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GODAWARI POWER & ISPAT

Great Place To Work Certified JAN 2023-JAN 2024 INDIA

REF: GPIL/NSE&BSE/2023/5269

Date: 10.11.2023

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001.
Scrip Code: BSE: 532734

To,
National Stock Exchange of India Limited
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai-400051.
Scrip Code: GPIL

Dear Sirs,

Sub: Submission of Transcript of Conference Call held on 06th November, 2023.

This has reference to conference call held on 06th November, 2023 to discuss the results and performance of Q2 FY24 for Analyst/Institutional Investors/Fund House/Investors etc..

Please find attached herewith the Transcript of Conference Call held on 06th November, 2023.

The aforesaid information is also being hosted on the website of the company viz., www.godawaripowerispat.com.

Thanking you,

Yours faithfully,

For **GODAWARI POWER AND ISPAT LIMITED**

Y.C. RAO
COMPANY SECRETARY

Encl : As Above

Power & Ispat Ltd. Godawari GPIL Raipur (C.G.)

CHANDRA RAO YARRA
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Date: 2023.11.10 15:28:14 +05'30'

“Godawari Power and Ispat Limited
Q2 FY2024 Earnings Conference Call”

November 06, 2023

ANALYST: **MS. SANA KAPOOR – GO INDIA ADVISORS**

MANAGEMENT: **MR. SANJAY BOTHRA - CHIEF FINANCIAL OFFICER – GODAWARI POWER & ISPAT**
MR. ABHISHEK AGARWAL - EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT
MR. DINESH GANDHI - EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT

Moderator: Ladies and gentlemen, good day and welcome to Godawari Power and Ispat Limited Q2 FY2024 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you and over to you Madam.

Sana Kapoor: Thank you Yusuf. Good afternoon everybody and welcome to Godawari Power and Ispat Limited Earnings Call to discuss the Q2 and H1 FY2024 results. We have on the call Mr. Abhishek Agrawal, Executive Director, Mr. Sanjay Bothra Chief Financial Officer, and Mr. Dinesh Gandhi, Executive Director. We must remind you that the discussion on today's call may include certain forward looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Dinesh Gandhi to takes us through the company's business outlook and financial highlights subsequent to which we will open the floor for Q&A. Thank you and over to you Sir.

Dinesh Gandhi: Thank you Sana. Good afternoon everyone. Thank you for joining us for today's conference call to discuss earnings results of Godawari Power and Ispat Limited for Q2 and H1 FY2024. Our financial results and earning presentation is available on our website and on the stock exchanges website. I believe you had a chance to review the same. I will take you through the results post which we will have the question and answer session. The performance in Q2 FY2024 was led by higher production volume of value added products and the cost of exchange through the reduction in power and fuel cost on year-on-year basis.

