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HIRA
GODAWARI POWER & ISPAT

Great Place To Work Certified JAN 2023-JAN 2024 INDIA

REF: GPIL/NSE&BSE/2023/5202 Date: 01.08.2023

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

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

Dear Sirs,

Sub: Submission of Transcript of Conference Call held on 28th July, 2023.

This has reference to conference call held on 28th July, 2023 to discuss the results and performance of Q1-FY24 for Analyst/Institutional Investors/Fund House/Investors etc..

Please find attached herewith the Transcript of Conference Call held on 28th July, 2023.

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

Thanking you,

Yours faithfully,

For **GODAWARI POWER AND ISPAT LIMITED**

Y.C. RAO
COMPANY SECRETARY

GODAWARI POWER & ISPAT LTD. HIRA RAIPUR (C.G.)

CHANDRA RAO YARRA
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Date: 2023.08.01 12:30:50 +05'30'

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“Godawari Power & Ispat Limited Q1 FY24 Earnings Conference Call”

July 28, 2023

MANAGEMENT:	**MR. ABHISHEK AGARWAL – EXECUTIVE DIRECTOR**
	MR. SANJAY BOTHRA – CFO
	MR. DINESH GANDHI – EXECUTIVE DIRECTOR
MODERATORS:	**MS. SANA KAPOOR, GO INDIA ADVISORS**
	MS. SHEETAL KHANDUJA, GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Godawari Power & Ispat Limited Q1 FY24 Earnings Conference Call hosted by Go India Advisors.

As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Over to you, ma'am.

Sana Kapoor: Good afternoon everybody and welcome to Godawari Power & Ispat Limited earnings call to discuss the Q1 FY24 results. We have on the call Mr. Abhishek Agarwal – 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 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? Over to you, sir.

Dinesh Gandhi: Good afternoon everyone. Thank you for joining the Earnings Call for Q1 FY23 of Godawari Power & Ispat Limited. Our financial results and earnings presentation is available on our website on the stock exchanges. I believe that you have been able to have a chance to review it. I am excited to share our financial performance and discuss the key achievements and milestones this quarter. Post this, we can proceed with the Q&A session.

GPIL kick started FY24 on a positive note. Before we dive into the Financial Results and perform a highlight, I would like to throw some light on the strategic update. As you must be aware, GPIL had announced an ambitious CAPEX plan aimed at significantly enhancing the iron ore mining capacity and pellet plant capacity. The plan entails more than doubling the mining capacity at Aari Dongri Mine, expanding from 2.35 million tonnes to 6 million tonnes. Additionally, GPIL intends to establish a new beneficiation plant at the Aari Dongri Mine with a capacity of 6 million tonnes. The project timeline for the same completion is about 15 months with an estimated CAPEX of Rs. 200 crores. GPIL has also outlined a plan to augment the pellet capacity by 3 million tonnes, resulting in an increase in the capacity from 2.7 million tonnes to 5.7 million tonnes by constructing an additional pellet plant. The expected timeline for expansion of the project is approximately 30 months from now with an estimated CAPEX of Rs. 800 crores. Further, GPIL has decided to increase the capacity of the integrated steel plant by 1 million tonne, elevating from the present capacity of 0.5 million tonne, taking the total capacity to 1.5 million tonnes. According to our estimate, the CAPEX for the same will be approximately Rs. 2,500 crores and expected completion time will be 36 months.

We are awaiting the environmental approval for all these projects. Once the approval is received, the construction activities shall start. The timeline for completion for the regulatory approval is during the current financial year and we hope to start the construction activity in the next financial year.

Our company is resolute in its commitment to reducing the carbon footprint. GPIL is taking concrete steps towards the goal by establishing a total solar power capacity of 155 megawatts spread across 3 projects. As of FY23, we had commissioned 70 megawatts of GPIL solar power plant and 30 megawatts owned by HFAL and further constructing 55 megawatts capacity, which is expected to be completed by the end of September in the current quarter. I would like to highlight that when comparing the current prices of the grid power and the cost of solar power generation, GPIL on an average saves Rs. 3 per unit with a plant load factor of around 15% of the solar capacities.

