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GODAWARI POWER & ISPAT



REF: GPIL/NSE&BSE/2024/ 5352

Date: 12.02.2024

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 February 7, 2024 regarding Q3-FY24 Results.

This has reference to conference call held on 07th February, 2024 to discuss the results and performance of Q3 FY24 for Analyst/Institutional Investors/Fund House/Investors etc.

Please find attached herewith the Transcript of Conference Call held on 07th February, 2024.

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

Godawari Power & Ispat Limited

An ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 certified company
CIN L27106CT1999PLC013756

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“Godawari Power & Ispat Limited
Q3 FY2024 Earnings Conference Call”

February 07, 2024



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

MANAGEMENT: **MR. B L AGRAWAL - MANAGING DIRECTOR -
GODAWARI POWER & ISPAT LIMITED**
**MR. ABHISHEK AGRAWAL - EXECUTIVE DIRECTOR -
GODAWARI POWER & ISPAT LIMITED**
**MR. SIDDHARTH AGRAWAL - EXECUTIVE DIRECTOR -
GODAWARI POWER & ISPAT LIMITED**
**MR. SANJAY BOTHRA – CHIEF FINANCIAL OFFICER -
GODAWARI POWER & ISPAT LIMITED**
**MR. DINESH GANDHI - EXECUTIVE DIRECTOR -
GODAWARI POWER & ISPAT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Godawari Power & Ispat Limited's Q3 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 Viren. Good afternoon everybody and welcome to Godawari Power & Ispat Limited earnings call to discuss the Q3 & nine month FY2024 results. We have on the call Mr. B L Agrawal, Managing Director, Mr. Abhishek Agrawal, Executive Director, Mr. Siddharth Agrawal, Executive Director, Mr. Sanjay Bothra, CFO 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 risk 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 Sana. Good afternoon ladies and gentlemen. Thank you for joining us today for the Q3 and nine months FY2024 earnings concall for Godawari Power & Ispat Limited. Our financial results and earning presentation is available on our website as well as on the stock exchanges website. I believe you have had a chance to review the same. I will take you through the results and the recent updates of the company post which we will have the question and answer session.

I am pleased to announce that GPIL has demonstrated robust financial performance in Q3 and nine months FY2024 driven by increased production volume of value added products, higher realization of iron ore pellets, cost saving achieved through the year, reduction in power and fuel cost, not only this I am happy to share that GPIL has received the environment approval for capacity expansion in the pellet plant and company has decided to increase the plant capacity of integrated steel plant, two million ton instead of one million ton proposed earlier. Before discussing on the financial performance in detail I would want you to appraise the strategic updates for the quarter and till the date.

The company has received consent to operate the sponge iron plant at an enhanced capacity of 595000 metric tons from 495000 metric tons earlier. We have been awaiting this approval for last more than one-and-a-half to two years and we are happy to announce that this has been now received. Based on the same we have increased the guidance for our

production volume in the current year itself to 590000 tons. GPIL has also received consent to operate the steel melting shop at a higher capacity of 525000 metric tons from 400000 metric tons at the existing plant at Siltara, Raipur, the enhanced capacity of billet is operational and based on the same company has increased the guidance for the production of steel billet to 475000 tons for the current financial year. Due to the consent for higher production of the steel billet, sponge iron manufactured by the companies will be 100% actively consumed, which will lead to value addition and improvement in operating margin. The additional power required to operate the higher capacity in the steel melting shop will be made from the additional power being generated from recently commissioned higher efficiency power generating turbine and solar project commissioned in the recent past. Overall the increased capacity is value-accretive.

Coming on the updates from the capex plan, GPIL plan to increase more than double the mining capacity at Ari Dongri mines expanding it from 2.35 million ton to 6 million ton per annum, the enhanced mining capacity shall be operational on receipt of environment clearance and production shall be gradually increased over the next one year. The company has already filed revised mining plan for increased capacity of mine and TR is also received. The public hearing is expected to be concluded in Q1 FY2025 post which the environmental approval is expected to receive. GPIL is also setting up a beneficiation plant at Ari Dongri mines with a capacity of 6 million ton; the estimated capex from the sale is Rs.200 Crores this will be set up in 15 months after the receipt of environmental approval. GPIL earlier planned to increase the pellet capacity by 3 million ton; this will be done in two phases. In first phase pellet capacity will be increased by 2 million ton and another one million ton will be done in the phase two. Capex requirement for phase one expansion is Rs.600 Crores as mentioned earlier. I am delighted to inform you that environmental approval for the same has been received and project is estimated to be completed in Q1 FY2026. Further GPIL has decided to increase the capacity of proposed integrated steel plant to 2 million ton instead of one million ton proposed earlier. Based on the detailed diligence done by the company capex for the integrated plant has been revised to Rs.6000 Crores for 2 million ton, the revised cost does not include the coke oven plant and thermal power capacity required for the project. The coke oven requirement for the project will be made from procurement of coke from market in place of coal and converting same into the coke. Similarly electric power requirement for the project will be sourced from the solar power to be set up under the group captive arrangement with the third party. It has been planned to minimize, lower carbon emission and lower capex. The public hearing for the project has been completed and environmental approval is awaited. It is expected to be commissioned in 36 months upon the state of environmental approval. GPIL is dedicated to minimizing carbon footprint and actively pursuing the objective by setting up four solar projects to establish the combined power generating capacity 173 megawatt up from 155