First coming on the quarterly results, the revenue for the quarter showed marginal decrease of 3% and 1% to 1291 Crores quarter on quarter and year-on-year basis mainly because of decrease in realization of value added products other than iron ore pellets. EBITDA margin increased 18% on quarter on quarter basis, 2% on Y-o-Y basis to Rs.361 Crores due to high realization of iron ore pellet in Q2 FY2024 as compared to Q2 FY2023 and lower iron and steel cost. Operating margin increased to 29.63% as compared to 19.90% in Q2 FY2023 and 25% in Q1 FY2024. Trade attributable to the owners increased to Rs.257 Crores up 11% quarter on quarter and 52% Y-o-Y. PAT margin also increased to 20% for Q2 FY2024. The net cash on the balance sheet of the company as on 30th September 2023 was Rs.650 Crores. Coming on the half yearly numbers, revenue during H1 was lower by 9.6% as compared to H1 of the last financial year due to fall in realization across product range except billet however our operating margin are higher at 27% as compared to H1 of the last year at 25% despite fall in the pellet across value added products and lower production volume of iron ore from the captive mines. The higher operating margin was led by directly in power and fuel cost. Coming on the operational performance, I am delighted to mention that GPIL has reached the highest ever production volume of steel pellet, captive power generation and silicon manganese on quarterly basis and sponge iron and steel billets generation on half yearly basis. Production volume for iron ore mining was lower as compared to the guidance and also as compared to the last financial year when we account lower production volume in Boria Tibu mines owing to lower quality of iron ore grade Boria Tibu mine, higher volume of the MC material resulting in higher cost of mining as compared to market price of iron ore. We have therefore decided to operate the Boria Tibu mine at a very low volume level and in order to take economical operations at the Boria Tibu mine, the company plans to file the mining plan with enhanced mining capacity of 2.5 million per annum and also install a beneficiation plant at Boria Tibu mine. The company has initiated process for revising the current plant and also applied for environmental approval to increase the mining capacity for setting of the beneficiation plant therefore the company would presently be focusing only on Ari Dongri mines to meet its captive requirement of iron ore and accordingly the guidance is revised. The pellet iron ore requirement is sourced from the market which is cheaper as compared to present cost of operations from Boria Tibu mine and therefore there is no impact of the reduction of the captive iron ore production on the overall iron ore cost despite lower production from the mine. Further iron ore volume during the quarter was also affected by the monsoon. Normally during the monsoon period the production volume gets reduced. Iron ore pellet product reached 21% quarter on quarter and marginally down by 1% on Y-o-Y basis. I may remind you that during the last quarter in Q1 FY2024 the pellet plant was taken for shutdown and therefore in the last quarter the volume was lower. Production volume on sponge iron, steel billet and MS Rounds increased both on Y-o-Y and quarterly basis. On half yearly basis also steel billet, MS Rounds and sponge iron increased by 28%, 27% and 71% respectively. Coming on the sale volume numbers, iron ore sale increased 45% quarter on quarter basis to Rs.432,697 metric tonne. Sales of steel billet and HB wire also increased both quarter on quarter on Y-o-Y basis by 45% and 15% and on quarter on quarter basis by 72% and 44% respectively. On half yearly basis, sale of steel billet, MS Round, HB wire, galvanized product increased 30%, 9%, 64% and 39% respectively. Realization of iron ore increased 22% to 9955 on year-on-year and decline marginally by 2% on quarter on quarter basis. On half yearly basis realization of iron ore pellet increased by 4% to 10055 per metric tone, realization of other product showed a decreasing trend more from quarterly than half yearly basis. I would like to give some highlight on the strategic update. I am happy to mention that the CRISIL upgraded credit rating of the company both for long-term and short-term basis to CRISIL AA minus stable from CRISIL A+ positive and similarly credit rating for the short term has also been upgraded to CRISIL A1+ from CRISIL A1. Coming on the updates of the capex plan, just to remind that you that GPIL has announced capex plan significantly enhancing the iron ore mining, pellet capacity and setting up a new integrated steel plant. The plant maintains more than doubling the iron ore mining capacity at Ari Dongri mines expanding it from 2.35 million tonnes to 6 million tonnes per annum and also setting up a beneficiation plant with the capacity of 6 million tonnes. The project end time for completion is about 15 months with an estimated capex of 200 Crores. GPIL also plans to enhance the pellet capacity by 3 tonnes resulting in increasing capacity from current 2.7 million tonnes to 5.7 million tonnes and by constructing additional pellet plant. The expected completion time is approximately 30 months from now and estimated capex is close to about 800 Crores. GPIL has also decided to increase the capacity of integrated steel plant by additional 1 million tonne from 0.5 million and taking it to 1.5 million tonnes. The capex for the same is estimated at 2500 Crores. For all these projects the company has applied to Minister of Environment and Forest for environment approval. There are three separate application, one is for expansion in Ari Dongri mines, for expansion of pellet plant and for setting up a new integrated steel plant in Raipur closer to about 30 kilometers from our existing plant. The public hearing for setting up of iron ore pellet has already been completed and we are awaiting the final approval sometime in the Q4 FY2024. The public hearing for Ari Dongri mines expansion as well for the steel integrate plant is awaiting the time and presently because of the assembly election in the state of Chhattisgarh, that is why it is getting delayed. We hope that the public hearing should take place in Q4 FY2024 and we shall get the approval soon thereafter. The timeline for public hearing has got delayed because of the declaration of state result, but we are quite hopeful that by the end of current financial year we should be able to get the approval in place. Further as you are aware GPL is focused on reducing carbon footprint and is taking concrete steps towards by establishing solar power capacity of 155 megawatt, in FY2023 100 megawatt solar power plant had already been commissioned and are extremely contributing to the cost saving. A 30 megawatt solar power plant of GPIL and 25 megawatt HFIL expected to be commissioned in Q2. These projects were expected to be commissioned in Q2 however because of the monsoon the commissioning got delayed and now we expect the commission to be done in current quarter. I am also pleased to announce that the board meeting held on 3rd November has also approved setting up an additional 20 megawatt captive solar power plant with an investment of 80 Crores to address the captive power requirement of our fabrication and galvanizing plant in Urla, Raipur. The project is expected to be completed by June 2024 and will result in saving power and fuel cost by Rs.3 and reduction in the carbon footprint. With regard to the capex in our steel plant, we have already commissioned the increase in capacity of steel billet from 400000 to 500000 tonnes and now we are awaiting the consent to operate. We are hopeful that the consent to operate to receive by end of the current quarter and shall start contributing to the higher production volume. The debottlenecking capex for replacement of our turbine rolling mill modification are progressive and are expected to be completed in Q4 FY2024. The rest of the capex to be incurred for debottlenecking capex is close to about 71 Crores in the current financial year.

Coming on the market outlook on the international front the global iron ore prices have touched $133 CIF China in mid March 2023 on the back of reopening of China however sharp increases in the iron ore supplies by global major and lower than expected demand pickup in China has led to a correction to $120. Recent announcement by China to support housing and infrastructure might lead to increase in the consumption of iron ore prices. The current iron ore prices CIF China is hovering around $125 to $127. The World Steel Association is forecasting the steel demand to increase by a healthy 2.3% in 2023 and another 1.7% in 2024, which augurs well for demand for iron ore and we expect prices to be well supported around the current level. On domestic front, iron ore prices by NMDC has seen a slight increase from 3660 tonnes in January to 4460 tonnes currently. Prices have recovered well from the lows seen post imposition of export duty but remain well below the last year level of Rs.5000 tonne. On the other hand pellet prices after touching Rs.8800 in July 2023 has increased to 9000 in September currently hovering it around Rs.10000 a tonne. Given the positive demand outlook pellet prices should be very well supported at the current level. India remains one of the bright spot globally for steel demand while the Steel Association forecast India's steel demand to increase by 7.3% in 2023 as compared to 8.2% in 2022. Indian government's push for infrastructure with 33% increase in capital outlay in addition to 75% increase in outlay for railways augurs well for the steel demand especially for the long steel product. Overall we expect that the current steel prices to remain supported looking at the demand level and therefore we expect that our profitability also going forward should remain more or less supported at the current level. With this, I conclude my opening remark and now we can open the floor for question and answer. Thank you very much.

Moderate: Thank you. We will now begin the question and answer session. Our first question is from the line of Jatin Damania from SVAN Investment Managers. Please go ahead.

Jatin Damania: Thank you for the opportunity sir. Sir just wanted to understand on our mining business now because of our lower grade in Boria Tibu we have lowered our guidance by almost 20% for this financial year so just wanted to understand if we want to look from FY2025 and our expansion perspective so can you throw some guidance in terms of our mining for FY2025 and will we be able to ramp up our production and in terms of the approval where are we for the expansion of the iron ore mining that is the first question?

