, divesture plans of non-core assets and focus on achieving 'Zero Net Debt' status by 2023.

### STEEL

JSPL plans to utilise its assets at its optimum capacity without incurring any CAPEX on greenfield projects. The Company aims for EBITDA maximisation across its product range, including value-added products. The Indian Steel prices are trending an upward momentum with bounce back in domestic demand. JSPL is determined to create value for its stakeholders with its strong presence in long products, procurement of iron ore from captive mines boosting 100% self-reliance for iron ore, consistent industry volume outperformance, determined approach towards deleveraging its balance sheet and create a healthier balance sheet for investors. The Company is banking on housing, road infrastructure and railways for the next leg of growth.

### POWER

Jindal Power Ltd. (JPL) power plants' proximity to multiple coal mines yields cost advantage to the Company with a lower logistic cost. JPL is in a sweet spot, thanks to the recent government initiatives. Commercial coal mining is expected to boost domestic production; thereby, trimming India's coal imports. JPL aims to win coal blocks/coal linkages for securing its raw material, which improves the Company's operational abilities. JPL expects that a higher proportion of Power Purchase Agreement sale backed with improving management in grid supply (selling power in the merchant market during peak hours to earn higher tariffs) will enhance JPL's realisation and overall profitability. Additionally, the Government's Rs. 90,000 crore liquidity infusion to DISCOMs, direct benefit transfer of subsidy, smart pre-paid meters and privatisation of DISCOMs in Union Territories augur well for JPL in the coming years.

### GLOBAL VENTURES

To execute JSPL's plan to be a "zero net debt" company by 2023, the company intends to strategically invest and divest its overseas assets and projects. While the operational entities have been steadily ramping up operations, with improved efficiency and higher production volumes, JSPL is also looking into investing/divesting its under development projects, to reap the maximum return from the investments and strengthening backward integration securing raw material supply.

## FINANCIAL SNAPSHOT

### CONSOLIDATED

(₹ in crore)

| Particulars | FY2020 | FY2019 |
|---|---|---|
| Net Revenue | 36,944 | 39,388 |
| EBITDA | 7,854 | 8,406 |
| PAT | (400) | (2,412) |

### STANDALONE

(₹ in crore)

| Particulars | FY2020 | FY2019 |
|---|---|---|
| Net Revenue | 26,228 | 27,730 |
| EBITDA | 5,777 | 6,017 |
| PAT | 618 | (263) |

## RATIO ANALYSIS SNAPSHOT#

| Particulars | FY2020 | FY2019 | Variance | Impact |
|---|---|---|---|---|
| Debtors Turnover Ratio (Days) | 13.03 | 11.18 | 16.50% | Negative |
| Inventory Turnover (Days) | 54.28 | 46.04 | 17.90% | Negative |
| Interest Coverage Ratio | 2.54 | 2.49 | 1.80% | Positive |
| Current Ratio | 0.74 | 0.58 | 26.76% | Positive* |
| Debt Equity Ratio | 0.69 | 0.87 | 20.82% | Positive |
| Operating Profit Margin (%) | 22.03 | 21.71 | 1.46% | Positive |
| Net Profit Margin (%) | 2.35 | (0.95) | N.A. | Positive |
| Return on Networth (%) | 2.61 | (1.17) | N.A. | Positive |

*# Standalone basis*

**Significant improvement in current assets of the Company over current liabilities of the Company.*

## MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

For JSPL, our people are our strongest asset. The Company invests in building best-in-class teams, led by exceptional professionals. Over the years, the Company has nurtured a meritocratic, empowering and caring culture that encourages excellence. JSPL encourages the development of talent by providing its people with opportunities to sharpen their capabilities, encouraging innovation, lateral thinking, and developing multiple skills. Through this approach, JSPL prepares its people for future leadership roles.

The management of Human Resources at JSPL is focused on transformational HR processes and HR policies, which support the constant reinforcement of our competitive advantage. The Company's HR strategy aligns its HR Policies, Standards and Roles & Responsibilities with the overall business strategy, giving the department the ability to process the requests of different business units successfully.

