REF: GPIL/NSE&BSE/2021/4430 Date: 30.07.2021

To,

1. The Listing Department,
   The National Stock Exchange of India Ltd,
   Exchange Plaza, Bandra Kurla Complex,
   Bandra (E), MUMBAI – 400051
   NSE Symbol: GPIL

2. The Corporate Relation Department,
   The BSE Limited, Mumbai,
   1st Floor, Rotunda Building,
   Dalal Street, MUMBAI – 400 001
   BSE Security Code: 532734

Dear Sirs,

Sub: Submission of Transcript of Conference Call held on 28th July, 2021.

This has reference to conference call held on 28th July, 2021 for Analyst/Institutional Investors/Fund House/Investors etc., please find attached herwith the Tranascript of Conference Call.

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

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

Encl : As Above

Transcript

Conference Call of Godawari Power & Ispat Limited

Event Date / Time : 28th July 2021, 11:00 AM IST

Event Duration : 55 min 46 secs

Presentation Session

Moderator: Good morning ladies and gentlemen. I am Bharathi, moderator for the conference call. Welcome to Godawari Power & Ispat Limited earnings conference call, hosted by Go India Advisors. As a reminder, all participants 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 * and then 0 on your touchstone telephone. Please note that this conference is recorded. I would now like to handover the floor to Ms. Sheetal Khanduja of Go India Advisors. Thank you and over to you ma'am.

Sheetal Khanduja: Thank you. Good morning everybody and welcome to Godawari Power & Ispat Limited earnings call, to discuss the Q1 FY22 results. We have on the call Mr. B.L. Agrawal, Managing Director, Mr. Abhishek Agrawal, Executive Director, Mr. Siddharth Agrawal, Non-Executive Director, Mr. Sanjay Bothra, Chief Financial Officer and Mr. Dinesh Gandhi, Director. We must remind you that this 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 take 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 Sheetal. Good morning ladies and gentlemen. And thank you for attending the earnings conference call for Q1 FY22 today. I trust that you had a look at the earnings presentation uploaded on the stock exchanges and the company website. I will briefly discuss the results and other decisions taken by the Board and then we can have the Q&A.

At the outset I am pleased to inform that Q1 FY2022 was yet another record quarter for the company. The company has an all-around increase in the profitability, which was led by higher iron ore production and realization across the product range and the reduction in finance cost, which has increased over 100% as compared to the same quarter of the previous year. There was some reduction in Q2 in the sales, on account of certain accumulation of inventory at the port, which has been cleared in the first week of July 2021.

During the quarter, the company has earned a revenue of 1126 crores and record EBITDA of 573 crores, which was up by 354% YoY. The PAT increased by 967% to 437 crores. This is record PAT for the company in the history of the company. Led by the higher profitability, the Board has approved the interim dividend of Rs.5 per share. The company has recorded highest ever export turnover of 639 crores during the quarter.

Our strong performance has resulted in a robust cash flow generation, which has been mainly used for deleveraging the standalone balance sheet. And as informed earlier, the standalone balance sheet, we have repaid the entire term loan on the standalone balance sheet. We have some debt still outstanding in our solar power business, close to about 340 crores, which will be repaid out of the cash flow of the solar power business. In any case, that business is under the sale and as and when the sale happens, then the cash flow will come to the company and that will be transferred to the buyer.

The debt equity ratio as of June has reduced to 0.15x as on the date. The company has repaid over 1800 crores of debt over the period of last four years. The further information on the CAPEX, the company continues to incur the funds towards the debottlenecking the capacities. We have already announced commissioning of iron ore beneficiation plant. And the pellet plant which has already started at 2.4 million tons, beneficiation plant at 3.28 million tons. We have also completed investment in sponge iron, but we are still awaiting the consent to operate from the pollution board. And we except this consent to be received in the current quarter. The only CAPEX in the debottlenecking, remains in the Steel Melting Shop, where we have been gradually installing the furnaces. And by end of the current year, the entire CAPEX of 4.6 million-4.7 million tons capacity will get completed.

The company had actually started work on setting up the 250 megawatts solar power plant and preparing initially on the DPR etc. and awaiting the consent of the State Government for use of the land for the solar power plant. Once the State Government approval is received; then we will start physical work at the project site, for setting up 250 megawatts captive power, solar power plant.

The Board has also decided to, had approved the in-principle approval for setting up 1.5 million to 2 million tons of integrated steel plant in Chhattisgarh. The company has already identified the land and applied to the State Government for allotment of the land and preparing for ToR. The further details on this project will be finalized as to the exact cost of project and the further details as we go forward. And by the time we get the approval from MoEF and then the final allotment of land is done.

