Transcript

Godawari Power and Ispat 2QFY20 Earnings Conference Call

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Presentation Session

Pavitra: Good morning ladies and gentlemen. I am Pavitra, moderator for the conference call. Welcome to Godawari Power and Ispat's Q2FY20 Earnings Conference Call. At this moment, all participants are in listen only mode. Later we will conduct a question and answer session. At that time, if you have a question please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms Tanya Khosla. Thank you and over to you ma'am.

Tanya Khosla: Thank you. Good morning everybody and welcome to Godawari Power and Ispat Earnings call to discuss the Q2 and H1 FY20 results. We have on the call Mr B. L. Agrawal - MD, Mr Abhishek Agrawal - Executive Director, Mr Sanjay Bothra - CFO and Mr Dinesh Gandhi - Director. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr Dinesh Gandhi to take us to 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.

Mr Dinesh Gandhi: Thank you Tanya. Good morning everyone and thank you for participating in Q2 Earning Call for Godawari Power and Ispat Limited. I trust that you have had a look at the earning presentation uploaded to the Exchange and the company website. We have seen widespread cyclical downturn within the iron ore steel phase in the first half of FY20. In this context, I am happy to say that company has done reasonably well in the second quarter. We saw consolidated top line growth of 2-3% YoY despite sharp fall in the finished steel prices. EBITDA margin remained above 20% in H1 FY20 and it stood at 343 crores ensuring that company is on track to achieve sustainable EBITDA of 500 crores approximately.

Now let me begin by talking about company's operating metrics. The iron ore pellets business continues to support the earnings of the company despite fall in realization of finished steel products across value chain by around 20%. We focused towards improving operating efficiencies in production processes, which ultimately helped us offset the dip in the realization in steel products. We have managed to post sharp increase in production level of all our key components: pellet production at Ardent Steel was up 49% YoY, sponge iron production was up 19% YoY, steel billet production grew 25% YoY and MS round production was higher by 7% YoY, which definitely led to some operating efficiencies. Our solar business is also reported better earnings in H1FY20 as compared to H1FY19 & our Pre-Fab business reported flat volumes in view of widespread slowdown in the environment. On deleveraging front, in the first half itself, the company has repaid the long-term debt of 103 crore equal to the full year debt repayment schedule. The company is nearing its target of less than 1x debt-equity. The current debt equity stood at 1.14x, significantly lower than 3X in FY17. Free cash flow from operations will continue to be utilized towards deleveraging. We aim to become a long-term debt free company. Additionally, the credit rating of the company has been upgraded to BBB+ in July 2019 by CARE. As you can see from the presentation, earning costs for the company in Q2 were down about 15% YoY. Reduction in our debt cost in the steel business by 75 to 100 basis points is expected to be implemented by Q1FY21. The cost of debt reduction has already been implemented by 1.25% in the solar business effective from 1st April 2019. This completes my initial remarks. We now open the floor for Q&A. Thank you.

Pavitra: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one 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 star and one again. I repeat, ladies and gentlemen, if you have a question, please press star and one on the telephone keypad. First question comes from Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Thanks for the opportunity, sir. I have two questions. The first one is regarding your sales volume on slide number 5. So as I see the billet sales have increased quite a bit on YoY basis while we were getting that it is like a period of a slow down, where you know, things were not selling, I mean if you see your other large sales, they have reported very different numbers. So just wanted to understand, what is happening over here for companies like you?

Mr Dinesh Gandhi: What has happened is that we have a higher installed capacity of billets, which was underutilized. But after getting the power from our associate company Jagdamba Power and Ispat, we have improved the utilization in steel billets plant. To a large extent, our captive rolling mills have also increased the production and hence, we were able to sell. Of course the market was very much competitive, but there was good sales in the wire rods and therefore, we have been able to improve better production volumes.

Amit Dixit: Yeah. Because, you know, I found it interesting in the view that you know, your price realization has also not dropped substantially, I mean as, you know, such an increase in volume would dictate. So just wanted to understand if, you know, we are seeing that demand is let's say better on construction side than what people anticipated in Q2 or if there is something else or you exported a lot, just wanted to understand that.