Abhishek Agrawal: Good morning Jatin. Just to answer you we have actually lowered the volumes this financial year but if you look at the numbers earlier also we were buying close to about 20% from the open market so in this financial there will be no financial impact on the closure of the Boria Tibu mine because the mine was commercially unviable at these prices and the grade we have and going forward we are very confident we will be receiving the permission of expansion of the mine and we will increase the capacity from 2.35 to as started at 6 million and we are confident the financial year the current requirement of iron ore for our pellet plant will be 100% back.

Jatin Damania: Is it fair to assume that the guidance of 3 million tonne which you are giving earlier for FY2024 hold to for FY2025 or…

Abhishek Agrawal: Yes, subject to government approval but I think as the election getting over and the government comes into power, I think the things will start moving so we are very hopeful the next financial year we should be able to, I would not say the volume but whatever requirement is there from a pellet side it will be 100%.

Jatin Damania: Assuming a 3 million tonne requirement then that will be FY2025.

Abhishek Agrawal: Yes 3 million and 100% captive correct.

Jatin Damania: Our pellet capacity now definitely we have seen some improvement in the realization of the pellet so can you help us in understanding what was the high grade, above 65% grade of pellet that we sold this year and once our new pellet capacity comes in play what would be the proposal of the pellet in the same?

Abhishek Agrawal: So firstly we have stopped making 65 pellet, now the pellet we produce is 55 grade and not higher and there is a production level from day one and is having 65% in the bigger plant, 65% in high grade pellet and 35% in low grade pellet and in terms of sale so we sell about 50:50, so you can say 50% sale is of 63 and 50% sale is of 56 pellet, it is consumed in house for steel making.

Jatin Damania: Okay so the proposal will continue to remain at 50:50 only?

Abhishek Agrawal: Yes we got because we produce about 1.5 lakh tonnes of high grade out of which 50% is consumed in house for my steel making.

Jatin Damania: Now on your new capex which is going to lined up on the integrated plant we are waiting for an approval since quite a long time, so at what stage we are because in the pallet definitely as per your presentation indicate that we have already done a public hearing and we are looking for the clearance but in terms of the integrated steel plants where are we in the stage of approval and has the board has been decided whether we will going into a long steel production or a flat steel production, how shall one look into the overall capex?

Abhishek Agrawal: On the approval side, I would say just one step behind the pellet plant. In pellet plan the public hearing has been concluded in which case because of the election we could not do it, so after the elections I think we are confident December public hearing will happen and everything goes well we should be able to get the clearances by March of this financial year and once we get the clearance we will begin start the ground work immediately.

Jatin Damania: So probably the ground work will start in FY2025?

Abhishek Agrawal: Yes you can say that. The ground work probably because of course you cannot start ground work before we get the approval and in meantime the second question about the capacity and where we are going to be moving ahead so I would say there is still a viability because there still a dent end but to be honest we are not looking at the long product side, we are mainly looking at the flat product side. We realize that additional margins are there and because of the demand of automobile going up so we will start the right way to go forward still transition will be made probably next three to four months.

Jatin Damania: Last question is bookkeeping question from my side. Can you help us in terms of the coal sourcing mix in the last quarter and how much coal did we import in Q2 and what is the current inventory as on date.

Abhishek Agrawal: So the coal mix remains the name. We only use RB1 coal of DRA making for which we have seen imports of the year, that has been changed a bit and for our power plants we keep sourcing from domestic. We get some from Coal India and the addition that can be required we source it from the market because that could big coal bed resource. On the import side, our imports remains almost same quarter on quarter because with the market being so volatile it does not extend it all stock up inventory by buying more so I prefer to move with the market in current scenario so we import about say 1.5 lakh tonnes quarterly basis and that still continue to be the same.

Jatin Damania: Thank you Abhishek that is all from my side.

Moderator: Thank you. Next question is from the line of Vikas Singh from Phillip Capital. Please proceed.

Vikas Singh: Sir I just want to understand given there is a mismatch in the timeline of our iron ore capacity coming in and pellet coming with a lag of 15 months is it any provision which allows us to sell iron ore in the market or we will just bring down the Boria Tibu to 0 and start utilizing on the Ari Dongri so what is the plan there?

Abhishek Agarwal: We are definitely allowed to sell iron ore in the market after the new MMDR act, but as a company we had no intention of selling iron ore in the market because eventually the mining will take some time to ramp up from 2.35 million to 6 million so the time frame from now on to the next time we commission say about 15 to 16 months, we want that time to ramp up the mining capacity, so I think both the projects are in tandem and we are hopeful once the pellet plant commissioned before that we will be able to handle the capacity in mining, but we are going to ensure we are selling iron ore in the market that is for sure.

Vikas Singh: Okay but even if you want to there would be some additional premium which you need to pay right that is 25% premium will be applicable?

Abhishek Agarwal: No there is no premium on it because, the rule says if you have to sell in the market you can select at 50% as a part of commercial mining but then you have to pay additional royalty which comes about Rs.1000 per tonne so straightaway it sales will be Rs.1000 less so it does not make any sense to sell in open market.

Vikas Singh: Understood. My second question pertains to Boria Tibu so is it the lower grade steel problem or we are experiencing this problem with the entire mine almost all of the them are of low grade?

Abhishek Agarwal: This is how mining is, till now we were able to mine bring it to plant beneficiate with other mine but given the current prices we feel it is commercially unviable because of the recovery percentage so it is better to install a plant in the mines and then benefited, so commercially it does not make sense to operate Boria Tibu mine.

Vikas Singh: At what price basically you feel that it would be commercially viable?