With this, there is another decision which the Board has taken with respect to additional equity investment into the Hira Ferro Alloys. Hira Ferro Alloys is an associate company, wherein GPIL is already holding 48% stake. And this company is engaged in the ferro alloys business, with captive power generation. Hira Ferro Alloys is setting up 70 megawatts solar thermal power plant, solar PV power plant in Chhattisgarh to meet the requirements of the power, which is presently sourced from the grid. About 15 megawatts Hira Ferro Alloys is sourcing power from the grid. And in order to meet this requirement, company is setting up 70 megawatts power plant which will operate at the PLF of about 17% or so. And this entire power will be used for the captive requirement of the Hira Ferro Alloys. With the infusion of the equity, Hira Ferro Alloys will become subsidiary during the current quarter. And the project of Hira Ferro Alloys will be commissioned by Q1 of FY2023.

The company continues to operate across the plant at about 95% utilization. The disinvestment of the solar power plant, which we had discussed in the last conference call also is still under discussion and the final agreement with the buyer has not been done so far. We continue to explore the disinvestment possibilities of the solar power plant and we will update the investors as and when some final decision is arrived in the matter.

With this, we will now open the floor for questions and answers. Thank you very much.

Question and Answer Session

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

The first question comes from the line of Mr. Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Good morning sir.

Dinesh Gandhi: Good morning Vikas.

Vikas Singh: Congratulations on a very good set of numbers. Sir, I want to understand our investment on Hira Ferro Alloys. So, in this next quarter when we get basically a subsidiary of ours, so along with it, what kind of debt also this Hira Ferro Alloys would be bringing with them?

Dinesh Gandhi: Hira Ferro Alloys does not have any long-term debt. It has some working capital limits on the debt and there is no debt coming to Godawari Power with the Hira Ferro Alloys. Except of course, some debt, Hira Ferro Alloys will be taking for opening the LC for import of solar PV module for setting up of this project, otherwise there will be no debt coming to Godawari Power from Hira Ferro Alloys.

Vikas Singh: Understood. Sir, one clarification. We are setting up 70 megawatts of solar power plant in Hira Ferro Alloys, while we had this vision of 250 megawatts to become carbon neutral. So overall, we are setting up 250 plus 70 or this 70 is part of that overall 250 megawatts and that project cost will remain 750 crores?

Dinesh Gandhi: No, 250 megawatts is for Godawari Power's requirement, own requirement. And Hira Ferro Alloys is additional 70. So, totally 320 megawatts.

Vikas Singh: So, that is only for the Hira Ferro Alloys.

Dinesh Gandhi: 70 megawatts is alone for Hira Ferro Alloys requirement.

Vikas Singh: That is what I meant, okay fine. And sir, one more thing, you have said that this is the initial investment you are making in Hira Ferro Alloys and in future you would be making more investments. So, any thought process on that till what level we want to increase our equity in Hira Ferro Alloys and what kind of money we would be putting in the future also?

Dinesh Gandhi: No, I said in Hira Ferro Alloys, we are already holding 48% equity share. It was an associate company and it will get converted. I have not said we will be putting in more money over and above the 70 crores. 70 crores will go over the period of next six months to Hira Ferro Alloys, in one or more tranches. And after that there is no investment proposal in Hira Ferro Alloys as of now.

Vikas Singh: Understood sir. My third question is pertaining to pellet prices as well as sponge and billet prices in the domestic and international market. If you could give us a sense that what is the current spot prices versus our 1Q average in terms of pellet and sponge? And how would you see with China, with international iron ore prices declining, any thought process on what kind of impact it would have on your export polices or the pellet prices in the export market?

Dinesh Gandhi: Yes. So, Abhishek, you will take this question?

Abhishek Agrawal: Good morning.

Dinesh Gandhi: Can you repeat the last line please, just to be clear on the question?

Vikas Singh: So, current spot prices of pellets, sponge and billet versus 1Q averages. And any thought process on with China, there is a lot of talk about China putting restrictions on production that could be significantly high and its impact on the iron ore and pellet export market and how are we looking to change, how are we looking to counter that in terms of volume execution part?