In the current financial year, our normal CAPEX for the steel and power plant other than the solar project is close to about Rs. 125 crores and the expected completion is in the current year, which includes replacement of turbines, some modification in our rolling mill, and the steel billet plant, etc.

Over and above this, I am pleased to announce that GPIL has successfully introduced a new product called 66 Fe pellets, which has received an overwhelming positive response from the market. Notably, these pellets are fetching significantly better realization as compared to the 63 Fe pellets. The additional realization is in the range of Rs. 1,500 to Rs. 2,000 per tonne for 66 Fe pellets.

Coming on the operational performance, I am delighted to share that as per our volume guidance for FY23, we have already achieved 30%, 25%, and 28% targets in the sponge iron, billet, and roll products. This strong performance has given the confidence that we have been able to reach our guidance target for all products we outlined in the last quarter and sticking to our guidance for the current financial year as mentioned in our presentation.

Iron ore volume in the first quarter Q1 FY24 is played at 5,70,000 and we are confident of achieving the total volume for the current year. Iron ore pellet production decreased 21% quarter-on-quarter and YoY basis due to the plant maintenance shutdown. On the other hand, sponge iron, steel billet, and MS round production increased significantly, primarily because of the shutdown taken in the last quarter in Q4 FY23. Iron ore pellet sales decreased to 2,97,000 tonnes because of an increased captive consumption of pellets for production of sponge iron. In the current quarter, sales of sponge iron, steel billet, and MS rounds have also increased significantly in line with increase in production. Realization for pellet has shown an increase of 3% on a quarter-on-quarter basis. Our average realization for the quarter is Rs. 10,200 per tonne. And the other products have shown a slight decrease in the prices with the reduction in the fuel cost.

On a YoY basis, realization across the products has fallen. If you compare our results with Q1 FY23, then the FY23 was an exceptional period when the international prices of iron ore was very high and therefore our realization was very high, which is not a normal circumstance. So, the YoY number has to be looked at in a normal market condition, which was Q4 FY23 and our performance is in line with that.

Coming on the consolidated financial performance, revenue for the quarter showed a marginal increase of 1% to Rs. 1,326 crores on a quarter-on-quarter basis. However, it dropped 20% on YoY basis, primarily because of a fall in the realization of all products. EBITDA increased 14% quarter-on-quarter basis to Rs. 305 crores. PAT attributable to owners increased to Rs. 231 crores, up 36% quarter-on-quarter. I would also like to mention that there was an exceptional income of Rs. 18 crores in Q1 FY24, which was received from the buyer in terms of our share purchase agreement for sale of investment in Godawari Green Energy which is about 25 megawatt solar thermal power plant which we sold in FY21.

Moving on the standalone performance, sequentially, the revenue dropped 1% to Rs. 1,207 crores whereas EBITDA and PAT increased 9% and 16% to Rs. 300 crores and Rs. 224 crores. EBITDA margin improved in the quarter to 25% as compared to 22% in Q4 FY23.

Coming on the market outlook, internationally, global iron ore prices have touched 233 CIF China in mid March 2023 following the China's economy reopening. However, sharp increase in iron ore supplies by global measure coupled with lower than expected demand pickup in China resulted in correction in prices to current level of about $115 a tonne. However, a recent announcement by China to support the housing and infrastructure sector might lead to an increase in consumption of iron ore. World Steel Association is projecting a robust 2.3% growth in the steel demand for FY23 followed by further 1.7% in 2024. The positive outlook bodes well for the demand for iron ore and we anticipate prices to remain well supported at the current level.

In domestic market iron ore prices, NMDC has experienced a slight increase, rising from Rs. 3,650 a tonne in January to Rs. 4,210 a tonne at present. While prices have recovered from the lows observed after imposition of export tax, they have remained well below the last year level of Rs. 5,000 a tonne. Conservatively, pellet prices peaked at Rs. 10,200 in March '23 but have since declined to Rs. 8,800 a tonne for normal grade of pellets which is 63 Fe. With a positive outlook for steel demand, it is expected that the pellet prices will adequately be supported at the current level.