Abhishek Agarwal: See the problem is you cannot start and stop mine right because there are other factors as well but say another Rs.2000 from now, from here if the price goes up in India then it make sense to use that mine, but still the impact of Boria Tibu out of the production does not make low volume does not have impact on us because we are still buying from the market and our first focus is to make Ari Dongri to ramp up the production.

Vikas Singh: Understood. Just one question on Ari Dongri with the heightened capacity how does it impact our mining life because I think we have just 30 years of mining life previously. Would it come down to less than 20, how does it plays out?

Abhishek Agarwal: See our lease is till 2057, we still have about 34 to 35 years in terms of a lease but in terms of we have already declared a reserve of 155 million tonne, further exploration is going on where we feel there is a potential of further deposit, so as and where probably it will be happen later we will definitely share with everyone. At the moment you can say at least the couple of next two decade at least 20 years with the increase mining capacity.

Vikas Singh: Is that going to get the increase mining capacity to 20 years is covered**.**

Abhishek Agarwal: Capacity at least till 2045, nothing to worry on that front.

Vikas Singh: Understood and just one last question in terms of our integrated steel plant, so just wanted to know if we have already purchased a land bank what is the status of that and this 2500 Crores seems to be a bit low for an HRC plant so is the module something different.

Abhishek Agarwal: When we had envisaged this budget we were thinking of mix of flat, long, we were trying to explore other market as well because till now we have been doing long products. So this capex was decided long back once we have probably the final figures then we decide on the capacity and what would product probably then we can always amend but at the moment since we do not have the numbers the similarity so we want it to keep it to 2500 only. If it goes above we will definitely share with everyone.

Vikas Singh: Understood. Thank you and all the best for future.

Moderator: Thank you. Next question is from the line of Satyan Wadhwa from Profusion Investment Advisors. Please go ahead.

Satyan Wadhwa: Just wanted to know what sort of margin expansion you are thinking out of the steel plant is it because you think demand for pellets will be lower going forward as China sort of slowed down and that is why we had to get into steel because in terms of just capital intensity, steel is quite capital intensive compared to your existing businesses which are quite profitable.

Abhishek Agarwal: I would like to differ in that. The reason we are entering this field is because we see an additional EBITDA over the pellet margins because we are into hybrid markets. We made 56 pellet so I do not think so there any pressure on us to sell pellet because the kind of capacities we are coming up in India and you will see Middle East, right. So Middle East is increasing capacity like anything because of the gas being available. So I do not see challenge in selling high grade pellet which will be the main center of volume but when we consider the pellet at today's cost and transfer to steelmaking we further see the EBITDA increase about Rs.8 to 10 so that is that is the reason we want to power indicate into steel rather than only remaining a pellet player.

Satyan Wadhwa: How much EBITDA would be how much in terms of steel above the pellet EBITDA.

Abhishek Agarwal: At current market it should be about Rs.10,000 a tonnage.

Satyan Wadhwa: Rs.10,000 a tonnage. Over and above the pellet EBITDA.

Abhishek Agarwal: Of course.

Satyan Wadhwa: Okay great thank you.

Moderator: Thank you. Next question is from the line of Rakesh Roy from Omkara Capital. Please proceed.

Rakesh Roy: Morning Sir. My first question is regarding you told your mining capacity is revised due to the low grade from the Boria Tibu mine.

Abhishek Agarwal: See we are bringing the mining capacity. All we have done is because in today's market mining commercially becomes little unviable so we headed to lower the volume and then put up a beneficiation plant there and then adopt that process of beneficiating and then bringing it to the plant for usage That is the only measure.

Rakesh Roy: Is there any impact on revenue from this only or is there any impact of this so we have to lower mining from Boria Tibu.

Abhishek Agarwal: Financially there is no impact in this financial year and going forward because at the moment also commercially the mine is not viable so it is better to source from the market rather than mining and then bring it back so this financial year and going forward also we do not see any impact.

Rakesh Roy: So next financial we hope this mining will start normally.

Abhishek Agarwal: No Boria Tibu will take time because we will be putting up a plant to integrate and we will further enhance our mining capacity but we need to take the required approvals from the state and the central government including the mines ministry. So that will take some time.

So we can expect the Boria Tibu can come back into production with beneficiation say next 24 to 30 months. We are looking at FY2027 probably.

Rakesh Roy: So we have a set up and new plant near to Boria Tibu.

Abhishek Agarwal: Yes we will set up a beneficiation plant in the mines itself so for that all the required approvals and other process had to be created. So that will take some time. In the meantime, for the next financial year we finally increase the capacity of our other mine Ari Dongri.

Rakesh Roy: So for example Boria Tibu we have 85 million tonnes reserves there.

Abhishek Agarwal: As of now explore data what you said is correct. Yes.

Rakesh Roy: So Sir in that case can we ramp up our Ari Dongri mines.

Abhishek Agarwal: I have just spoken sometime back we are waiting for approval for Ari Dongri mine and once we have the approval which should we have in hand in next 3-4 months. From next financial year, we will raise the capacity from 2.35 to 6 million tonnes.

Rakesh Roy: So Sir my next question is can you help us understand if you are able to achieve your FY2024 guidance for ferro alloys and pellets.

Abhishek Agarwal: Yes so whatever guidance they have given this financial year apart from mining, we are very much on track and we are confident we will be able to achieve.

Rakesh Roy: Okay in margin front it can be hoped this margin will stay in or is there any margin changes in next few quarters Sir.

Abhishek Agarwal: See at this moment things are good because China is buying a lot of iron ore because prices of pellet have gone up in India as well and with festive season getting over after Diwali and this is being the peak demand in India and I am confident the prices will sustain and we should be able to maintain these EBITDA going forward unless of course there is change in market but at these levels we are confident we should be able to maintain EBITDA level.