Abhishek Agrawal: Okay. So, on the first question, the current market levels compared to Q1. So, pellet on an average was 14000. At the moment pellet is hovering around 15000-15500. That is for domestic as well as export realization. On the sponge size, current domestic levels are at around Rs.13000 a ton, which was around 29000 again in Q1, 28500. And billet is hovering around 42500, which was around 40700 in Q1. So, prices are slightly better compared to the Q1 levels at the moment. Definitely because of monsoon, the domestic demand is on the weaker side, but we are hopeful given the monsoon goes away, the demand will revive back in India. On the China side, yes, there have been downs on production cuts. There has been no official communication on any of the website or any kind of media, how much production cut. But from what I understand is that they are trying to do a production cut compared to last year by 2% to 3%. So, for example if I produced 999 million tons last year, so roughly we should be producing around 2% to 3% less. So, that has been the rounds which is making in the news. But, at the moment there is no official communication from China Government or even the China steel manufacturers officially. So, it is something we are eagerly also waiting. If there is a production cut, there might be a subdued demand of iron ore by few percent. But, at the same time Europe has opened up, US has opened up. And the bigger players like Rio Tinto or BHP, they are not able to feed the required amount of iron ore into the global market. So, I think the prices of iron ore pellets will be at elevated levels this year as well.

Vikas Singh: Okay sir. sir, just one question in terms of our iron ore mining capability increase. So, previously we were buying roughly about 15%-20% from the outside market. Now, since we would be fully integrated, so what kind of a cost shift we can expect on a blended basis, because of that?

Abhishek Agrawal: In Q4, we were buying close to 20%-25% from the outside market. From Q1 onwards, we have completely shifted to our own captive mines. That is why there has been an additional EBITDA in terms of addition, because the cost had gone down by almost an average of 4000 to average of Rs.3000 at the moment right now, at the moment right now.

Vikas Singh: So, large part of it would be on account of iron ore cost only, is that the correct assumption?

Abhishek Agrawal: Yes, Rs.3000 iron ore cost exactly.

Vikas Singh: Okay sir. and just one last question if I may squeeze in, thermal coal prices have been increasing pretty fast, so just wanted to understand what was our 1Q average cost and what kind of cost inflation we expect in 2Q?

Abhishek Agrawal: At the moment we are very, very much covered till November, which is Q3 of this financial year. And in Q1, the average thermal cost for our imports was close to Rs.75000. But in Q2 we did around Rs. 85000. Because, I covered my volumes well in advance, so the impact is not very huge when it comes to the Godawari's operations for thermal coal.

Vikas Singh: Understood. Thank you for taking my questions and all the best for the future sir.

Dinesh Gandhi: Thank you Vikas.

Moderator: Thank you, sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. And participants are kindly requested to restrict with two questions in the initial round and may join the queue for further questions.

Next question comes from Mr. Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Hello sir. Congratulations on a great set of results.

Dinesh Gandhi: Thank you Bhavesh.

Bhavesh Chauhan: Sir, I would like to know how this funding is going to take place for this 1.5 million to 2 million tons, we require 3000 crores to 4000 crores. And this is to be spent over the next three years. So, we will be looking to debt, to resort that also?

Dinesh Gandhi: Bhavesh, this project is in the initial stage. And we have to see as to how our cash flow grows over a period of time. And this project, we are aiming it to commission by 2024-2025. So, over the period of next four years and our standalone debt, balance sheet is debt free. So, we will have substantial internal accrual on the cash flow. And if required, we may have to temporarily take some debt on the balance sheet, which we will be able to finally communicate and then we are able to decide on the final balance sheet and what is our further debt raising plan going forward. But, we will not be raising substantial amount of debt, that much I can assure you. And further on this topic, Mr. B.L. Agrawal, I would request Mr. Agrawal to give more highlights on this. Hello, over to you BL sir.

B.L. Agrawal: Good morning everybody. And because now the company is debt free and we have substantial amount of cash flow coming into it; now, we have decided to go for the next stage of expansion. We have completed our last expansion, major expansion in the year 2014 by setting up 1.5 million pellet plant. And thereafter the only bottlenecking exercises we have done and mining we have ramped up. Till now we were into the long couple of segments only and we are categorized. We have planned to set up 1.5 million to 2 million tons product segment, where the quality will be fully ensured. I believe that we will be able to complete our CAPEX with a much lower cost as compared to our peers. Land has already been identified the environmental clearance documents are under preparation and techno-commercial discussion with the equipment supplier is already going on, not only with the European supplier, but also with the Chinese supplier. I hope that in the next three months, there will be clear visibility as to what is the exact size of our plant, what ultimate product we are going to manufacture. Definitely, we will prefer to manufacture the product with subsidy announced by the Government of India under the PLI scheme, which is ranging from 4% to 12%. I am sure that this project will be commissioned somewhere in the first half of financial year 2024-2025. The final numbers are yet to be worked out; but, I am sure in the next three months, that is in the next conference call with the results of the Q2 results, we will be able to announce our plans finally.

Bhavesh Chauhan: Quite helpful.