Mr Dinesh Gandhi: No, we have mainly exported iron ore pellets and not the finished steel product.

Amit Dixit: Okay, okay, okay.

Mr Dinesh Gandhi: Yeah. In our pellets business, we continue to export majority of the pellets, but our steel product is 100% for the domestic market.

Amit Dixit: Okay, sir, another, there was a follow-up question here, in Q2FY20, your realization in billets was 26,702 so how you see the realization panning out in Q3 so far. Are the trends encouraging or have they recently fallen further, what kind of average realization do you see in Q3?

Mr Dinesh Gandhi: Q3 average is very difficult to guide, but definitely there is an uptake in the prices in last couple of days and we have to see how the demand conditions improve. Across the value chain, there is an improvement of about 500 to 1000 rupees per ton in the selling prices.

Amit Dixit: Okay, let me ask you direct question. Have you taken some price hike as well?

Mr Dinesh Gandhi: No, we sell only on spot basis, Amit. Our prices are driven by the daily market demand-supply and market driven prices.

Amit Dixit: Okay, wonderful. The second question is on iron ore and you have explained that there are, despite government's best endeavor, there can be domestic shortfall essentially. So just wanted if you could explain it a bit, you know, what kind of shortage do you see in the market?

Mr Dinesh Gandhi: Mr B L Agrawal is with us. I would like him to address this question. Over to you B L sir.

Mr B L Agrawal Yeah. Good morning everybody. Thanks for participation in Q2 call. My anticipation is that because there are lot of regulatory hurdles, especially the environment and forest clearances, transport to the new bidders has not been clarified by the central government and that is a big challenge. The second challenge is there are number of mines where the private land is held by the distinct mine's owner. They may not transfer the land to the new bidders. Thirdly there is a provision that says the outgoing mines owner will get six months to remove the mining material from the mines along with all the chippings and all that. So these six months are going to be very critical as the old mine owner will not vacate the area and new mines owner may not start working. So there is going to be a true shortage from April onward at least for minimum six months, which may extend may be to one year, even to two years if the forest and environment clearance is not there. And if this happens, then the situation will be very horrible. India will have to import the iron ore and there will be disruption of about 50 million tons of supply, which is going to be a big volume and that will impact the market very badly. In this scenario, we have ramped up our mining operation to meet our captive 100% requirement. Now we don't source any iron ore from the market so definitely an advantage for the company.

Amit Dixit: Wonderful sir, great. Thanks for the elaborate explanation. I have one follow up question here. Which is that, you know, won't outgoing miners get an extension on their licenses if there is a chance of disruption?

Mr B L Agrawal No, that is ruled out. If we include the Central Government, they have already notified in 2015 itself, that all the mines will get closed by 2020 and because of the revenue that is likely to come in a big way to the State Government, extension is ruled out. That was ruled out about three months ago itself.

Amit Dixit: Okay. Thanks a lot, Sir for the elaborate explanation and all the best.

Mr B L Agrawal Bye.

Mr Dinesh Gandhi: Thank you Amit.

Pavitra: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Next question comes from Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: Good morning and thanks for the opportunity. So continuing onto the question of previous participant, on your pellet realization, as you highlighted that you sell on spot market and on sequential basis both in Ardent as well as in the standalone business the pellet realization have increased by 4 to 5% and if you look at the market prices for pellet, they have actually declined during Q2 so what explains, you know, this mismatch between market prices and your realization?

Mr Dinesh Gandhi: I will just address that question. In fact, the market prices reported as compared to last year Q1 earning and Q2 earning, you are discussing about or Q2 FY19 versus Q2 FY20?

Sreemant Dudhoria: I am comparing it to the prevailing market prices of pellets. In central India and eastern India, you know, we see that the current prices are roughly around 5,800 to 6,000 rupees a ton and it has been in declining trend during the Q2 period, but your realizations have increased from Q1 to Q2 by about 4 to 5%.