megawatt proposed earlier. As of today 145 megawatt solar power capacity has already been commissioned and we are actively contributing to the cost saving and reduction in carbon footprints. I am happy to share that out of 145 megawatt 20 megawatt solar power plant of Hira Power was commissioned in December taking the total capacity in HFL to 52 megawatt and 23 megawatt of solar capacity to meet captive requirement of power at Ari Dongri mine has been commissioned yesterday evening only after the Board meeting, the balance solar power capacity remain could not be commissioned because of the nonavailability of contiguous land company is making efforts to purchase the land and same will be installed and commissioned in due course.

Another 20 megawatt solar power plant that is to be set up to address the captive power requirement of fabrication and galvanizing unit is expected to be completed in June 2024. Capex for the same is Rs.80 Crores out of which Rs.21 Crores has already been incurred. This will result in cost saving by Rs.3 per unit besides reduction in carbon footprint. Further a new high efficiency 48 megawatt turbine generator has been commissioned and duly synchronized with the grid in December 2023. The existing old turbine has been replaced with this new turbine which is advanced and efficient in generating power and is expected to generate additional 7 to 8 megawatt electric power without any additional fuel consumption. The additional power generated from the new turbine is being used in captive steel plant to replace the grid power. Debottlenecking capex for rolling mill modernization is progressing as per schedule and is expected to be completed by Q4 FY2024 this will help meeting the company's requirement of steel in the fabrication and the galvanizing unit. Shareholders' approval for grant of 28 stock options already has been accorded in December and subsequent to which company has granted over 8.8 lakh ESOP to the eligible employees in January 2024.

Coming on the operation performance, I am delighted to mention that GPIL has exceed highest ever production volume in steel billet, ferro alloy, power on quarterly basis and for sponge iron, billet and power in nine month basis. One of the major competitive advantages of GPIL is captive iron ore mines; captive iron ore landed cost for GPIL is Rs.2800 Crores from the mines as compared to market price of over Rs.6000 a ton. Our iron ore mining production increased by 9% quarter-on-quarter basis to 565000 tons in Q4 FY2024 though it dropped 13% Y-o-Y because of reduction in production volume in the Boria Tibu mine.

Coming on the sales volume numbers, iron ore pellet sales volume dropped 15% quarter-on-quarter because of the piling up of certain inventory in the plant and at the port which has been exported in January 2004 and the same will reflect in the sales volume of Q4 FY2024. Production volume across division increased on Y-on-Y basis, the detail production and sale volumes are shared with the investors in the investor's presentation.

Realization for pellet increased 27% and 6% to 10500 on Y-on-Y basis and quarter-on-quarter basis. On nine month basis realization of pellet increased by 11% to 10205, realization for other products showed a decreasing trend on nine month basis. The cost for iron ore procured from the market and the coal was higher on quarter-on-quarter basis.

Coming on the consolidated financial performance, the revenue for the quarter showed marginal increase of 1% and decrease of 11% to Rs.1309 Crores on quarter-on-quarter basis and Y-o-Y basis, the reason for decrease in realization other than pellet owing to the piling of the stock at the port. EBITDA increased by 80% Y-o-Y to Rs.331 Crores owing to higher realization of iron ore pellet in Q3 as compared to Q3 of FY2023 and saving in power and fuel cost. EBITDA margin increased to 25% as compared to 13% in Q3 FY2023, profit after tax increased to Rs.229 Crores up 79%, PAT margin also increased to 17.5% in Q3 FY2024. Company continues to remain debt free, the net cash on the balance sheet of the company as of December 2023 is Rs.768 Crores approximately.