B.L. Agrawal: Along with the same, by setting up 250 megawatts power plant, we are moving towards the carbon utility. Once this project is commissioned, which I hope it will be commissioned partly in the current financial year and partly in the next financial year. So, our aim is to go for the carbon utility also. Once this 1.5 million to 2 million tons plant is commissioned; I think Godawari will be the sixth or the seventh largest players in the country. And we will definitely qualify with the Chinese producers.

Bhavesh Chauhan: Thank you very much. Quite helpful sir. Second, one more question I have, which is we have classified Ardent as the non-core asset. So, are looking to sell out of Ardent stake?

Dinesh Gandhi: No Bhavesh, we are not exiting from Ardent Steel. We wanted to divest some stake, which we have already completed.

Bhavesh Chauhan: Okay sir, thanks a lot. All the best sir.

Moderator: Thank you, sir. Next question comes from Mr. Amit Dixit from Edelweiss. Please go ahead. Mr. Amit, please go ahead with your question.

Amit Dixit: Am I audible?

Dinesh Gandhi: Yes, yes, Amit.

Amit Dixit: Hello? Am I audible now?

Dinesh Gandhi: Yes Amit, you are audible.

Amit Dixit: Hi. Thanks for the opportunity. And congratulations for a great set of numbers. I have two questions. The first one is with respect to again, steel plant. As Mr. Agrawal mentioned that we are going for 1.5 to 2 MTPA plant and it is under PLI scheme. So, just wanted to understand the specific benefit of PLI scheme that you foresee for this plant in terms of products and in other aspects. That is the first question. And the second one is, little bit intrigued about your increasing stake in Hira Ferro Alloys and kind of integrating that, because of your captive iron ore, the ROEs of the two business are very different. So, how do you ensure that overall the ROE of the business remains optimal while integrating Hira Ferro Alloys? These are the two questions.

Dinesh Gandhi: BL sir, you will take it, the first question?

B.L. Agrawal: Yes, I will take the first question. I would like to take the first question. Recently Government of India has announced the Production Linked Incentive in this segment also, amounting to Rs.6300 crores. Here, we are going to bid 4% to 12%, depending on the different products of our turnovers. These are the specific products, which are currently being imported. We are focusing mainly on the two segments, one is that API grade of steel, which is being used for transportation of the gas and oil. And second will be the coated steel, which is being used for the roofing and all that. So, these two segments we are focusing on and which are being covered under the PLI scheme. Thank you.

Dinesh Gandhi: And just to what Mr. B.L. Agrawal said, currently on the specialty steel side, current production in India is close to 11 million tons, whereas we are still importing close to 3 million to 4 million tons. With the Government of India's initiative, Aatma Nirbhar Bharat, so they are promoting that people should try and manufacture the steel in the country only and the imports should start reducing going forward. Thank you.

Amit Dixit: Sir, can I ask a follow up on this?

Dinesh Gandhi: Yeah.

Amit Dixit: So, you just mentioned about coated steel and API grade. Now, if I look at your experience, it has not been in these products. And these are very specialized products. So, what gives you the confidence that you will be able to kind of, because these are very specialized kind of products, requiring a very specific value chain, which you don't have at the moment. So, what gives you the confidence that you will be able to achieve the optimum utilization and on the marketing front also?

Dinesh Gandhi: To be very honest, of course this is going to be a new venture. It is going to be a, totally a new ballgame for us, compared to what we are doing right now. So, with the kind of expertise we have and experience, and other technical expertise, we are very confident that we will be able to commission a project and maintain the quality standards as per the requirement of the Government of India. We have no doubts about that, to be very honest with you. There is no technical reason behind it. But, we know that we can implement. We can commission the project timely and we would be able to deliver quality products as committed by us.

Amit Dixit: Great sir. Appreciate that. Thank you. And the second question on this Ferro stake.

Management: Second is, Amit, about the Hira Ferro Alloys, as you may be aware, Hira Ferro Alloys has been our subsidiary earlier and during 2016-2017, which was de-subsidized for infusion of money into our restructuring package at that point of time. And we had reduced our stake. Now, with the availability of free cash flow, we want to reintegrate Hira Ferro Alloys with GPIL and at the same time, fund the requirement of Hira Ferro Alloys for setting up the fund requirement for the solar PV power plant. This setting up of the solar PV power plant, the operating cost is going to be much lower, maybe in the range of 50 paisa per unit, as against the grid rate of Rs.5 per unit, Rs. 5½ per unit minimum for Hira Ferro Alloys. So, it is going to give substantial aid in terms of profitability to the Hira Ferro Alloys. And with the integration of Ardent Steel and with the captive requirement of Hira Ferro Alloys in the steel business, we feel that this is a logical extension and this should have been done earlier, but since our aim was to reduce the standalone debt first and close that, and then extend, integrate the Hira Ferro Alloys and therefore we have taken this decision.