Mr Dinesh Gandhi: Sreemant, this is primarily because of, you know, our export order and in export market you cannot do an export trade on daily basis. For export you have to take some orders for a month or two months in advance. So our orders during Q2 were about 45 days in advance and therefore, the realizations were better, but I agree with you the current realizations have lowered. Of course it went down to around 5500 approximately and now it has come back to around 6000 rupees level in the domestic market. In international also it is more or less similar to what the domestic ex-plant cost realizations are.

Sreemant Dudhoria: So the export order in Q2 was one of its kind especially in the standalone business?

Mr Dinesh Gandhi: No, its not one of its kind. We have been, for last one year, continuously exporting, but export prices are also determined by the global iron ore prices and the pellet spread and therefore, the prices remain fluctuating over a period of time. So like, you know, in the month of July our ex-plant realization was more than 7000 rupees a ton, 7500, 7600, but for the average Q2 ex-plant realization was about 6600 rupees.

Sreemant Dudhoria: Okay, okay. So now the realization have come down to about 6000.

Mr Dinesh Gandhi: Now the current realizations are closer to 6000 rupees. Some translations have happened at 6000 rupees recently otherwise it went down to 5500. In export market also the realization was such.

Sreemant Dudhoria: Right, sir. Can you help us with the mix of export and domestic in first half of 20 and first half of 19, how was the mix?

Mr Dinesh Gandhi: Bothraji, do you have a separate round figure?

Mr Sanjay Bothra Around 50%, yeah, 50% approximately of the total quantity is exported and 50% is selling domestically.

Sreemant Dudhoria: Its 50-50?

Mr Sanjay Bothra Yeah.

Sreemant Dudhoria: Few questions on ASL: the current quarter's sales volume in ASL, you know, were quite strong and it looks like the run rate in the current quarter is much higher than our stated capacity of 6.9 million in ASL, so is the current volume run rate in ASL sustainable?

Mr Dinesh Gandhi: No Sreemant, in fact we had some inventory backlog from Q1. Overall our production volume in Ardent Steel has already increased and we are aiming to produce above 675,000 tons in the current year, but in Q2 some inventories were there accumulated at the port, which got shipped in the subsequent quarter because we have to accumulate the inventory at the port in order to make the complete one consignment.

Sreemant Dudhoria: And the realization in ASL also would have declined now sir?

Mr Dinesh Gandhi: Yes, yes, yes…realization in Ardent came down to around 5200 rupees approximately.

Sreemant Dudhoria: Thanks sir. Sir, how much has debt been reduced in ASL, I think March ending annual report said about 140…

Mr Dinesh Gandhi: ASL we reduced higher in fact. ASL profitability was substantially better and therefore, we repaid in excess of 30 crores in ASL. ASL debt overall in a period of last one / two years, we have brought down by about 100 crores, so net debt there outstanding as on 30th September was close to about 77 crores.

Sreemant Dudhoria: 77 crores

Mr Dinesh Gandhi: Because we paid some money in October.

Sreemant Dudhoria: Okay, okay, okay. Sir, couple of more updates, you know, on the high Fe pellet, I meant, if you could highlight what is the status there, have we started getting contracts there?

Mr Dinesh Gandhi: Can you repeat the question?

Shrimant Dudhoria: The question was, you know, on our plans to sell the higher Fe content pellets in the export market, we were looking to start shipping, you know, some volumes by end of say quarter 2, beginning of quarter 3. So if you could please share what's the latest update on that?

Mr B.L. Agrawal: Yeah, we were successfully able to produce the high grade pellet that has been shown for testing to the various consumers in the MENA region and also in Japan. In the MENA region the pellets has been tested and the samples are already approved. For Japan, some more material reports are awaited which we are hoping to send them by next week. I don't feel that there will be any problem in getting the sample approved by the Japanese also. Anyway, contracts exist for the high grade pellets between Vale and all the buyers which start from January to December. But I don't think we will be able to export high grade pellet in Q3, but then January onwards we are sure we will start shipment of the high grade pellet. The difference in the normal pellet we are exporting already and the high grade pellet what we are expecting is about 30 dollars which can accountable to 2000 rupees a ton.