Rakesh Roy: Your outlook on some margin front especially ferro alloys or this realization will sustain for next one quarter or any downside is there Sir.

Abhishek Agarwal: See very difficult to predict because ferro alloys it is globally connected. One thing for sure, the pellet prices are at the rock bottom at the moment and the current raw material prices the margins are bare minimum which used to be earlier. The only positive side for us is with the new solar plant getting commissioned our power cost will go down which will improve the margins in ferro alloys because ferro alloys is a high power captive unit. So we see an upside there. Apart from that market looks quite stable and depends how globally steel plays because in India ferro alloys is a big market price for export as well especially in Europe.

Rakesh Roy: Okay Sir your view on domestic steel market size and especially how the steel market in India, next one year from here?

Abhishek Agarwal: I am bullish with the government spending. So let us hope for the best.

Rakesh Roy: Okay than you Sir. Thank you so much Sir.

Moderator: Next question is from the line of Dhyey from Niveshaay Investment Advisors. Please go ahead.

Dhyey: Good morning, Sir. I just had this question that as we are adding another process like beneficiation in our manufacturing process so what is the improvement in margins that we expect from this expansion?

Abhishek Agarwal: See, as I explained earlier, the only reason we are installing plant of beneficiation in mine is to do the cost saving part because earlier we were beneficiating everything by bringing it towards to the complex. So we were losing on the transportation because when you beneficiate there is some yield loss as well so to save on that cost, which is substantial say Rs.150 at the moment we are installing a plant in the mines. The quality of pellet we make will remain same. The cost of mining and everything will go down.

Dhyey: Correct sure Sir. What is the kind EBITDA expansion that you are looking for turnover of EBITDA expansion in terms of margins.

Abhishek Agarwal: It is a small saving of Rs.150 but when we look at the volume we wanted to be doing, so the payback is quite fast. So it is not substantial improvement of Rs.150 to 200 but when you look at 6 million tonne going forward it becomes almost 100 Crores a year. So with the amount of capex we are doing the payback is hardly 18 to 24 months, so that is the reason we are doing in the mines itself right now.

Dhyey: Correct Sir. Thank you.

Dinesh Gandhi: We are saving some part on royalty.

Abhishek Agarwal: Exactly.

Dhyey: Okay correct and I just had this question so what is the captive consumption at every levels of manufacturing process, if you could give us any guidance?

Abhishek Agarwal: See the current market levels I think all different products are showing positive be it pellets, sponge iron and billets, but it is difficult to comment on individual performance because when you complete a steel plant so you have to look from backwards to forward. It will be difficult to comment on individual products but I can assure you all the divisions are doing good.

Dhyey: Correct. Thanks a lot Sir.

Moderator: Next question is from the line of Jathin Kaithavalappil from Investsavvy PMS. Please proceed.

Jathin Kaithavalappil: We would like to know one your plans to split have actually got postponed or cancelled or is there a timeline on which you will reconsider that? The other is with the new emphasis on solar plants and power and fuel saving, while you are saying you will be able to maintain the current EBITDA with the new power capacity etc., which you are planning whether there will be benefit of that coming into the EBITDA margin as well and finally, how are you seeing your pellet exports going forward in terms of growth?

Abhishek Agarwal: See on the solar side definitely once the entire plant is commissioned and with our efforts of debottleneck we can see additional EBITDA of 700 Crores going forward annually on the power side itself. On the export side, we have always been there in the market, but products domestic prices are still better than export markets and because of a high grade we do not have any pressure selling domestically. So till the time licensing does not come at par with domestic we are happy selling domestic. So we are always open but then it is not guaranteed when you start exporting because for us licensing is the topmost priority.

Jathin Kaithavalappil: And how do you see revenue growth going forward?

Abhishek Agarwal: See depending on the steel prices because for us we are operating at almost 100% capacity 98% capacity across the plants so the only thing we should add up is our additional 1.5 tonnes of steel billet so depending on the market prices, the revenues should go up going forward because I see the demand in India for steel going to be on upside with the government spending.

Dinesh Gandhi: I will make some addition on the volume growth and the sales growth. In fact the sales growth is going to come with setting of additional as Abhishek has told you that the plants are running almost at 95-100% capacity utilization so volume growth will come only when we set up the additional pellet plant and additional steel plant which we have announced till that the sales growth will come only with the price growth. If there is a degrowth in price there will be a degrowth in sale. If there is a growth in the pricing then the sales will also grow. See we had initiated a proposal to split share, but our board of directors felt that the current volume and the price of the share is not very high, which requires split of shares and where almost about a year and a half you split the share from Rs.10 to Rs.5 so board suggested to wait for some time and at an appropriate time, the proposal should be revisited but there is no timeline for revisiting the proposal.

Jathin Kaithavalappil: And practically speaking when do you expect this additional capacity to start kicking in.

Dinesh Gandhi: New capacity he is asking.

Abhishek Agarwal: For the steel division we are waiting for the approval which should be in hand probably very soon. I think for next quarter we can see the additional capacity of steel melting coming into production and for the pellet plant Q4 FY2025 is what we are looking at for the additional volume, Q4 FY2025,

Jathin Kaithavalappil: Okay thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: Hi Sir. Good afternoon. So my first question is on the pellet side. Now given that our expansion will be starting somewhere in 4Q or early FY2025, when do we expect the first capacity to come online and what should be the fair assumption in terms of volumes in FY2026 or we will see the entire volumes coming in FY2027.

Abhishek Agarwal: As I mentioned Q4 FY2025 is 15 months from now on. So from FY2026 we can start seeing the additional volume of the pellet capacity which will be putting up. FY2027 is too far. We will be able to commission the plant 12 months earlier.

Siddharth Gadekar: So pellet should be roughly around 1 million tonne of contribution in FY2026 and the balance will be coming in at FY2027 is that a fair assumption?