Amit Dixit: Got it sir. I have a few other things but maybe I will take it offline with you.

Dinesh Gandhi: Yes please, thank you Amit.

Moderator: Thank you sir. Next question comes from Shantunu Mantri from MK Ventures. Please go ahead.

Shantunu Mantri: Hello sir, I am really happy to see how Godawari has turned around in the last three, four years. It has been an exceptional journey and I would first like to congratulate the entire team. My first question is, somebody had asked earlier now that we are fully integrated with the iron ore capacities, just wanted to re-check that our captive cost of iron ore now going ahead will be somewhere around Rs. 3000 per ton right?

Abhishek Agrawal: It used to be around 2400, 2500 level but because of increase in royalty because the iron ore prices increased over a month, and I think from here average will be somewhere around 2000 level.

Shantunu Mantri: Okay and this will be fully from our mine right? There will be no….

Dinesh Gandhi: Yes, definitely.

Shantunu Mantri: Okay got it. And sir just wanted to understand any particular reason why our pellets volume was a little lower this quarter and what would be your….now it is enhanced pellet capacity as well. What sort of pellet volumes would you be targeting for this year?

Dinesh Gandhi: As Abhishekji rightly mentioned in the start, we have already enhanced the capacity from 2.1 to 2.4 million and this year we are confident we will be able to produce close to 2.4 million, for that the capex has already been done whatever technical expertise was required; that procedure has been completed. So we are already producing at the rate of 2.4 million tons per se. Secondly the volume will grow by 5%. June is the onset of monsoon in Chhattisgarh, and right now the monsoon is pretty heavy right from the start of June, it has been raining in and out so I think the 5% will be easily made up in the coming months. So there is nothing to worry.

Shantunu Mantri: Okay and one last question, just wanted to know in terms of moving up in our current portfolio of billets, round, bars and HP wire, what sort of incremental spread we would be making in these three products if you could give some idea?

Dinesh Gandhi: It is very difficult to ascertain at the moment because we have been into export of iron ore primarily for the last three months because the domestic demand is very subdued. Earlier on the average side I would say, over half of pellet, sponge will give an additional EBITDA of close to 3000 rupees and billet is more of an Indian process now. Billet cannot be considered as different percent now, when it comes to wire rods or HD wire we are looking at another additional EBITDA close to 2500 per ton over and above pellet.

Shantunu Mantri: Yeah, I got that. And sir last question. What sort of capex number we would be looking for this year? I believe some little bit of debottlenecking is left and anything other than that?

Abhishek Agrawal: We had already given the number through our presentation. We will need for the current year and next year about 70 crores in the iron ore mining and about 60 crores in the steel melting shops. So you can assume safely that 100 crores will go in the current year and rest out of the 30 crores will go in the next financial year. And there will be some traces in the solar PV power plant. Solar PV will be about 50% to 60% in the current year and potentially going the next financial year.

Shantunu Mantri: Okay, that's perfect there. Once again, I would like to congratulate the entire team, thank you.

Dinesh Gandhi: Thank you very much.

Moderator: Thank you sir. Next question comes from Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Good morning team Godawari. First of all congratulations and appreciation for the super execution done by the company over the last two, three years. Sir I wanted to understand two, three things. First, can you share, non-tax can cause the beneficiation increase to increase the output of beneficiation plant and some more mining that we can do. So what kind of volume growth and benefits do we envisage from these clearances and how much would be our value added pellets as of now and if you are looking to increase that proportion going forward?

Dinesh Gandhi: Abhishek?

Abhishek Agrawal: At the moment, just to give you a technical explanation, currently whatever we are getting from our mines, earlier we were not lower grade which was below 60:80. The current mix coming from the mine, so we will be beneficiating the entire input from our mine before the pellet and that will increase our production of premium pellets which is high grade pellet of 55 plus. So going forward, since we have got the permission and the plant is commissioned, we are expecting the volume going forward to be almost 60%, 70% going forward in the future context of high grade pellets.

Ayush Mittal: And in this quarter what will be that contribution as of now?

Abhishek Agrawal: At the moment the contribution is close to 45% to 50% and that will increase close to 70% to 75% going forward.

Ayush Mittal: Can you repeat the numbers? How much is it now?

Abhishek: Now it is 45% at the moment. Going forward, once the plant is stabilized and everything is in line, expecting it in the ratio of 65%-70%.

Ayush Mittal: Okay and this should fetch us at least 10% to 15% additional realization?