With this, I conclude the opening remarks and we can now open the floor for questions & answers.

Moderator: Ladies and gentlemen, we will now begin with the question & answer session. We will wait for a moment while the question queue assembles.

The first question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania: Sir, I just wanted to check that if you look definitely globally, the realization of the iron ore and the pellet has corrected to the tune of Rs. 8,800 whereas our realization on the sequential basis has gone up to near about Rs. 10,200. Can you guide us in terms of what was the total contribution of the high-grade pellet in the overall basket which has helped us to garner such a higher realization? And how do we see the pellet market and the realization going forward?

Abhishek Agarwal: I answer your question in 2 parts. In Q1, the high-grade production was less than 50% because we had taken the annual shutdown of our pellet plant, the bigger one. That's our strategy. We take a shutdown before monsoon. So, Q1 is always when the production volumes are low. But going forward, the high-grade production is going to remain at 65% level of the entire production.

Jatin Damania: So 65% will be high-grade production?

Abhishek Agarwal: Yes.

Jatin Damania: And from July onward, is the pellet plant running at the full capacity or the shutdown was there in the month of July as well?

Abhishek Agarwal: No, from the month of June, we are operating at full capacity. The shutdown was in the month of May, and from June onwards, whatever numbers we had given in terms of our annualized volumes, we are confident we will be able to achieve that.

Jatin Damania: A couple of more questions. Since we have already commissioned the 70 megawatt solar plant and the 50 megawatt is expected. In addition to this, we are doing Rs. 125 crores of CAPEX on the relining and the setting of another turbine. Could you help us in understanding what will be the savings that we will be having once both the solar and the new turbines come in place?

Abhishek Agarwal: Put together, the solar 70 megawatts plus the additional capacity plus the turbine, we are expecting an annualized saving of about Rs. 100 crores to Rs. 125 crores at the EBITDA level on an annual basis.

Jatin Damania: And lastly, is there any update on the integrated steel plant – what product and how are we moving?

Abhishek Agarwal: We have been saying that time and again, but unfortunately there has been a kind of lag in terms of our approvals. As I said, we still have a few months before we start the work. Iron making we are very clear, but on the finished steel side, we are exploring the long as well as the flat products. I think by the time once we start the groundwork, we should be in a position to decide which kind of steel we will be making. We would need some time. But we are still exploring because a lot of new technologies are coming into the picture. And since this will be our first project in terms of primary production, we need some more time to finally decide the product mix.

Moderator: The next question is from the line of Harsh Vasa from SBI CAP Securities. Please go ahead.

Harsh Vasa: Sir, I just have a couple of questions. The first question is that could you just throw some light on what is the coal sourcing mix you would like? And how much coal did you import in Q1 FY24? And what is the inventory of coal as on date? And the second question is, what is the payback period of this new CAPEX plan?

Abhishek Agarwal: To answer your first question, we import about 0.5 million tonnes for our DRI operations. We have been doing that earlier and will continue to do that in the future as well. On the pricing side, as you are aware, the thermal index has gone below 100 levels and more such shipments we are buying on index. We are moving with the market. As month on month that the market is going down, we will get the benefit of lower input for our DRI production as well. On a fixed number, you can say currently, my landed cost to the plant is about Rs. 12,500 a tonne, which will further go probably down by Rs. 1,000 in the coming months against Rs. 18,000 in Q4 and say about Rs. 15,000 to Rs. 16,000 in Q1. So, in Q2, we can see a number of say about Rs. 12,000 to Rs. 12,500 average – my incoming cost of thermal coal from DRI. And on inventory levels, usually including the transit in the pending shipments and the stocks we have, we usually maintain inventory of about 2 months. Because of the monsoon, we need to keep that leverage so that the plant doesn't get hampered. At the moment, we are carrying inventory of about 2 months. Basically Q2 or earlier Q3 we have covered.