Abhishek Agarwal: The first pellet plant which we are putting out, it will be commissioned in Q4 FY2025 and in FY2026 we can derive the entire production volume nothing will pass on to 2027. Of course we are confident we should be able to achieve 100% capacity within few months of starting the plant.

Siddharth Gadekar: Okay so our ramp up will be much faster than normally.

Abhishek Agarwal: Because I think we have a good expertise on our hands. We are already running two pellet unit so we do not see a challenge in handling of the capacity.

Siddharth Gadekar: Okay and in terms of steel making capacity is it fair that our capex should get over nearby end of FY206 and FY2027 will be a meaningful volume growth from the steel side as well?

Abhishek Agarwal: See if we get the required approvals then we start the groundwork. We are confident the new steel plant will take about 30 months from dig up groundwork so if that happens and everything is within the timeline we should be able to see significant volume growth.

Siddharth Gadekar: Okay and once the approvals come in that is when we will finalize what processes are we going to use to make the steel?

Abhishek Agarwal: That working is going on. We have been evaluating because for us also this is something new till now we have not done it. So we are evaluating with all the stakeholders, the experts in the market, so I think we should be able to get everything in the next three to four months. Once we get the permission, we can straightaway start the ground work.

Siddharth Gadekar: Okay so broadly by FY2026 end all these capex should be completed.

Abhishek Agarwal: Steel plan can probably overlap depending on the approvals and everything else.

Siddharth Gadekar: Okay so mean things come by this year end we should be on track for volume growth for 2026 and 2027 pellets and steel that is the fair assumption.

Abhishek Agarwal: Correct this is a fair assumption.

Siddharth Gadekar: Once our incremental pellet capacity comes online how should we look at the mix between high grade and normal pellet.

Abhishek Agarwal: No so see the new plant is coming up is going to be again on the hybrid so the mix will change so the further capacities we should be able to produce say 75% will be the hybrid pellets and 25% will be of normal pellets only.

Siddharth Gadekar: Okay and the 65 pellets are currently sold at Rs.50 premium to the normal pellets?

Abhishek Agarwal: So the normal pellet the premium is anything depending on the market condition it is Rs.1000 pellet but I would say on a fair basis about Rs.50 on a yearly average basis about Rs.50 from the 65 pellets.

Siddharth Gadekar: Okay Sir got it? Thank you. That is it.

Moderator: Thank you. The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: Thank you Sir so couple of questions. How is the ferro alloy business doing as of now if you can individually throw some light on GPIL, HFA and Alok Ferro Alloy business?

Abhishek Agarwal: On the ferroalloys side the prices are rock bottom because globally the market is quite weak because India is suffering from the pellet capacity so lot of alloys has to be exported to achieve the balance between domestic and export. Because the export market is quite mute so it has the same effect as the domestic pricing so I would say right now the margins are between Rs.2 to Rs.3 but going forward we hope the margins will improve when the demand comes back into the market.

Aditya Welekar: Understood and the second one is on thermal coal, so what is the thermal coal cost you incurred in Q2 of this fiscal?

Abhishek Agarwal: In Q2 the average price was about Rs.12 a tonne and Q3 the international market has started going up so there will be a margin increase and Q4 onwards let us see how the market plays but Q3 it was below Rs.12 and Q3 will be marginally top of Rs.12 because the incoming coal is on the higher side.

Aditya Welekar: Understood and lastly I missed on that part on Ari Dongri beneficiation plant so what is the incremental capex for that and what is our capex?

Abhishek Agarwal: Total we envisage with the mining capacity as well as the beneficiation plant, the total capex envisage is about Rs.200 Crores and we should be able to complete the desired project within the budget.

Aditya Welekar: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Moksha Shah from Yellow Jersey. Please go ahead.

Moksha Shah: Thank you for the opportunity. Sir my question for the management was there are market rumors about the company getting into forward integration and expanding into new business verticals so what are your views on that?

Dinesh Gandhi: There are no market rumors. We are in the process of building up a new steel plant and there the value added steel will be manufactured what steel, and what kind of product will be manufactured will be decided as Abhishek mentioned earlier and hopefully we should be able to announce the complete plan on which kind of product by maybe end of the current financial year or may be at the time of the results call for Q4 FY2024.

Moksha Shah: Okay thank you.

Moderator: Thank you. The next question is from the line of Marsal an Investor. Please go ahead.

Marsal: First of all my humble request Sir like you are speaking through speaker your voice is very much getting echo, we are not able to fully understand it so if you could kindly speak slowly it will be really helpful Sir.

Abhishek Agarwal: Thank you. I will do that.

Marsal: The second thing Sir regarding the price for different product, can you please give some idea that what was the prevailing average price of pellet, sponge iron, billet, MS Round and bullet, and HB wire including the month of October?

Abhishek Agarwal: October 7, the pellet prices have been around Rs.10,000 domestically and for sponge iron it was about Rs.30,000. The market has gone down by over 5% due to weak demand and the festive season. Sponge iron was about Rs.30,000 and billet was about Rs.42 to Rs.43, and wire was about Rs.48 and the price remain at levels only because of the subdued demand and it should improve going forward when the festive season is over.

Marsal: And MS round Sir?

Abhishek Agarwal: I said Rs.48.

Marsal: Okay and my second question is regarding this the new capex first of all like this new capex on integrated steel plant are we going to do with the existing site where in like for example this existing common facility will be used or it will be Greenfield plant?

Abhishek Agarwal: No, it will be a different location and it will be a totally a Greenfield project. It will be in the Godawari Power, the same company, but then of course it is going to be a new location with a totally Greenfield project.

Marsal: Okay and like are we going to make the similar products like MS Round or are you going to for the coal?