Sreemant Dudhoria: Yeah, so is the, you know, market as lucrative as in the high grade pellet as when you were started thinking of this idea of exporting high grade pellet, how the market condition is now?

Mr B.L. Agrawal: Yeah, the price differential is the same. Lower demand of high grade pellet in the MENA region is because of reduced production due to the downturn in the global cycle.

Sreemant Dudhoria: Okay.

Mr B.L. Agrawal: I am sure I will be able to make long term contracts with my buyers in the month of January and thereafter I will keep on exporting continuously.

Sreemant Dudhoria: Okay, okay. So from January when the new contracts get kicking in, what kind of volumes we are looking, you know, for the initial period with our customers those who have already approved, you know, you have mentioned couple of companies in MENA has already approved.

Mr B.L. Agrawal: Usually the plant takes about 50,000 ton per month that is during the first year we will be exporting about 6 lakh tons, but thereafter we will be exporting about 12 lakh tonnes every year. So, January onwards we export about 6 lakh tons at 30 dollars extra, but in next year we will be expecting about 12 lakh tonnes export for the high grade pellet where we will bill 30 dollars extra.

Sreemant Dudhoria: Okay, sir and thank you sir. Final question is on our plans of exiting the non-core business, update on these businesses, sir.

Mr Dinesh Gandhi: Sreemant, non-core business we have not able to find any interested buyer, mainly our solar business and we have to wait till we get a suitable offer on that. But that plant continues to perform well and is also on the course to repay its debt. We are entirely diverting the full cash flow from solar business towards the repayment of debt and by now we have repaid the full year scheduled repayment for solar plant also.

Sreemant Dudhoria: Okay, sir. Thank you, sir.

Pavitra: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Next question comes from Tushar Bohra from MK Ventures. Please go ahead.

Tushar Bohra: Thank you so much for the opportunity. Sir, a couple of points. First, just to confirm again we mentioned for high grade pellet export we are targeting 6 lakh tons in the first year and say 1.2 million tons annualized from the second year that is correct, right?

Mr Dinesh Gandhi: That's what I think Mr Agrawal has mentioned, yes.

Tushar Bohra: And we are expecting a delta of 2000 rupees a ton to whatever the current realizations

Mr Dinesh Gandhi: No, but there will be some cost, Abhishek how much is the cost for beneficiation?

Mr Abhishek Agrawal: The cost on the beneficiation side would be around 10 dollars.

Tushar Bohra: Okay.

Mr Dinesh Gandhi: 10 dollars i.e. about 670 to 700 rupees.

Tushar Bohra: So effectively about 1300 to 1500 rupees per ton is the addition to the …

Mr Dinesh Gandhi: it will be additional delta, yes.

Tushar Bohra: And we should be able to model that for 6 lakh tons from the first year and 1.2 million annualised from the second year, in our models, right?

Mr Dinesh Gandhi: Yeah, you can take it from calendar year 20 and then calendar year 21.

Tushar Bohra: Okay, fair enough.

Mr Abhishek Agrawal: Hello, I would like to clarify, the input cost will go up at 10 dollars, but the realization would be approx 40 dollars so the delta would be 30 dollars, what Mr B L Agrawal said.

Tushar Bohra: Okay. 30 Dollars delta is what we are expecting. Fair enough, sir.

Mr B L Agrawal: Yes, right, very true.

Tushar Bohra: And we had done some Capex to increase our finished steel capacity and also some value addition. Is all of the Capex on stream or what is the status on that, Sir?

Mr Dinesh Gandhi: In fact we have mostly done our Capex part on the rolling mill and even on the beneficiation for that high grade pellet, but we are awaiting consent to operate for starting our rolling mill with 200,000 tonnes. I think there is some technical issue in that which is being resolved. So hopefully it will be commissioned some time in Q4FY20.