Harsh Vasa: Sir, what is the payback period of this new CAPEX plan?

Abhishek Agarwal: There are multiple CAPEX going on. One is the steel capacity of 0.4 million to 0.5 million which will be commissioned in Q2 itself. Then the second one is the turbine; the 48 megawatt turbine which will be commissioned, again, in Q2. Combined these two, we expect the fuel cost to go down by at least a rupee. As I mentioned earlier, the turbine and the solar, everything put together on the energy side, we expect a saving of about Rs. 100 crores to Rs. 125 crores on annualized basis.

Moderator: The next question is from the line of Chirag Singhal from First Water Capital. Please go ahead.

Chirag Singhal: My first question is on the 66 Fe grade pellets that you mentioned. You mentioned that the realizations are Rs. 1,500 to Rs. 2,000 per tonne higher. Is this in comparison to the regular 63 Fe grade or the second highest grade that we are….?

Abhishek Agarwal: Just to be clear with things, what we have done is earlier, we were making 65 Fe pellets. We have improved that same pellet to 66 now. And what Mr. Dinesh Gandhi mentioned, the premium of Rs. 1,500 to Rs. 1,800 is over the 63 pellets if you compare vis-a-vis the 65 pellets. At the moment, because this is new to the market, we are trying to establish it for the new buyers. Today, we are getting a premium of about Rs. 800 over 65 pellets.

Chirag Singhal: And just wanted to understand the delta when you produce the 65 or 66 Fe grade, what is the incremental cost that you have to incur?

Abhishek Agarwal: Incremental cost is about Rs. 300. So, the additional delta probably which would add to our bottom line is about Rs. 500 to Rs. 600 per tonne.

Chirag Singhal: Sorry, additional delta you said Rs. 500 to Rs. 600?

Abhishek Agarwal: Yes, because Rs. 300 is the additional input cost and at the moment, we are able to realize a premium of, say Rs. 800 to Rs. 1000. So, if you compare Apple to Apple, we probably make another Rs. 500 to Rs. 600 more compared to a 65 pellet.

Chirag Singhal: What is the price trend looking like for pellets and finished steel for the current quarter versus the last quarter?

Abhishek Agarwal: At the moment, domestically, the prices are about Rs. 9,000 for the 63 pellets. And for the higher grade one which we have just started marketing, we are getting a price anything between Rs. 10,500 to Rs. 11,000. Still, I would say it's early stage, but we are confident as people start using this quality, we would be getting the desired premium going forward.

Chirag Singhal: Broadly, for us, the realizations would be a little bit higher than what we did in Q1 for pellets?

Abhishek Agarwal: Yes, definitely volume is going to go up compared to Q1. That is for sure, because there are no shutdowns. And on the pricing side, we had ex-plant of Rs. 10,200. I would still say probably we will be in the range of Rs. 10,000 to Rs. 10,500 because this is the monsoon season, the domestic demand of steel is very weak, and the markets have been going down month on month. If we are able to sustain the same price, I think it should be a good number.

Chirag Singhal: And what about the finished steel?

Abhishek Agarwal: In terms of pricing?

Chirag Singhal: Yes.

Abhishek Agarwal: Compared to Q1, the prices are further down by at least 10% in Q2 for sure. For example, today sponge is about Rs. 27,000, billet is about Rs. 40,000 to Rs. 41,000, and wire rod is about Rs. 45,000. If you compare to Q1, the sponge was about Rs. 30,000. So, there will be 8% to 10% drop in the finished steel prices compared to Q1 for this quarter. But at the same time, the input cost has gone down in terms of thermal coal or the power coal because the domestic coal prices have crashed. They are almost lying at the rock-bottom prices which used to be pre-COVID levels. That will help in sustaining the EBITDA levels although the finished steel price has gone down.