Abhishek Agarwal: So see currently we follow the second league of steel making which is a coal based GRI plus induction furnace and going forward, we will be putting up a blast furnace and make value added products like others.

Marsal: Like this hot rolled coil and cold roll cold like this right?

Abhishek Agarwal: Yes, depending if you go with the hot and cold or if we go for whatever products we choose we should be able to freeze on those in two to three months.

Marsal: Because I was just like making a small analysis here because our current capacity for example of this MS Round and HB wire is 60% and 75% utilized so I was thinking if you are expecting the same thing then like it will be difficult but you are adding new product then it is fine?

Abhishek Agarwal: Yes so we do not intend, to be honest at the moment I think the long products have taken a back seat and we are focusing on value added steel.

Marsal: Okay but like there is one point I want to play this like example devil advocate here? We have come a long way? In 2017, we had net debt of Rs.2000 Crores? Now we have Rs.600 Crores plus net debt if you are going to have the Rs.2500 Crores capex at one shot means like whether we will be able to fully market it and more so we do not have coal linkage also so like we do not have the coal mining of our own captive mining so like how are we sure that like we will again fall in the, I will not say there like for example debt, but for example even if we make such a huge investment and you are not able to fully utilize it then like there will be a burden of depreciation for example like this funding revenue like which you could use somewhere else like?

Abhishek Agarwal: To be honest when we are first put up pellet plant, almost 2008 to 2009 we were one of the first movers in India to put up a pellet plant. So but we do not see a challenge. With every new challenge we are very confident with the team we already have and the focus on recruit and I do not see any challenge being are not able to produce the desired levels or market it. Secondly, since you mentioned we do not have any coal mine, but we have an iron ore mine which is a big, big plus. So one side of our steel making is always covered with a captive iron ore mining so even in the cost indication because of no coal mines, I do not see a challenge in achieving the profitability we desired to.

Marsal: But Sir since you already are expert in the mining sector so why we are not bidding for the coal mining because government is there like every third month the government is offering so much?

Abhishek Agarwal: I will tell the reason why we are not doing it because for DRI the coal availability in India is not up to the same mark. If you start using domestic coal our production in the DRI will go down which we do not want to do. So we have to keep importing for our DRI which is about a point 0.5 million tonnes annually or 0.4 million tonnes annually. That is the first thing. For power plants as we have announced we have been expanding aggressively in solar to look at the cost saving as well as in terms of the green initiative of the carbon emission. Early the remaining volume whatever you need to source from the domestic market we have linkage with Coal India which is almost at the market price depending on the auction. So we do not see a very cost implication on the coal side compared to iron ore side. So since we are iron ore side covered so for us it is good enough to move forward. On the capex side see we are a surplus cash company and with the plans going forward we should be able to get EBITDA on year-on-year basis so that you can fund it internally.

Marsal: So if you are not going to have any debt like new debt for this new plant that is a good thing?

Abhishek Agarwal: See that is the intention but depending on the capacity we go forward and which product we choose even if we have to take some debt it is going to be within the limit because in the end we have realized where it has gone wrong 12 years back so we are very sure how to proceed forward so that the balance sheet does not come under stress going forward.

Marsal: Just one input we have seen that like another for example other major player in this team they have tied up or they have acquired some stake in the overseas for example coal mining company so I do not want to name it here but it is very well so since you are saying through our logical point that this domestic available coal is not good for the DRI that is fine so why do not we acquire some stake overseas in Indonesia or Africa or some other companies?

Abhishek Agarwal: Again I am saying all your assets are not available at cheap value and just to secure certain volume of coal for captive production we do not see any value addition compared to the same money probably again going forward with the steel plant so you have rightly mentioned but I think on the cost indication side I would say we are very much covered because of iron ore and we want to utilize our money probably making high value added steel other than going backward and making coal captive.

Marsal: But like this is very small point, so since you mentioned about DRI that is fine? So suppose if you participate in any bidding of the coal mine auction so that coal cannot be utilized for this manufacturing of sponge iron or this pellet or billets?

Abhishek Agarwal: As I have said I just had all these coals so essentially in the past also we have bid for a few of the coal mines but we were never very aggressive and in terms of quality all the coal produced in India is possible to use in our domestic production but as I mentioned, we use that coal production our production volume will drastically go down especially with DRI because in domestic coal the ash is very high and because of the higher ash our production volume will go down which we have no intention to reduce.

Marsal: No Sir I am not saying about DRI? I am only saying for our current product for example billet or for example?

Abhishek Agarwal: See billet does not require any coal. We generate power. We are already having linkage with Coal India for thermal power plants so that is covered but DRI we keep importing and for pellet plant we have exposure of about say 2 lakh to 3 lakh tonnes annually which is not a big exposure and the domestic coal is readily available nearby.

Marsal: Very detailed answer, appreciate it. Thank you so much.

Moderator: Thank you. The next question is from the line of Rucheeta Kadge from iWealth. Please go ahead.

Rucheeta Kadge: Good afternoon and congratulations on a good set of numbers. So I had a few questions regarding your volume growth? Sir going ahead, do we like in the next two years, do we see any incremental capacity coming in other than the mining capacity that we had mentioned so if you can give a little clarity on that?

Abhishek Agarwal: See the pellet capacity will further add up as we mentioned before also. We expect the pellet plant approval to be in hand in next couple of months. Once we have that, we will start the work and in FY2026 we can see the entire set of volume coming into production which is as desired and parallelly next quarter Q4 of this financial year our additionally steel capacity of 125,000 tonnes, 1.2 lakh tonnes will also be operational. The project is completed. We are just waiting for the required approvals. When we have the approvals we will start the operations.

Rucheeta Kadge: That is Q3 right?

Abhishek Agarwal: Q4. Q3 is already running so that will be Q4 and then FY2026 you can see the entire volume of pellet into production the new pellet plant.