Mr Abhishek Agrawal: To give you an update on the rolling mill part: so the rolling mill is ready for commissioning, but due to the NGT order, which came in around about in July-August where they put a blanket ban all over India when it comes to giving clearance for new operating plants due to pollution. So now in October last week NGT has given a direction to the State Pollution Board and they have cleared the mandate on case to case basis i.e. the State Pollution Board can give clearance for operating the new expansion. So we have filed for the consent to operate to the State Pollution Board and hopefully by mid of next month we should able to get the permission.

Tushar Bohra: Okay. Very well sir. So Q4FY20 we expect to start this and just from understanding how this would add to our, you know, profitability if you could throw some light on that in terms of numbers, how we can use this?

Mr Abhishek Agrawal: So when it comes to the profitability part, what we are doing is we have a one more rolling mill, which is not in this premises so basically we are making billets and sending the billets for making the wire rods to the other premises & this is basically a hot charging process. With the new rolling mill in GPIL's own premises, we would directly fit the hot billets to the rolling mill so there would be saving of almost 1000 rupees a ton on account of transportation & re-heating costs. That will be the additional EBITDA on the rolling mill side once the rolling mill in Godawari is commissioned compared to the other rolling mill, which is currently in RR Ispat.

Tushar Bohra: Okay. Fair enough. We mentioned that we have repaid about 103 crores of the debt in H1, which is more or less what you had guided for the full year. In light of that, what could be the number we could look at in H2 that we could repay and such I may have not heard it, but just to confirm what is the total consolidated debt including working capital today?

Mr Dinesh Gandhi: Including working capital, debt is close to 1700 crores.

Tushar Bohra: Consolidated debt including solar and ardent?

Mr Dinesh Gandhi: Yes.

Tushar Bohra: Of this long term debt would be sir?

Mr Dinesh Gandhi: 200 crores working capital so about 1500 crores

Tushar Bohra: 1500 crores long term & about 200 crore working capital and what is the target sir to, like how much can this come down by H2FY20 and say by end of FY21?

Mr Dinesh Gandhi: H2, frankly we are aiming for another 100 crores or so for debt repayment, but debt repayment will be driven more by the earnings momentum, because our Capex requirement is now almost done so we don't need to do any major investment in the Capex. So whatever is free cash flow from operational side will be used for debt repayment like in our renewable energy: entire cash flow after cutting the operating cost is diverted towards the repayment of debt. Similarly, in Ardent Steel, the entire money is being used for debt repayment. But this year, in Ardent Steel, we may have to reduce or cut down on some debt repayment in Q3 and Q4 primarily because of one reason: as we are anticipating some disruption in the iron ore supply we aim to accumulate stocks over a period of next six months to meet our requirement in the six months of the next financial year and some money will be deployed there in inventory build up.

Tushar Bohra: So we expect to build up inventory across both Ardent as well as standalone?

Mr Dinesh Gandhi: No, within Godawari standalone, we are able to meet raw material requirement from our own captive mines so we are not required to do that. In Ardent Steel, yes we will be required to.

Tushar Bohra: Okay, will we be able to maintain the profitability like say at Q2 run rate?

Mr Dinesh Gandhi: Not Q2 run rate. Ardent Steel profitability will be slightly lower than Q2 at current rates. At consol level also, because realizations have gone down, say in the month of October and November realizations were lower than the Q2 realizations.

Tushar Bohra: So, just to understand if we are able to maintain our profitability at Q2 run rate we would be able to meet this 100 crores debt repayment targets, right for H2?

Mr Dinesh Gandhi: Yes, it is possible.

Tushar Bohra: And sir while you have mentioned it in the presentation, but just to understand your comments on the mining situation overall, throw some more light on that.

Mr Abhishek Agrawal: So the situation on the ground is that as per the direction of the ministry, the auction process of the working mines has been started out of which, in the first phase they have come out with nine working mines which will be auctioned in the month of December for which the bidders have to submit the technical bid by November end and subsequently in phase two some more mines will come for auction. So the government has initiated the process of auctioning the mines, which are getting expired in March 2020. In the first phase there are only nine mines which are getting auctioned and after the first phase gets over then the second phase will start.