Coming on the nine months performance, the revenue during nine months dropped by 12% to 3926 as compared to last financial year due to fall in realization across the product range except the iron ore pellet. Our EBITDA increased by 13% to Rs.999 Crores in nine months FY2024 because of the increased realization in pellet and cost saving in power and fuel. EBITDA margin increased to 25% from 20% in nine months in Q3. PAT increased by 15% to Rs.717 Crores in nine months FY2024.

Now coming on the market outlook, on international front global iron ore prices have touched \$144 a ton in January up from \$103 at the start of the year and currently ruling at about \$133 a ton, importing China was strong, there was no exclusive steel production got announced in China, at the same time China domestic iron ore production plagued. The World Steel Association is forecasting steel demand to grow by 1.8% to 1815 million tons in 2023, another one million ton in FY2024. This augurs well for demand for iron ore as well as expected the prices got well around the current level.

On domestic front iron ore prices as indicated by NMDC have increased significantly to Rs.5110 currently from Rs.3610 in January 2023. Prices have recovered well from the lows seen post imposition of export duty and are now closer to high seen in calendar 2022. On the other hand pellet prices after touching a low of 8800 in July 2023 has increased to over Rs.10000 a ton in December end and is currently at about Rs.9800 a ton. Given the positive steel demand outlook, pellet prizes should well remain supported at the current level. India remain one of the bright spots globally for steel demand, World Steel Association forecast India's steel demand to increase 8.6% in 2023 and another 7.7% in calendar 2024 as compared to 9.3% in calendar 2022. Indian government push for infrastructure can be seen

in recent budget with 11% increase in capital outlay to Rs.11.11 lakh Crores augurs well for the steel demand in the country and especially for the long steel product.

In conclusion, I would like to emphasize that GPIL's strong net cash balance sheet competitively provided by captive iron ore mine, production of high-grade pellet, over two decades of industry expertise and dedicated and forward-thinking leadership, diligent employees and support from all stakeholders bodies well for the company's growth in future. With this I conclude my opening remark and we can now open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have a first question from the line of Jatin Damania from Swan Investment Manager. Please go ahead.

Jatin Damania: Good afternoon Sir. Thank you for the opportunity. Just wanted to understand now since we have got a consent to upgrade and we will be consuming entire sponge captively but want to understand more on our expansion plan because if you highlight the rationale we are dividing a pellet into a two phases because earlier we were supposed to do a three million a ton at one go now we are planning to do two and one, so what is the rationale behind doing this?

Abhishek Agrawal: So the rationale is we want to integrate the current capacity with our iron ore mines so that we are able to maximize the production of high grade because buying iron ore from the market and then making pellet in the long term I do not see it is commercially viable anymore, the capacities of iron in India and the supply of iron ore, so to integrate the iron ore mines with the pellet plant capacity we decided to reduce the capacity from 3 billion and then going forward when we are able to enhance further capacity in iron ore mining we will probably go for on the pellet plant.

Jatin Damania: In terms of the mining approval for the expansion where are we on that because couple of quarters has been done that we wanted to expand it to six million ton?

Abhishek Agrawal: We should be able to receive the mining approval in Q1 of next financial year and once we receive that we should be able to ramp up the capacity and then the next financial year we should be able to touch the capacity of 6 million ton.

Jatin Damania: So that is in FY2026 we will be 6 million tons of the mining capacity in terms of the production, FY2025 we will be somewhere around 5 million right if we get an approval?

- Abhishek Agrawal:** Yes, everything is in line so probably FY2025 we should be able to ramp up to the levels of 5 million and then FY2026 we should be able to ramp up to 6 million ton.
- Jatin Damania:** By that time our pellet will also be operational?
- Abhishek Agrawal:** Exactly so that is entire thinking behind revision in pellet capacity in the phase one.
- Jatin Damania:** Last two questions one on Boria Tibu, what is the status, where are we and in terms of the beneficiation are we looking at setting up anything on the Boria Tibu?
- Abhishek Agrawal:** Yes, we have already started working on the Boria Tibu mines, we should be able to apply for the environmental approval very soon and once we have that in hand we will start installing the plant, but looking at the current scenario next 30, 36 months is bare minimum where we looking at Boria Tibu to commence operations again.
- Jatin Damania:** But as of now you do not have any impact on our performance right from Boria Tibu because the mining is not working?
- Abhishek Agrawal:** In terms of financial performance there will be no impact on the Boria Tibu performance.
- Jatin Damania:** Last questions on a capex, now since we have highlighted we will be doing 6800 of the capex so can you highlight what are the products that we will be producing from the integrated steel plant, how are we going to fund this capex and what is the capex plan for FY2025-2026?
- Abhishek Agrawal:** On the new Greenfield we are focusing only on the flat products, we are not thinking of going to long products anymore. We all into long products and the way Indian steel is shaping up we think the demand for the flat product will be on increasing trend so we are only focusing on the flat product. On the capex side as we already declared with the mining and debottleneck in the new pellet plant Rs.1000 Crores so that will be done from the internal accrual and for the Greenfield also depending on the final capex once we are able to start making orders we are confident we should be able to fund all the capex from the internal accrual only the current capacity, the mining expansion and for the Greenfield.
- Jatin Damania:** For capex FY2026 roughly?
- Abhishek Agrawal:** For 2025 the capex for the mining and the pellet should be about Rs.800 Crores and after that in 2026 we should be able to start the new Greenfield product.
- Jatin Damania:** So that will be near about Rs.1500 Crores right?