Chirag Singhal: That was my last question actually, the coal cost only. You mentioned that – if I got it correct – you are expecting some Rs. 3,000 per tonne on your consumption cost in coal for the current quarter versus the last quarter.

Abhishek Agarwal: Yes, Rs. 2,500 to Rs. 3,000. Exactly.

Moderator: The next question is from the line of Nikil Chandak from JM Family Office. Please go ahead.

Nikil Chandak: Abhishek, I had 2-3 related questions all around the capital allocation policy both at the company end and at the promoter end. It's obviously a great thing it is a cash rich balance sheet. But recently, for example, we did an unsecured loan to another company in the similar line of business, Prakash Industries. They pledged their shares in favor of Godawari. Why would you do something like this? Why get into these unsecured loans to either players in the industry or outside the industry? That is the first question. And the second one is, I also understand at the promoter end, there are a few other business interests also which the promoters have. Like, for example, electric two-wheelers and things like that. Any chance that you would want to fund this from Godawari's balance sheet or would that be, again, funded by the promoter end itself? And just from a management perspective, time allocation or focus between the two entities – Godawari versus some of the other business interests? And the third one was, again, we saw some recent sell down by the promoters which was frankly, I thought surprising because there was a buyback which was just done, etc., and the promoters are cash rich. So, why sell down stake in the listed entity? And would you look to do more of those kind of sell downs in the future?

Abhishek Agarwal: I will answer the questions one by one. On the first part, we do have given some unsecured loans against the collateral, the pledging of their like Prakash Industries. But overall, we do have realized that shareholders especially are not happy with this approach of the company. And as the management, I can commit to you that whatever has been done has been done. I can assure you all the loans we have given are always unsecured, but they will come back to the company with the desired interest. And going forward, we have taken a management decision that we will not indulge in such practice any further. Whatever is gone is gone and is going to come back to the company as per the agreement. But going forward, we will not continue with this practice. As the management, I can assure you that. That answers your first question. The second part would be – we have no intention of funding any promoter investments or their growth from the parent company. Godawari is a listed company. I will ensure whatever CAPEX has been done has been invested in the company to add value to the shareholders. And the third question; we did dilute some stake. The reason was we were always looking to get good investors, young investors on board. There was an opportunity, we thought it would add value to everyone on board including our shareholders. That is the reason. No other aspect. There was an opportunity. We always wanted to get good investors on board and to attract the big investors. That's the only reason.

Nikil Chandak: That's very reassuring. On the cash generation which will happen in addition to the CAPEX which is going into the business, from a dividend plus buyback, would the similar strategy as in the recent past continue over the, say the medium term?

Abhishek Agarwal: We have our dividend policy which is being approved by the board and we will stick to the dividend policy. We are very clear whatever cash generation is going to be here, either we are going to distribute it to the shareholders or it's going to go into the CAPEX. We will follow the dividend policy by the T. If you compare the last 3 years, the dividend distribution has been more than almost 25% on a year-on-year basis. I think that's a very good dividend policy. We will continue with that.

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

Rakesh Roy: Sir, my first question is regarding how is the ferro alloy business doing as of now?

Abhishek Agarwal: Ferro alloy business I would say is not doing very great because the prices are hit almost towards the rock bottom. Currently, the silico prices are about Rs. 55,000 ex-plant. The only silver lining is the input cost which is mainly the manganese ore and thermal coal and the coke, subsequently they also dropped down. The manganese ore is hovering at the rock bottom, I would say. Same is with the thermal coal as well as the coke. Definitely there will be a substantial saving on account of power generation because the prices of domestic coal have come down to the rock-bottom prices. So, we can see some savings on the power generation side. But as a whole, Ferro Industry right now it's operating at a very minimal profit, I would say.

Rakesh Roy: But your realization also has come down due to this only – ferro alloy.

Abhishek Agarwal: Yes, definitely, of course. Because the price, I think, in Q1 was about Rs. 70,000. Now in Q2, it is about Rs. 65,000. And the demand is quite weak because India is surplus in alloy production. A chunk has to be exported to balance out the demand and supply. So, the prices are definitely under pressure in terms of ferro alloys at the moment.