Human capital is one of the key resources for JSPL, which ensures business sustainability and continuous growth. Cognisant of the importance of human resource (HR), the Company constantly works towards building a safe, conducive and productive environment for all its employees at all operations. Regular and periodic skill and personnel development training are provided to all employees. The Company's open-door policy ensures a transparent and engaging work environment. The employees are encouraged to directly communicate with the management and express their views. Ensuring high productivity, employee satisfaction, and persistent motivation are the key focus areas of the HR team. The management records its sincere appreciation of the efforts of all its employees. The Company introduced 'Onboarding Touchpoint'wherein once an employment offer is made to a candidate and he/she accepts it, an online link is sent to update all personal information, which gets directly reflected in the SAP employee data. Most of the joining formalities are automated to save time from hiring to onboarding. The Company has a robust online Performance Management System (PMS) for the executive workforce, enabling goal setting, recording KRAs and competency mapping – it is a paperless process and promotes a performance-driven culture. It encourages and enables employees to continuously build on their capabilities and to be ahead of the learning curve, and in view of this, the Company put in place an online 'Employee Self Service'platform called IHRMYHR, which at the touch of a button provides basic information on the employees'leave, attendance, payroll, entitlements, etc. To further the agenda of employee engagement, the Company has an intranet portal called 'JSPL Connect', which showcases company information to employees like policies, recent achievements, awards and accolades received, important announcements, messages to employees from the leadership team, posting of internal jobs, provision for any suggestions that employees would want to give to management, etc. In order to engage the high potentials and maintain a leadership pipeline, The Company has initiated programs such as 'LEAD'(Leadership Exploration and Development). The program aims to blend the organisational competency development with individual behavioural and functional competency enlargement/ enhancement in a unique, comprehensive program. The program spans over a period of six months with a focus on four-dimensional themes of Leading Self, Leading Others, Leading Business and Leading Change. Jindal Lead Management Trainee (JLMT) program is our coveted leadership program for high potential talent at the middle level and hired from premier business schools across the country. Internal employees who have served for a certain period and qualify the shortlist criteria are also given the opportunity to compete and be a part of the program. The JLMT program has been institutionalised to build bench strength and fuel the leadership pipeline with young and dynamic professionals who can partner in the organisation's transformational journey. This talent pool is further groomed and nurtured through structured development programs, continuous on-the-job posture and time-bound cross-functional rotations to contend with the new era business demands of increased productivity, sustainability and business agility.

The Company has initiated some other key programs, such as the Young Leaders' Programme, and Total Productivity Maintenance (TPM) to boost employee engagement. JSPL has partnered with Indian Iron & Steel Sector Skill Council (IISSSC) to facilitate the capacity building of technical workers across various functions and job roles. Every week, TPM training is conducted in classrooms as well as shop floors on the modules of TPM Awareness, JishuHozen (JH) – Awareness, Training on Planned Maintenance (PM Pillar) and 5s Awareness across locations. Several workshops and training on motivation, ownership, such as extreme ownership, One Thing and many held during the financial year at corporate and plant levels.

The Company adopts Group Code of Conduct (GCoC) to remain consistently vigilant and ensure the ethical conduct of its operations. All of our internal stakeholders are subjected to corporate work within the boundaries of the GCoC. JSPL's Group Code of Conduct explicitly includes the behaviour expected from employees on the following aspects: -

a. Workplace conduct
b. Dealing with outside parties/stakeholders
c. Community Responsibilities
d. Protection of Companies Asset.

On a regular basis, the Company organises a certification programme on GCoC for all employees through e-learning module, in which it explains all clauses via practical examples and also tests their learning skills. All employees are mandatorily

# MANAGEMENT DISCUSSION AND ANALYSIS

required to complete this certification and sign off on declarations pertaining to compliance of the GCoC.

Further, every employee is required to give three declarations pertaining to any 'conflict of interest' related to Ownership of Property, Employment of Relative, Business Relation vis-a-vis JSPL as Principal Employer. The Company has also implemented a whistleblower mechanism, which is being governed by the Group Whistle Blower Policy. The policy covers instances pertaining to negligence, impacting public health and safety, criminal offence and unethical/ favoured/biased behaviour, among others. The policy encourages employees to report any violations to the Group Ethics Officer without any fear and provides them with protection. The Company has placed mechanisms for ensuring confidentiality and protecting the whistleblower from any harassment/victimisation. The policy is directly monitored by the Chairman of the Audit Committee.

We emphasise on assessing talent to identify 'skill and will' gap, reward and recognition for the right behaviour and right performance, de-Constructing jobs and identifying scope for Automation, focus on Core, Enabling career growth and not just Promotions. Addressing talent deficits through workforce planning and actions, aligning executive compensation to the new business realities are some other areas of importance. We have formulated an inhouse reward and recognition platform to recognise the individual for her passionate work and appreciate their commendable performance internally. As JSPL moves to its next phase of growth, we aim to build organisational capabilities to support and accelerate the change and manage new business complexities by focusing on our Core Value of Business Excellence. We have set up a shared services centre for HR. Setting up a Shared Service Centre (SSC) for HR services is a step towards this objective, which would specifically focus on establishing Standardised and digitised processes, Intelligent controls and Reduced cost-to-serve through productivity gains. For digitalisation of HR processes, we have engaged with an external partner for the deployment of two human capital management software, one is IHRMYHR, and another one is SAP- Success Factors. These web-based platforms are implemented across all the locations. Through this tool, we provide a single platform for all employees for HR processes and services, namely, Talent Acquisition, employee services, payroll, Performance Management, Success planning and learning and development. In the continuous journey of HR automation, one more milestone has been achieved by Shared Service Centre (SSC) by enabling employees to use these portals through mobile APPs for Android as well as iOS users.