Abhishek Agrawal: Currently at the moment we are getting close to 15 to 20 dollars extra from the international market.

Ayush Mittal: Okay 7%, 8%.

Abhishek Agrawal: Yeah, at the moment. Once the brand is established and we are able to capture more market, I am hopeful the material should increase going forward.

Ayush Mittal: Okay.

Dinesh Gandhi: Ayush I just wanted to add to what Abhishek said, Ari Dongri mine capacity is increasing and therefore we are expecting additional saving from the iron ore which we are buying from the market.

Ayush Mittal: Sir, that will make a difference going forward from Q2?

Dinesh Gandhi: Q1 we have mined about 5.5 lakh tons, so Q2 will be in line with Q1.

Ayush Mittal: Okay. Sir my second question is around this additional investment that you are doing in Hira can you share the thought process and the valuation, how we arrived at the valuation because if we look at some of the other lesser companies for example Sandur Manganese and Iron Ore from Karoli expansion, their expansion cost was much lower and if I assess the power capacity it is not that big as Hira. So ideally here the enterprise value looks a bit too high versus the replacement cost.

Dinesh Gandhi: The valuation has been done by an independent valuer and I don’t have the exact numbers with me right now. But I can discuss with you offline anytime after the call.

Ayush Mittal: Okay, thank you sir and wish you all the very best.

Dinesh Gandhi: Thank you.

Moderator: Thank you sir. Next question comes from Pawan Kumar Ratna Piya Capital. Please go ahead.

Pawan Kumar: Sir regarding the iron ore cost, did I hear it right? You said going forward the EBITDA costing for iron ore would be 3000 rupees per ton and also secondly, I wanted to ask you about your corporate structure in the sense it looks slightly complex. We have companies which Godawari owns 50% and maybe the promoters own half of it. Are there any steps that we are actually taking to simplify the corporate structure of the entire group?

Dinesh Gandhi: Your first question was on the iron ore cost. Iron ore if you listened to Abhishek in the earlier reply to the earlier call, it is close to about 2800 rupees per ton from the captive mine including royalty and transport cost.

Pawan Kumar: One minute sir, the 2800 rupees after the incremental over capacity comes in it will remain at 2800 or will it go to 3000 rupees?

Dinesh Gandhi: Earlier the blended cost was much higher because we were buying about 20% from the market and market was anywhere between 5000 to 7000 rupees a ton and it went upto even 9000 rupees a ton during the last financial year. So on an average it would be closer to about more than 4000 rupees a ton including the captive mining. So this will go down to about on an average 3000 rupees a ton, so on the entire production about 1000 rupees saving on the iron ore side.

Pawan Kumar: Okay, last year the iron ore cost was about 4000 rupees per ton, this year it will work out to 3000 rupees because of the iron ore that we have….

Dinesh Gandhi: Yes, average cost of production I am telling.

Pawan Kumar: Okay and the entire extra iron ore capacity will be used up for our internal production only or iron ore will be sold outside?

Dinesh Gandhi: We will use it captively only; we do not aim to sell iron ore in the market.

Pawan Kumar: Okay, that's great. On the corporate sector question sir….?

Dinesh Gandhi: On the corporate side, I will explain. Within Godawari power we have Godawari Green Energy as we have said wherein we hold 76% stake and we are expected to liquidate this investment, it is in progress, when the transaction is finalized, we will announce to the market. There is another company called Godawari Energy, this company holdings of land only we are setting up the 250 acres of solar PV power plant. Rest are held by the promoter, we are 100% integrated with GPIL, transfer the land to GPIL. Ardent Steel will continue to operate at 37% because we have divested from the stake wherein earlier it will continue to operate as a JV, with the partner. We do not aim to increase the stake in Ardent Steel. So that stake will continue. Hira Ferro Alloys we have taken a step forward, by making further investment increasing the stake in Hira Ferro Alloys and over a period of time it will get integrated with GPIL. Godawari Power is already in the process of merger. So once it is merged, this company does not exist. So within Godawari Power we will have major companies operating with Hira Ferro Alloys as a subsidiary company, Ardent Steel as a JV company. Godawari Green and Godawari Energy in the longer term will not exist. And about these three companies, neither infrastructure, and Chhattisgarh coal mining…these companies are non-operating companies and is in the process of winding up we are finding a suitable mechanism to close these companies.

Pawan Kumar: Okay great.

Dinesh Gandhi: Chhattisgarh Ispat again is a non-profit organization which manage the industrial area in which our plant is set up. Godawari being a leading player in that area, has taken 35% stake and balance is held by the government and some private player.