- Abhishek Agrawal:** Yes.
- Jatin Damania:** Thank you Abhishek. That is all from my side. I will come back in the queue if I have more questions. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.
- Aditya Welekar:** Thanks for the opportunity. Sir on the steel plant, we have announced the incremental capacity, so just wanted to understand from coking coal perspective what will be our strategy means and what is a normalized EBITDA per ton you expect from the plant in future?
- Dinesh Gandhi:** On the coking coal front given the current scenario we have no plans of putting up coke oven. We will directly import coke and using the blast furnace, the rationale behind this there are lot of capacities in Indonesia which are only making coke. Indonesia has low grades of coking coal, so a lot of investments we have done in Indonesia and current capacity stand at about 20 million ton and lot of imports are already happening into India of coke instead of putting up a coke oven we want to save on the capex and directly import coke and using the blast furnace that is the strategy at the moment.
- Aditya Welekar:** Understood and can you come again on the capex spending profile for coming five years if you can just repeat that I lost that part?
- Dinesh Gandhi:** For the pellet capacity and the mining expansion, it is going to be close to about Rs.800 Crores which is already under way and for the Greenfield we envisage about Rs.6000 Crores of course this will be closed down once we are able to finalize the capacity and we start taking orders, but going forward next five years I think we should be somewhere about Rs.7000 Crores.
- Aditya Welekar:** Understood. Thanks a lot. I will stay back in the queue.
- Moderator:** Thank you. The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.
- Vikash Singh:** The spot prices versus the Q3 average, how much up and down they are?
- Dinesh Gandhi:** The current spot prices in the domestic are hovering about Rs.10000 and it is in line with the quarter average, so not much change.

- Vikash Singh:** No, that is for the pellet the steel products the prices are down as of now?
- Abhishek Agrawal:** The quarter average about 41000 and currently the price is about 39000.
- Vikash Singh:** Understood Sir. My second question is given the current domestic prices as well as export pellet prices are we looking at the export more or we would like to sell in the domestic more so how the math is setting up right now, difference between the net realization between these two at this point of time?
- Dinesh Gandhi:** Alright, so we did start exports in the month of December, we have already done couple of shipments, but China is on holiday right now and as you all know China the iron ore prices has come down by 10% in last few weeks because the China market is quite weak, so currently we are focusing on a domestic market because the realization is much better but as and when the opportunity present we are always open to start exporting again. Depending on the realization we are open for both the markets export as well as domestic eventually it is about selling at the best price possible.
- Vikash Singh:** Understood and just wanted to understand the thought process behind not going after even power plant and tying up with the third party for the larger plant, so is it to something to do with the capex cost or the environmental clearance-related problem because usually it is advisable for us to have everything in-house for the better margin, so how the margin dynamics sets up in that scenario?
- Dinesh Gandhi:** There are two scenarios one is of course the carbon emission part with Government of India focusing on decarbonization, we also want to be in the same path that is one of the reasons. Secondly on the commercial side today operating a coal-based power plant that you do not have any captive coal mines and you have seen a picture everything from the open market the power cost varies from anything between Rs.4 to Rs.5 unit on the yearly average and when you do the solar plant the yearly average is not more than Rs.3.5, so commercially also will be saving on the operating cost and on the carbon side also will be saving on the emission side, so both aspects were considered and that is why we took the decision.
- Vikash Singh:** Understood Sir. Pellet price outlook as per you because I think that the yesterday pellet prices have actually gone down in the markets?
- Dinesh Gandhi:** Rs.200, Rs.300 plus, minus depending on the steel market and the domestic demand does not make a difference and I have always been mentioning as a company with the volume we have we always have a order book of close to 30 to 45 days, so I can say we almost covered

till March, so the price is going down currently does not impact our numbers for this quarter at least.