## OCCUPATIONAL HEALTH AND SAFETY

### COMMITMENT

JSPL is committed to carrying out all its operations free from accidents and occupational illnesses. It strives for the implementation of the best possible practices for ensuring the safety of its all stakeholders, including employees and contractors. The Company firmly believes that providing safe working conditions to its workforce is not only the statutory requirement but also its moral responsibility.

### RESOURCES

A team of highly qualified, experienced and skilled professionals has been deputed to provide the required support to the management on occupational health, safety and fire-related matters. The Company ensures the latest in-built safety technologies and systems in all new projects and expansions to safeguard its operations. State of-the-art fire prevention and mitigation technologies are in place at all its operations.

The Company has developed world-class Global OHS Safety Standards, which provide a central framework for unit specific safety management manuals, systems and procedures. These standards address General Safety, Occupational Health, Process Safety and Emergency Preparedness.

### INTERNATIONAL HEALTH & SAFETY STANDARDS

The Company's operations conform to the International Occupational Health & Safety Management Standard ISO 45000, which is certified by the world's renowned external accredited agencies. The continuation of certification is subjected to periodic surveillance audit by external accredited agencies for ensuring the consistency of health and safety considerations in the Company's operations.

The Company has developed world-class Global OHS Safety Standards, which provide a central framework for site-specific safety management manuals, systems and procedures.

### MANAGEMENT ENGAGEMENT

The Company firmly believes that ensuring safety, health and wellbeing of employees at the workplace primarily is the line management responsibility. Hence, the Company has initiated a number of safety programs for engaging the line management in safety activities.

### PROACTIVE SAFETY INITIATIVES

The Company has initiated several proactive safety activities to ensure that employees are engaged in ensuring a safe workplace. Such initiatives include but not limited to:

| | |
|---|---|
| Safety display communication | Safety induction to new entrants |
| Recording of potential incident observation | On-the-job training |
| Near-miss incident reporting | Training on standard operating procedures |
| Independent accident investigation | Toolbox Talks |
| Interdepartmental safety competition | Nomination to external safety conferences |
| Individual safety recognition program | Work permit system |
| Medical health surveillance | Safety Audits and Inspections |

### SAFETY PERFORMANCE

The company has achieved the best ever safety performance in several parameters. Some of the highlights of this year safety performance with compare to last year are:

- Total reportable injury cases were reduced by 17%
- Medical treatment cases were reduced by 32%
- First aid cases were reduced by 12%.
- Accident frequency rate was reduced by 17%
- Accident severity rate was reduced by 74%
- Man-days lost due to accidents were reduced by 74%

The Company aims to be among the world's best on the occupational health and safety fronts in the near foreseeable future. Incident-accident recording systems are maintained as per regulatory requirements.

## AWARDS AND ACCOLADES

During FY2020, JSPL has been acknowledged and graced for several achievements for its competence to positively impact all its Investors, Employees, Customers, and the Society it serves

- 'Best Learning & Development Team of the Year' award to Jindal Steel & Power Ltd at The Learning & Development World Summit 2019 held in October 2019 at Bengaluru.
- Par Excellence & Excellent Awards to Kaizen Teams of Jindal Steel & Power Ltd at 33rd National Convention on Quality Concepts (NCQC 2019) in December 2019 at IIT(BHU) Varanasi
- Gold Award (Highest Category) at the International Convention on QC Circles-2019 (ICQCC) held in September 2019 in Tokyo, Japan to The Kaizen team- Tech Army of Jindal Steel and Power Ltd (JSPL), Barbil
- Bronze award in Metal & Mining Sector by Apex India Occupational Health and Safety Excellence Award-2019 at Goa to JSPL, Barbil
- Total Productive Maintenance (TPM) Award for the Excellence in Consistent TPM Commitment from the Japan Institute of Plant Maintenance (JIPM), Tokyo, Japan in March 2020
- Bala Gulshan Tandon Award of Excellence for the year 2019-20 for its overall excellent performance in mining by Federation of Indian Mineral Industries (FIMI)
- 21st Mines Environment & Mineral Conservation Week under the aegis of Indian Bureau of Mines, Bhubaneswar
  - » First Prize for Sustainable Development
  - » First Prize for Mineral Conservation
  - » First Prize for Afforestation
  - » Second Prize for Overall Performance
  - » Third Prize for Systematic & Scientific Development
- 22nd Mines Environment & Mineral Conservation Week under the aegis of Indian Bureau of Mines, Bhubaneswar:
  - » First Prize in Systematic & Scientific Development
  - » Second Prize for Overall Performance
  - » Second Prize for Sustainable Development
  - » Third Prize for Mineral Conservation
- Mining Innovation Award to TRB Iron Ore Mines, Tensa at Seminar on Mining organised IME Journal in September-2019at Hospet/ Belary/ Karnataka
- 57th Annual Mines Safety Week under the aegis of Directorate of Mines Safety, Chaibasa Region:
  - » First Prize for SwachhKhadanSarbekshan
  - » First Prize for Vocational Training Centre (Individual)
  - » Third Prize for Workshop Facility
  - » Third Prize for Publicity & Propaganda
  - » Lifetime Achievement: Mr. Prakash Chandra Tibrewal, President, JSPL received the Lifetime
- Pollution Control Appreciation Award – 2018 to TRB Iron Ore Mines of Jindal Steel & Power Limited (JSPL) in the category of Mines by State Pollution Control Board (SPCB), Odisha for its effective pollution control measures and sound environmental practice.
- Gold Award at Chapter Convention on Quality Concepts (CCQC)-2019, Kolkata Chapter in September 2019
- 'Apex India Occupational Health & Safety Award (Platinum Category) 2019' for outstanding achievement in occupational Health & Safety Management.
- Health & Safety Excellence Recognition from the World Steel Association (WSA) for innovative safety initiatives.
- Health & Safety Icon of the Year Award to Group OHS Head from Apex India Foundation