Pawan Kumar: Alright. Okay that's great sir. I hope the structure gets simplified soon. One last thing, what are the pellet price right now sir on the international market from our side?

Dinesh Gandhi: Around 15000 ex-plant.

Pawan Kumar: In Q1 that was?

Dinesh Gandhi: 14000.

Pawan Kumar: Okay thanks sir.

Moderator: Thank you sir. Next question comes from Noel Vaz from Ashika group. Please go ahead.

Noel Vaz: Hello? Actually I just wanted to clarify one point regarding the iron ore sourcing. Previously in the prior quarters there was some amount of non-captive sourcing of iron ore right?

Dinesh Gandhi: Yes.

Noel Vaz: So that was about 20% of the company's requirement?

Dinesh Gandhi: Yes.

Noel Vaz: Okay thanks. I just wanted to clarify on that point. The second point is actually relating to the overall plan to set up the Green energy unit. The new 250 megawatt plant which is going to be set up shouldn't that meet all the…will it be a complete carbon offset to the current carbon footprint for the company or will it be an offset for even the expansion as well as in how will that exactly work out?

Dinesh Gandhi: Can you please repeat the question? I have not understood it.

Noel Vaz: The new 250 plant which is going to be set up, it is going to help offset the carbon footprint for the current operations of the company? Is it one of the auto benefits for the lower power costing at present.

Dinesh Gandhi: Yes I got your point now. Currently we are buying power from the electricity grid, which we are buying at 5-1/2 to 6 rupees per unit and with the increase in the steel billet capacity as we have stated in our presentation from 400,000 to 700,000 tons there is an additional power requirement for our captive requirement. Some of the high capacity power plant is there where the cost is very high, so that will get replaced with this solar power plant incremental requirement for our steel melting shop. That is where the entire power of about 35 megawatts, the exchange generation will be about 37, 38 megawatt because solar PV operates at about 16% to 17% PLF. That will be used for our entire captive requirement. Hope it is clear?

Moderator: Yes sir, operator here, he dropped out from the call. Can we move to the next question sir?

Dinesh Gandhi: Yes.

Moderator: Next question comes from Raj Nahar Milli Consultants. Please go ahead.

Raj Nahar: Good morning and congratulations to the entire team for the superb results. I have two questions basically. Why is that you are putting up solar power in the ferro alloy business as well as in the main company? How are you going to feed the power in the night, are you going to continue with your existing set up of solar based power plant? In what way are you going to match your requirement?

Dinesh Gandhi: As far as Godawari Power is concerned, I just replied, this is for the incremental requirement plus replacing certain vey high cost coal based power in our existing location which is very old. In case of Hira Ferro Alloys, Hira Ferro Alloys is already drawing about 15 megawatts power from the grid which will be replaced with the solar PV power plant.

Raj Nahar: What will happen in the night?

Dinesh Gandhi: Both this power which is coming at a substantially higher cost of 5-1/2 to 6 rupees per unit will get replaced with the offsetting cost of 0.50 paise per unit plus interest.

Raj Nahar: That is not my question, my question is, you are putting up such a large capacity, so in the night you will continue to draw the power either from the grid or you continue to run?

Abhishek Agrawal: Dineshji I will take it. The government of Chhattisgarh has a solar policy, where we are allowed to dam the power. So whatever power we get from the solar power will be dammed in the grid and we will draw from the grid as per the requirement.

Raj Nahar: Okay so how much cost you will incur for this getting from the grid?

Abhishek Agrawal: There is no additional cost.

Abhishek Agrawal: Except minimum demand charges.

Raj Nahar: Okay got it.

Abhishek Agrawal: This we are already doing because we are already drawing power from the bridge.

Raj Nahar: The second point is regarding your beneficiation plant which is a grid addition and it is going to give you sustainable savings; can different strategy be adopted because high grade pellets gets around 300 dollars, when it is around is around 63%, 67% as in content. So whether that can be exported totally or sold at a higher price and whether we can source the required iron ore from the market? By that way the profitability of the company can shoot up substantially. Whether that kind of strategy are we thinking or is it viable, I just wanted to know what's on your mind?

Abhishek Agrawal: Procuring iron ore fine from the market, it totally out of the question. The average actually available in today's market in India is close to 16, 16-1/2%. It is difficult to beneficiate and increase directly to 68, 59. To make 67 pellet we need a concentrate of 69. It is not possible with the current availability of iron ore from India. So that possibility is ruled out. Currently what we are making is around 55.5 pellet compared to 67. So market of pellet gets the highest premium. So we have been trying to streamline our processes to improve the quality so that we can compete and get a better premium. But that is the working for grid and I cannot commit anything concrete on this at the moment. It is still work in progress.