Vikash Singh: Just one last question regarding Boria Tibu usually they are seeing good grade or low grade on the mining side, so have we done any survey which would give us an idea that whether the entire mine is of low grade or this just we encountered a over body which is of lower grade?

Dinesh Gandhi: No, of course we have been running the mines for past few years. This year only we decided to close the mines due to commercial viability, so we know all the analysis, we know what ways available, so the reason is because overall quality of the mines is on the lower side compared to Ari Dongri so the best way possible is to beneficiate make high grade from low grade and then bring it to the plant for usage so that is the reason we have closed the mines and we are going for beneficial in the Boria Tibu mines. It is a well thought decision looking at the commercial viability of the mines and long duty as well.

Vikash Singh: Understood, so the entire mine actually is of lower grade?

Dinesh Gandhi: The average is on the lower side compared to Ari Dongri.

Vikash Singh: Understood Sir. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Rakesh Roy from Omkara Capital. Please go ahead.

Rakesh Roy: Good morning Sir. My first question regarding your number for Q3 FY2024 your topline is nearby 1309 so out of 1309 how much is the other operating income?

Company Speaker: There is no other operating income. Other income is separately in the results which are about Rs.20 Crores.

Rakesh Roy: When I calculate your sales number with your realization it is come nearby 1262 so difference between the numbers you have provided me or the numbers I have calculated, your sales volume multiply by realization?

Company Speaker: The overall sales include the sale of certain buy product, scrap, etc., and which is not part of the investor's presentation and therefore there is a difference.

Rakesh Roy: So compared to the last big number because if I check your topline is down by 10%, 11% year-on-year, but when I calculate from your sales volume realization is up by 9%?

Company Speaker: The pellet realization is up on nine months basis, but steel plant realizations are lower as compared to the same period last year.

Rakesh Roy: Same period last year scrap sale is more same period last year?

Company Speaker: There was a trading sale last year.

Rakesh Roy: Trading sale last year.

Company Speaker: There was a trading sale, some quantity last year.

Rakesh Roy: My next question is regarding your margin part, due to the rise in coal prices and iron ore the margin is down, so in January coal prices has come down so can we assume for Q4 on next year margin will improve from here onward?

Company Speaker: Definitely the impact of that will be reflected whatever price changes are there in the end product or the raw material the same will reflect in the financial numbers.

Rakesh Roy: We can expect from Q4 gross margin will improve?

Company Speaker: No, that will depend on the realization of other products as well.

Rakesh Roy: Okay.

Abhishek Agrawal: Just to be specific on the coal side because we are importing coal for data operation and with the current inventory so we always have inventory of close to 45 days to 60 days in transit material so the coal prices impact can be seen in the balance sheet going forward, so I would say Q1 of next financial year you can see the impact of the coal.

Rakesh Roy: Q1 FY2025 we can see the numbers?

Abhishek Agrawal: Yes.

Rakesh Roy: Next question regarding sir just recently you have commissioned 25 megawatt solar power, so can we assume your energy cost will come down in Q4?

Abhishek Agrawal: Partly come in Q4 and then the full impact you can realize from Q1 of next financial year.

Rakesh Roy: How much is your currently energy cost in term of rupees and how much is come down?

- Abhishek Agrawal:** Currently our average energy cost per unit should be somewhere about Rs.3.75 and going forward it should be about Rs.3.5 and has come down from about average of Rs.4.75 so we have already saved Rs.1 a unit.
- Rakesh Roy:** We can save Rs.1 a unit sir?
- Abhishek Agrawal:** At the moment and going forward once the pending capacity of solar gets commissioned then the further reduction in per unit cost.
- Rakesh Roy:** As you mentioned you have exported some pellets in December time so which country you have exported?
- Abhishek Agrawal:** At the moment all exports going to China.
- Rakesh Roy:** China?
- Abhishek Agrawal:** Yes.
- Rakesh Roy:** So any export order for Q4 also you have any?
- Abhishek Agrawal:** Yes, we are already doing one more order which will happen in end of this month and discussion already going on for the next month and future deliveries.
- Rakesh Roy:** We can assume pellets realization will remain same 10500 or will come down?
- Abhishek Agrawal:** It is difficult to say because you do not know where the market is going to go because even the key market is quite down in India and China has gone down but Q4 we can expect similar realization and in Q1 we do not know where the market is going to go, this year we are sitting in February, so difficult to assume what will happen in Q1 of next financial year.
- Rakesh Roy:** Next question you have increased your for Greenfield from 1 million ton to 2 million ton sir, any realization behind what you are looking, why you are increasing or what you are looking for 2 million ton and which flat product and which market you are targeting by a flat product?
- Dinesh Gandhi:** To be honest that the rationale behind increasing capacity from 1 million, 2 million and because earlier we are thinking of getting into, we were exporting all the opportunities long, flat, round, but they realize the flat product demand India will keep growing up especially in automobile sector and other than pipe segment, so keeping that in mind we decided to

increase the capacity and we are only focusing on flat products. We have dropped the idea of getting into long any further.