Rucheeta Kadge: Okay pellet by FY2026 and Sir as you have mentioned that you will not be selling this extra mining capacity in the market, right?

Abhishek Agarwal: Yes, we will not be.

Rucheeta Kadge: You will not be doing it?

Abhishek Agarwal: Because we want to preserve the iron ore for our captive consumption plus as per the new law, we will have to pay additional royalty for selling anything in the market and so we have no intention of selling anything in the market.

Rucheeta Kadge: Okay. Sir one more thing currently a ballpark number basically, your EBITDA per tonne is around Rs.6099 so do we see this settling at the current rate or we see it deviating and what would be the reason?

Abhishek Agarwal: As I mentioned earlier also depending on the market scenario if the markets sustain at these levels we are confident of making the current EBITDA levels and of course if things go here and there of course there can be diversions but we are confident with the festive season over and the demand is going to be picking up going forward, we should be able to maintain such EBITDA levels.

Rucheeta Kadge: Okay Sir understood. Thank you Sir.

Moderator: Thank you. The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: Thank you for the opportunity. Sir how much of our current power sourcing is from the grid?

Abhishek Agarwal: See from grid we are not importing. We do import, but the portion is hardly would say 2% or 3% on an entire requirement because we have commissioned our first solar panel at 70 megawatts under the banking policy of the state government and so whatever we are importing from the grid is mainly an account of solar power we generate and then the remaining is from that grid power so in terms of you can say about 2% or 3% of the entire requirement only.

Anant Mundra: Okay so it is majorly captive?

Abhishek Agarwal: It is majorly captive. I will say 98% to 99% captive only.

Anant Mundra: Alright and Sir Boria Tibu also we are planning a beneficiation plant right?

Abhishek Agarwal: Yes we are. We have started to apply for the required approvals and other things and we will be putting up a beneficiation plant in Boria Tibu going forward.

Anant Mundra: So until then I think the plant is going to be shut unless obviously you said?

Abhishek Agarwal: The plant will not shut. We will be operating at a low volumes because as I mentioned earlier at the current prices the mine is commercially not viable so it is better to operate at a minimum level than to put up a plant going forward and bring the ore to the plant for usage.

Anant Mundra: Okay and so we are not planning any expansion at Boria Tibu? All our mining capex is happening at Ari Dongri?

Abhishek Agarwal: At the moment it is happening at Ari Dongri, once everything is finalized in terms of Boria Tibu we will share the required capex and enhanced capacity and everything else. It is at a very early stage probably going forward once we have all the details in hand we will definitely share.

Anant Mundra: Alright okay. Thank you. That is it from mine.

Moderator: Thank you. The next question is from the line of Jinesh Shah an Individual Investor. Please go ahead.

Jinesh Shah: Congratulations Abhishek and entire team for the excellent set of numbers. The first question is as I understand the current product mix for pellet is 50:50 for 62 and 66 do you have any plan to improve that percentage for this high grade pellet in this financial year?

Abhishek Agarwal: Thank you for the congratulations. No see there is a confusion. Right now the production of high grade is about 65% compared to 63 of 35% but in the merchant sale, the ratio is 50:50 because the remaining is used in our in house for steel making, the high grade pellets and going forward the new pellet plant is going to come up will also be producing high grade so the charge mix will change. It will be about 80% will be about high grade and 20% will be normal grade pellets.

Jinesh Shah: Okay the next point is regarding your capex plan on slide number 10 and page number T10 of the PPT where you have mentioned that you will be taking 15 months for iron ore mining and iron ore beneficiation vis-à-vis the pellet plant will take 13 months but based on today's conversion, what I understand these 3 million capacity will be available by next financial year? Is this the right understanding?

Abhishek Agarwal: So see the mining and the pellet plant, so the 13 months were desired from date of once you applied for the permission. Once we have the permission which will happen probably next couple of months. The execution time of the project will be about 15 to 16 months so we see the entire capacity of pellet coming into production in FY2026.

Jinesh Shah: Okay but in that case you will be having your iron ore mining beneficiation plant will be?

Abhishek Agarwal: That is the whole idea. We have parallely applied for permissions for our iron ore mine expansion as well and once we get the permission so gradually we will also ramp up the capacity so that there is no lag between the new pellet plant and the new mining capacity so that we remain fully captive going forward.

Jinesh Shah: Okay the next point is regarding your integrated steel plant which you are increasing from 0.5 to 1.5 million tonne with the investment of Rs.2500 Crores? Are we looking at any opportunity in terms of inorganic in terms of acquisition of any existing steel plant?

Abhishek Agarwal: We have always been open for any growth so given if there is an opportunity where we feel that there is value to a certain asset we will definitely look for it but to be very honest we have not come across such at the moment and parallelly if we have the required approvals then we were happy to go with the Greenfield today.

Jinesh Shah: And what will be the ROI or payback period for this 1.5 million steel plant?

Abhishek Agarwal: See it is too early to call but given the current market scenario we can see additionally EBITDA of say 1000 over the EBITDA of the current complex so we will go by that look and the second question is depending on the capex. They may charge Rs.2500 back if it remains Rs.2500 or if it goes up and it goes down so it will be difficult but with our own captive mines we do not see ROI of more than two and a half to three years to be very honest.

Jinesh Shah: Okay thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for the closing comments.

Dinesh Gandhi: Thank you participants for joining us with the conference call of Godawari Power & ISPAT Limited. If there is any question left to be answered or if you need some more clarity on the company's performance, you can approach us directly or our investor relation agency Go India Advisors. Thank you very much for joining this call and with this we conclude this call. Thank you very much.

Moderator: Thank you. On behalf of Go India Advisors that concludes this conference. Thank you all for joining and you may now disconnect your lines.