Raj Nahar: Okay and since pellet capacity is 2.4, because beneficiation we will get fine concentrate, so what are you going to do for the balance quantity? You can't use in the sponge iron plant or something like that.

Abhishek Agrawal: No, I will tell you. 3.2 is the input and not the output. So the 3.2 means it is the throughput with a yield loss of close to 15%, so we will be getting an output of close to 2.8, 2.7 million tons which will be used for making pellets.

Raj Nahar: Okay sir, thank you and all the best.

Moderator: Thank you sir. Next question comes from Ram Shankar from Stocks Populi. Please go ahead.

Ram Shankar: Thank you for the opportunity and congratulations to team Godawari for the excellent results. I think the last two years had been very high on execution so thank you and congratulations. I also thank you for an insightful investor presentation, lots of details there quite helpful for the investor. Sir my first question is, considering you mentioned our iron ore our landed cost would be somewhere around 2800 to 3000 rupees per ton. So for pellets, and I am asking specifically for pellets- at what selling price per ton are we going to be EBITDA positive on pellets? Is it 4000 per ton or 5000 per ton? Roughly any number if you can give?

Dinesh Gandhi: On the pellet side to be positive, we need a realization of ex-plant 5000 plus.

Ram Shankar: Thanks for that. How much of the pellet capacity do we use for our internal consumption for sponge iron, billets, rounds etc? Is it roughly 30%, 40%?

Dinesh Gandhi: In terms of number I would say currently our sponge capacity is close to 0.5 million, so we need close to 0.75 million for that and once the sponge iron capacity goes to 2.6 million, we will be consuming around 0.9 million tons on annual basis. Roughly about 40% of our installed capacity.

Ram Shankar: Thank you sir. And sir, last time I understood, that the pellet contribution to the overall EBITDA is roughly around 70%. So what is the latest product mix? Is it still 70% or is it any number?

Dinesh Gandhi: At the moment because the pellet prices, the iron making is getting a better leverage in the national market because of high iron ore prices, so currently the ratio is around 85% comes from the ferro operations and 15% comes from the steel operations. But as probably going forward the market realizes the prices are controlled, there will be a constant shift in the EBITDA level depending on the market.

Ram Shankar: Yeah, thank you sir. My second question, I understood that there was some inventory clearance issues at port and that has been cleared in the first week of July for the drop in the sales numbers. But I am going through your presentation, slides 13 and 14 for your production and sales numbers; so if I see even for FY21, your production for sponge iron is roughly around 5 lakh tons, billet is 3.5 lakh tons, rounds 2.6 lakh tons but the sales are roughly for sponge iron it says 20%, 1 lakh ton, billets 40% 3.5 lakh tons, and the same thing is happening in the quarter also. If you see billets is only 25% of the production, sales is just 25%, rounds is 50%, sponge was very less, only 3%, so just wanted to understand what is the exact reason for this and what are we doing to address this mismatch.

Dinesh Gandhi: There is no mismatch. We have been increasing our steel capacity day on day, a couple of projects for renovation which are being completed. So the moment the billet production goes up, your sponge production will go down because the production of sponge is constant at the moment. So the moment we are able to ramp up the production of billets, going forward I can tell you FY22, the sponge sale will be completely zero, and that sponge will be committed to making billets and billets will be committed to wire rods. So going forward it will be complete integration of pellet to wire rod. There will be no sale of pellet, no sale of sponge iron.

Ram Shankar: Understood that sir. Thank you for that clarification. There were some adjustment of inventory in your income statement. So the last year balance sheet FY21 year ending was roughly around 450 crores of inventory. So what is the current number if we can give sir?

Dinesh Gandhi: Current number readily is not available, Bothraji are you aware?

Sanjay Bothra: Inventory level will be more or less the same as last quarter.

Ram Shankar: Okay and sir the last question if I can squeeze in, you mentioned that the inventory at the ports got cleared in the first week of July. So can we expect higher sales numbers for this quarter because the sales number for Q1 was a bit subdued?

Abhishek Agrawal: Currently it is the monsoon season all over India, so port operations do get hampered to a certain extent because of the monsoon. We try our best to deliver the shipment as per the contract and as per the agreed date. But 15 days here and there is acceptable in such monsoon condition. Once the monsoon is over, we are very confident that there will be no large inventory. It is something which is not in our control; it is totally upto the ports how they handle the cargo and how they deliver.

Moderator: Ladies and gentlemen we regret the inconvenience caused due to network disruption, that would be the last question for the day. With this we conclude the conference call. Thank you for your participation and have a good day everyone.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.