Rakesh Roy: You are just mentioning you are focusing on auto and pipe like?

Dinesh Gandhi: We are basically focusing on the HR coil.

Rakesh Roy: Are we making any long products like TMT bar, we are making?

Dinesh Gandhi: We are already making wire rods which are the category of long product we are not making TMTs and we have no intention of getting to TMTs now. We keep making wire rods in the current premises and the new plant will focus on flat product, HR coil.

Rakesh Roy: What was your outlook regarding demand scenario if you see over a macro outlook in steel demand?

Dinesh Gandhi: Currently demand is quite weak with the generations coming up, but Indian steel consumption and steel production also going up on month and year on basis so we are quite positive in terms of the growth going forward.

Rakesh Roy: Thank you so much.

Moderator: Thank you. The next question is from the line of Ketan from KP Equities. Please go ahead.

Ketan: Thank you for the opportunity. First question on the integrated steel plant. So there has been a lot of back and forth with regards to the steel plant, so earlier we planned a 2 million ton plant then we scraped it then we decided to go to bigger plant and one million ton and then now 2 million ton, so what is the thinking behind this and do we require any further approvals different from the one that we had in the public hearing for recent years?

Dinesh Gandhi: I totally agree with your view. We have been going back and forth in terms of our capacities and the future expansion but after a lot of deliberation and studying the market we have finally freezed on the two million capacity which will be focusing on flat product as I just mentioned and depending on the capex as I said earlier mostly we will try to do from internal accrual.

Ketan: Got it and you mentioned Eicher so we are focusing on Eicher now?

Dinesh Gandhi: Yes correct.

- Ketan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ganesh from SGK Advisors. Please go ahead.
- Ganesh:** Thank you for the opportunity. Sir I am looking at the profit and loss statement and looking at the year ago quarter basically Q3 FY2023 the percentage of stock and freight there is a difference of Rs.220 Crores improvement this year which looks like it has contributed majorly to the profitability so what are the components in the Rs.220 Crores and my question is it also sustainable?
- Company Speaker:** See the profitability if you see as compared to last financial year the same period the profitability has gone up mainly because of the two to three reasons. Number one is increase in the selling price of the iron ore pellets as compared to last year it was about Rs.8500 something it is around Rs.10200. Similarly the production volume across the division especially the sponge iron and steel billet has gone up. Even some production volumes have gone up and the third component is saving on the iron and fuel cost is as you are aware we have set up a lot of solar capacities over a period of last one year and one-by-one it is getting operational so all those factors are leading to cost saving and therefore higher profitability is it sustainable in the future we believe so, is it sustainable in the future, the only caveat is how the steel market and the prices would behave is the prediction. Otherwise definitely it is sustainable.
- Ganesh:** Just one more question thank you. The SteelMint Pellet Index it used to be a good profit for dragging our pellet realization but in the last two quarters our pellet realizations are diverted towards the upside so is it mostly based on the higher quality pellets that we are manufacturing and selling?
- Company Speaker:** Correct.
- Ganesh:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Aman Madrecha from Augmenta Asset Managers LLP. Please go ahead.
- Aman Madrecha:** Actually can you throw some light on the iron ore prices because recently since the last few months we have been seeing that NMDC is continuously coming up with the price increase so what is driving up this iron ore price increase and it is directly beneficial to us so could

you let us understand the dynamics of the market currently and what are you expecting going forward what is driving this price increase?

Abhishek Agrawal: I will tell you what is driving the market. Post COVID once the iron ore mines were auctioned by the Government of India under the new MMDR Act so the supply of iron ore from the merchant mining has gone down quite a bit. Now OMC can say the kingmaker in industrial sector and OMC does auction every month. This is that all the prices are probably decided Pan India level. The same NMDC is following the same mode they have been conducting e-auction for iron ore on monthly basis and basis that they are deciding their prices every month and the second one is the demand of iron ore in India is going up day-by-day because the increase in steel production but the generation from the mines, the iron ore production in the mines is not being able to be ramped up at the same capacity so there is a bridge between the demand and supply. That is the reason the iron ore prices have been going up in India and of course the China from \$104 to \$140 so a lot of low grade fines below 57 has started exporting from India so the big miners like Rungta they have been exporting the low grade iron ore and subsequently they have been raising the prices on the high grade which is being consumed in India so these two are the major reasons why the iron ore prices in India are on upside and I feel going forward they will remain tight till the supply and is able to meet the demand supply.