Tushar Bohra: What would be the capacity of these nine mines that are getting auctioned?

Mr Abhishek Agrawal: As per the current production levels, the capacity of these nine mines is close to 22 million tonnes.

Tushar Bohra: So substantial part of the supply going out is sort of getting auctioned already?

Mr Abhishek Agrawal: Yeah and so in first phase almost close to 40% of the current working mines capacity will be going out of the merchant sale.

Tushar Bohra: Okay. Very well. Thank you so much. Wish you all the best.

Mr Abhishek Agrawal: Thank you so much.

Pavitra: Thank you sir. Next question comes from Monica Bajaj from Steel Mint. Please go ahead ma'am.

Monica Bajaj: Good afternoon everyone. Sir, I just wanted to ask that as in March 2020 these mines are going to lapse so about 85 million tons production loss will be there, so how is it going to affect the industry by then?

Mr Dinesh Gandhi: No, I think you were not there when Mr B. L Agrawal commented on this particular part. He is expecting around 15 to 20 million ton of iron ore supply disruption after March 2020. And if that happens definitely there will be an increase in the iron ore pricing, which may led to increase in the lump ore pricing and the pellet pricing. If that happens that will be beneficial for Godawari Power and Ispat primarily.

Monica Bajaj: Okay. Sir, then also one more question like in the PPT you have shared that steel manufacturing output of India will be increasing, is expected to increase from about 6% to 7.8% around by 2021. What is the impact?

Mr Dinesh Gandhi: No, that is the long term forecast, but if you see the, in the current environment with the recent data, there is no major improvement in the steel production and the consumption in steel. So going forward definitely once the construction activities, low cost housing and other activities start booming, and even the automobile industry comes back on the track, the long term steel demand will continue to rise more than 6-7% per annum in India.

Monica: Okay. Okay, sir. That's all. Thank you, sir.

Mr Dinesh Gandhi: Thank you.

Pavitra: Thank you ma'am. Ladies and gentlemen, if you have a question, please press star and one on the telephone keypad. Next question comes from Nimish Shah from Fortune Financial. Please go ahead.

Nimish Shah: Yeah. Hello. For the loans that the company has taken some part of promoter equity was given as pledge.

Mr Dinesh Gandhi: Right.

Nimish Shah: Is it still on? And what is the quantum?

Mr Dinesh Gandhi: No, in fact, you know, that will remain till the tenure of the debt.

Nimish Shah: But even when we are repaying like we repaid 100 crores….

Mr Dinesh Gandhi: Yeah, because the banks normally, as a comfort, you know, they will keep some equity with them which is pledged from the promoter's equity mainly.

Nimish Shah: Oh, so this is like perpetual pledge, this will not….

Mr Dinesh Gandhi: Haa, it is a perpetual pledge till the facility of the company is there.

Nimish Shah: And that is SBI..or with?

Mr Dinesh Gandhi: It is with the entire consortium: five-six banks are there in consortium. And it is pledged to the trusties of the consortium who is holding securities on behalf of the bank.

Nimish Shah: Okay, so this is one more security.

Mr Dinesh Gandhi: So it is not like a mark to market kind of pledge i.e short term borrowing against the pledge of shares. It is a pledge which is there as a comfort to the lender. So irrespective of the share price of GPIL, the shares will remain pledged with them.

Nimish Shah: No I understand that, there won't be any margin call on this. And how much is the percentage of the promoter equity, which is pledged for this facility?

Mr Dinesh Gandhi: It would be close to about 20-25% or so.

Nimish Shah: Okay. Any other pledge from the promoter side?

Mr Dinesh Gandhi: No.

Nimish Shah: So this is the only pledge, which the promoter has created as far as the working capital for the facility is concerned?

Mr Dinesh Gandhi: Yes, for long term loans. In fact earlier the pledge was slightly lower.

Nimish Shah: Right.

Mr Dinesh Gandhi: Earlier I think 25 lakh shares were there with the lenders and at the time of restructuring they asked for additional 25 lakh shares to be pledged.