# MANAGEMENT DISCUSSION AND ANALYSIS

- Safety Excellence Award in Platinum Category for JSPL, Raigarh from Foundation for Accelerated Mass Enhancement (FAME), India.
- "Kalinga Safety Awards" to Tensa Mines by Odisha Safety Council
- Safety Excellence Award in Platinum Category to JPL, Tamnar from Grow Care India
- Golden Peacock CSR Award 2019 at 14th International Conference on CSR by the Institute of Directors (IOD) at Mumbai (March 2020)
- Golden Peacock Special Commendation Award 2019 for Business Sustainability at Global Convention on Corporate Governance and Sustainability – 2019 by Institute of Directors at London (November 2019)
- Mahatma Award 2019 for CSR excellence and social good (October 2019)
- ASSOCHAM Women Achievers Award 2019 for best women empowerment initiatives at Women Leadership & Empowerment Summit by ASSOCHAM (November 2019)
- FICCI CSR Award 2019 for Women Empowerment at FICCI CSR Summit and Awards at New Delhi (February 2019)
- Grow Care India CSR Awards 2019 in Platinum Category for Metal & Mining sector (December 2019)
- Best CSR Impact Award 2019 under Steel & Energy Sector by UBS Forum (August 2019)
- CMSB National Awards 2019 for Best Women Empowerment in the field of CSR (December 2019)
- Health & Safety Excellence Award 2019 from Apex India Foundation:
    - » JSPL, Angul – Platinum Category (First Ever)
    - » JSPL, Patratu – Platinum Category (Third Time)
    - » SSD, Punjipathra – Platinum Category (First Ever)

## RISK MANAGEMENT POLICY

The Company has an adequate risk management policy in place. The risk management process is reliable and broad-based, ensuring that the organisation is well guarded against foreseeable risks and aptly prepared for future contingencies. Risk management encompasses risk identification, evaluation, reporting and resolution to ensure the smooth functioning of operations and business sustainability. The process is deeply ingrained in the DNA of the Company and has become an integral part of business decision making, which appropriately insulates the Group from any predictable undesirable risks.

The Company complies with regulations and encourages strict adherence to applicable laws and statute. Identifying risks and its evaluation is carried out for strategic functions and operation areas by respective subject matter experts (department heads) with periodic review by Senior Management and Board Levels.

## INTERNAL CONTROLS

The Company's internal control systems are commensurate with the nature and size of its business. Internal financial controls with reference to the Financial Statements are adequate. Also, the Audit Committee at frequent intervals has independent sessions with the statutory auditor and the management to discuss the adequacy and effectiveness of internal financial controls.

## INTERNAL AUDIT

The Company has an internal audit team with relevant experience and qualification. Internal audit team reports functionally to the Chairman of the Audit Committee and administratively to Managing Director of the company.

Internal audit team prepares an annual Risk-Based Audit Plan (RBAP) to test the internal controls, which is approved by the audit committee. Based on the approved plan, internal audit is conducted, and recommendations are shared with process owners and management to undertake corrective actions based on control gaps and improvements identified during the review. Significant audit observations are presented to the Audit Committee.

## CAUTIONARY STATEMENT

This report contains projections, estimates, etc., which are 'forward-looking statements. Actual results could differ from those expressed or implied in this report. Important factors that may have an impact on the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets, changes in Government regulations/policies, tax laws and other statuses, and other identical factors. The Company assumes no responsibility to publicly modify or revise any forward-looking statements on the basis of any future events or new information. Actual results may differ from those mentioned in the report..