Aman Madrecha: Going forward also we are expecting at least for the next six?

Abhishek Agrawal: If you look at the current scenario and China on the higher side I feel the iron ore prices should stay elevated.

Aman Madrecha: Thank you so much.

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

Anant Mundra: Good afternoon Sir. Thank you for the opportunity. I just wanted to understand how are we planning to source power for the increased mining pellet capacity and also for the new steel plant?

Company Speaker: Please can you come again.

Anant Mundra: How are we planning to source power for the increased mining and pellet capacity as well as for the new steel plant?

- Company Speaker:** We have already installed solar in the mining which we informed the exchange yesterday only so our mining will be close to 100% captive in terms of green power so that will be the sourcing for our power in the mining side and on the pellet side also we are going ahead with the solar plant. We will be installing another 65 to 75 megawatt of solar that will be used for running our new pellet capacity. As I told earlier we are going ahead with green power in a big way of course for two reasons one is of course the commercial viability versus the coal power plant and of course the carbon emissions.
- Anant Mundra:** So the project cost does not include the power cost right for the new steel plant the Rs.6000 Crores project cost?
- Company Speaker:** It does so we will be going for a group captive solar plant so the Rs.6000 Crores which we have envisaged including the power cost as well.
- Anant Mundra:** Alright. That is it from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Kishan Tosniwal from Polar Ventures LLP. Please go ahead.
- Kishan Tosniwal:** Good afternoon. I have one question only. The company is generating good amount of cash flows it is good that the company is again deploying that in expanding the capacity and all but generating such a huge cash flow do you see or is there anything on the Board's table that there could be a buy back or there could be huge dividend that might come out every year or you might change your dividend policy? That is my only question. Thank you.
- Company Speaker:** See as you would have seen in our investor presentation and discussions during this call we are almost on the verge of a substantial increase in our capex outlay over a period of next three to three-and-a-half to four years and therefore I believe so as of now our dividend policy remains same and as and when our profitability improves and when the capacity requirement goes down we are always open to increase the dividend or go for buyback or anything but it seems like in the near foreseeable future we will have to conserve the case in order to deploy the money into the capex plant.
- Kishan Tosniwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Raj Mahav from Mili Consultant. Please go ahead.

- Raj Mahav:** Good afternoon. I have two questions. What is the EBITDA per tonne from the ferroalloy operation as well as also if you can provide EBITDA per tonne on your steel products, I believe that most of the profit is coming from the pellet operation so whether the investment is giving return on ferroalloy currently or not and how is the price of ferroalloy currently?
- Company Speaker:** See on the ferroalloy side, the market is quite subdued for the past couple of quarters. The prices I would say rather are towards the rock bottom so currently the prices are hovering between Rs.63000 to Rs.65000 a tonne for the products we make and the only silver lining is we are able to reduce our power cost by installing solar plants that will give us additional EBITDA but at the current market scenario I feel the pellet prices are quite subdued and the profitability remains quite constant going forward unless and until the demand of exports go up because lot of ferroalloys are exported from India because India does produce extra ferroalloys which is being exported. As you know the international market is quite weak in terms of steel making especially Europe so if the demand from Europe comes back the price from India should go up further.
- Raj Mahav:** Sir can you share the number basically for steel contribution if it is possible?
- Company Speaker:** No Sir it is not possible because we are preparing the number on a quarterly basis but if you want to understand on a longer term basis what we understand is that profitability keeps on changing depending on the price changes in the market but longer term prices over and above the pellet market price of the pellet we still does give margin of Rs.7000 to Rs.7500 per tonne on the longer term average basis but it is not possible to share quarter-on-quarter number.
- Raj Mahav:** You have this new addition or new plant will be of 2 million tonne or 1.5 million tonne?
- Company Speaker:** 2 million tonne.
- Raj Mahav:** So 2 million tonne steel making, you are projecting Rs.6000 Crores it looks because recent additions by other players has been far higher than this numbers of 3000 tonnes, 5 million tonnes or 6000 tonnes or 40 million tonne?
- Company Speaker:** Just to add to what you said probably you are riding the numbers but as we mentioned a few moments ago so we are thinking of scraping the coke oven which will save us huge amount of money plus going for a group captive solar will also help us give a lot of money so these two accounts we will be saving a lot of capex so that is why we envisage Rs.3000 Crores should be enough to go ahead with the two million plant.