Nimish Shah: Okay. So 50 lakh shares i.e. ~ 20% of the promoter equity.

Mr Dinesh Gandhi: Yes.

Nimish Shah: And there is no other promoter pledge for any other loans?

Mr Dinesh Gandhi: No, no. There is no pledge for any other activity.

Nimish Shah: Okay.

Mr Dinesh Gandhi: We had some pledge with IFCI earlier, but we have got that released after liquidating their dues.

Nimish Shah: So may be, it might be sometimes worthwhile, you know, you also mentioned that the pledge is only on account of the facilities availed by your company.

Mr Dinesh Gandhi: Haa, because in annual report it is mentioned

Nimish Shah: People look at pledges very, very closely. So it might be worthwhile….

Mr Dinesh Gandhi: So we will start mentioning it. There is no harm in mentioning.

Nimish Shah: Yeah, yeah, yeah so it doesn't harm us

Mr Dinesh Gandhi: It's a good suggestion, you know, we will take it forward from the next time.

Nimish Shah: but it gives sufficient comfort to investors.

Mr Dinesh Gandhi: Yes definitely. Thank you very much.

Pavitra: Thank you sir. Next we have a follow up question from Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Yes. Thanks for taking my question again. I just wanted to know your Coal sourcing mix in Q2: how much you got from Coal India as linkage and how much you had to go for e-auction and how much you imported?

Mr Abhishek Agrawal: Yeah, so when it comes to the coal sourcing: in our power plant we are still getting the entire coal from Coal India, but when it comes to my sponge iron, we have completely shifted to the South African coal. So when it comes to the volume side, I would say currently the volume would be at 70% imported coal and 30% from Coal India because the supply from Coal India is very very poor and there has been a lag of almost more than 18 months from Coal India side so we are forced to go with the imported coal.

Amit Dixit: And has the supply improved in Q3 or you see the same thing continuing?

Mr Abhishek Agrawal: It is going from bad to worse in every quarter and due to the extended monsoon, which extended from Q2 to Q3, the situation is going from bad to worse everyday. The signs of improvement look very bleak. It is supposed to be improving probably from December or January onwards.

Amit Dixit: Okay. On quality front, has grades from Coal India improved?

Mr Abhishek Agrawal: See what happens is if you consider entire one year, so you pretty much get the same quality, but probably for couple of quarters you get a good quality material and then during monsoon, the quality deteriorates. On an average basis, the quality is pretty much the same, but the only issue is the supply, which is very, very poor from Coal India. So practically we don't depend on Coal India anymore for supply to our plants. Rather it's better to plan on imported coal so that at least your stock pile is maintained.

Amit Dixit: Okay. Okay. Fair enough. Okay, thank you. Thanks a lot.

Pavitra: Thank you sir. Next we have a follow up question from Mr Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: Thanks for the opportunity again. Sir with the credit rating of the company now being upgraded, what will be our blended interest cost on the 1700 crores of debt on books?

Mr Dinesh Gandhi: In fact, I had mentioned in my opening remark: in our solar business the interest cost reduction has already taken place effective from 1st of April by about 125 basis points. In our steel business, few banks have already approved reduction by about 100 basis points, and few banks are in the process of doing it. So I am hopeful that by Q4FY20 reduction of 100 basis points in interest rate in steel business will also be implemented.

Shrimant Dudhoria: Currently what is your blended interest rate sir?

Mr Dinesh Gandhi: Blended interest rate is close to about 11.75 to 12%.

Shrimant Dudhoria: Okay.

Mr Dinesh Gandhi: Other than solar business. Solar is 10.40%.

Shrimant Dudhoria: Yeah, yeah, yeah. Okay. Okay sir, thank you.

Pavitra: Thank you sir. Since there are no further questions, now I handover the floor to Mr Dinesh Gandhi for closing comments. Please go ahead sir.

Mr Dinesh Gandhi: Thank you everyone for participating in the conference call of Godawari Power and Ispat Ltd. In case you have any questions in future, you can approach us. Thank you very much.

Pavitra: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant day. Thank you sir.

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