- Raj Mahav:** Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H. G. Hawa and Co. Please go ahead.
- Faisal Hawa:** Sir there was this case in Supreme Court which is pending I think which will probably allow iron ore exports and they appointed some committee also on it so is there any kind of progress on that?
- Company Speaker:** Yes we have an association called PMI at national level so we have been fighting that case as an association and the next hearing is scheduled at the end of this month so we will get to know once the hearing is done but what I know is of course the case is quite baseless but still we have to fight it out.
- Faisal Hawa:** The Supreme Court may overrule the ban anytime?
- Company Speaker:** The ban was imposed in India a few months back and they have already removed the ban so the only case can people export iron ore and pellet without any duty so there is no ban as such. Already people are exporting ores and already people are exporting pellets out of India.
- Faisal Hawa:** So the hearing this month?
- Company Speaker:** Yes.
- Faisal Hawa:** Sir what would be the difference in cost of mining for iron ore between us and NMDC?
- Company Speaker:** Us and NMDC?
- Faisal Hawa:** Yes.
- Company Speaker:** To be very honest I have not track NMDC numbers but for us the current landed value to our plant is about Rs.2800 Crores.
- Faisal Hawa:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Nishta Mukhargee from BigMint. Please go ahead.

Nishta Mukhargee: Thanks for taking up my question and congratulations on a good set of numbers. Sir my question is could you please elaborate on the breakup of sales target for high grade and the normal grade pellets that you produce the 60.5 grade and 66 and how is the response on the overseas market and your outlook for the same for FY2025?

Company Speaker: See on the sales side it remains the same we produce about 65% of high grade and 35% of low grade. Our 65% close to 50% is consumed for our steel making so all the sale of high grade will be about 35% and 35% will be the normal grade than the sale only and in terms of the interest of overseas buyers so till now we have only exporting 63 grade pellets and we are discussing with the European buyers for a 66 pellet but we have long term with bigger suppliers so now once March is over we should be able to start supplying to European market going forward with the market support but at the moment we are happy selling domestically and we are able to sell quite easily our high grade pellets.

Nishta Mukhargee: Thank you so much.

Moderator: Thank you. The next question is from the line of Vaibhav Kumar Dubey from BigMint. Please go ahead.

Vaibhav Kumar Dubey: Thanks for the opportunity. Sir I wanted to know what is your outlook for FY2025 on sales and market for pellet?

Company Speaker: See the sales should remain the same we have been focusing on quarter-on-quarter because a portion of it changes unless there is a maintenance plan so the sales should be about 4 to 4.5 lakh tonne for Q1 of this financial year and the target depending on the market condition we are sitting in February what will happen we do not know how China is going to behave or the domestic pie is going to be behaving so it will be difficult to contemplate any comment.

Vaibhav Kumar Dubey: Thank you and wishing you all the best for future.

Moderator: Thank you. The next question is from the line of Ganesh from SGK Advisors. Please go ahead.

Ganesh: Sir in one of the previous calls there was a mention that we will be limiting our sales of sponge iron so do we have any containing policy towards that number one and secondly do we have any policy towards limiting the amount of pellets that we sell versus what we produce?

Company Speaker: Yes there is no limit to it but even Mr. Gandhi mentioned it is because our steel capacity has gone up with the consent to operate of commissioning of new furnaces so now whatever sponge we produce will be consumed captively to value add in making steel that is the reason the sponge iron sales will be totally zero going forward in the next financial year and secondly the same is on the pellet side whatever we produce in the plant we consume captively the remaining is sold in the market so we never reduce the production in terms of steel capacity. Whatever remaining is there we sell in the open market.

Ganesh: With the expanded capacity we will be having in another four or five quarters I am assuming we have a surplus of pellets that is available compared to our consumption so will that be the same case whatever is beyond our consumption it will be sold?

Company Speaker: Currently my consumption is about 0.9 million tonnes annually for my DRI and remaining whatever is produced it will be sold in the market with the additional capacity coming up in the next financial year that will also be sold in the market.

Ganesh: Got it. Thank you.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the conference over to the management for closing comments. Over to you Sir!

Company Speaker: Thank you very much everyone for sparing your time and joining with this conference call of Godawari Power & Ispat Limited. We are confident that we have adequately addressed all your queries. Should you have any further questions or need additional information please feel free to reach us directly or contact our investor relations team at Go India Advisors. Once again we sincerely thank you for all interactive participation and unwavering support to the company. Thank you very much. Thank you all.

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