Rakesh Roy: Sir, my next question is regarding – maybe I missed it – can you highlight on the new product 66 Fe or how is it different in terms of pricing from 65 and other?

Abhishek Agarwal: As I mentioned earlier, we have improved a step further. Now we are making 66 Fe pellets for which we are getting an additional premium of, say about Rs. 800 over and above the 65 pellets. It's in a very nascent stage, I would say very initial stage. As people start using it, the end mills, I am sure we will be able to get the desired premium in the longer term.

Rakesh Roy: Sir, the same question again. In Q1, we have 65% of pellets on high grade Fe?

Abhishek Agarwal: We have been reducing the percentage of high- grade production of pellets compared to my normal grade is always 65% for the last 2 years and we will continue to maintain that.

Rakesh Roy: After 66, we will maintain 65 only.

Abhishek Agarwal: The percentage mix should be 65% only, yes. At the moment, the production volume will be the same. It's just that we have improved the quality a notch more.

Rakesh Roy: The next question is regarding, most of the steel players are setting up their own pellet plants. In that case, in the near future, can we face any difficulty selling the pellets?

Abhishek Agarwal: No, I would say. A very straightforward answer would be no. There are two reasons. Because of our captive mines, our strength is iron ore at a very lower cost compared to others. And secondly, because the entire India is making the same grade which is the 63 or 62 pellets. But in my case, since I am making a premium product which is 66 Fe now, I have a different market, I have a different target audience, and parallelly always we will keep exploring the export market as well. So, I don't see any reason that we would be facing any kind of competition from my peers in the domestic market because of quality.

Rakesh Roy: Sir, most of the steel companies say in their con-call that in the next 1 month, their raw material cost will come down. In that case, our realization will come down or how much we are expecting in the near term?

Abhishek Agarwal: As I mentioned, for us, iron ore doesn't come down much because it's a captive resource only. Only on the royalty part, it keeps changing up and down. On the coal side, definitely, thermal coal as I mentioned, Q1 the average price was about Rs. 15,000, Q2 we are expecting an average price of about, say Rs. 12,000 to Rs. 12,500. That will straightaway add to our additional EBITDA. But at the same time, the finished steel prices have gone down by almost 10%. So, that will balance out. Whatever input cost has gone down, the finished has gone down in the same proportion. So, I don't see much improvement on that side.

Rakesh Roy: Sir, you said coal will come down from Rs. 15,000 to Rs. 12,500.

Abhishek Agarwal: Yes, for Q2.

Rakesh Roy: In total raw material cost, how much percentage is coal, motamuti?

Abhishek Agarwal: Coal is about 35%.

Rakesh Roy: How much energy we are using for renewable currently in terms of percentage?

Abhishek Agarwal: In terms of renewable power, it's about 30% at Godawari level.

Rakesh Roy: Any plans to increase in the near future? You were just mentioning 155 megawatts of solar plants.

Abhishek Agarwal: Currently, 100 is running and another 55 is in pipeline which will be commissioned in Q2. And going forward, if there is a requirement of further power, then we will go with solar only. We won't go with coal-based plants in this financial year at least.

Rakesh Roy: Sir, you said that your pellet production has come down due to shutdown.

Abhishek Agarwal: Yes.

Rakesh Roy: But last year same Q1 also, there was a shutdown or they were running normal?

Abhishek Agarwal: Depending on the machine availability and the machine condition, we decide everything beforehand before the year starts. So, the shutdown can be in Q1, the shutdown can be in Q2. But on the overall guidance if you see, at the end of the year, the numbers we have committed, we are confident we will achieve it, which is 2.6 million volume for the year '23-24.

Rakesh Roy: Last year, we had done nearby 6.7 lakh tonnes.

Abhishek Agarwal: No, that is in the quarter. If you see the entire year, if you see the annualized basis, we produced about 2.6 million something. This year also, we are confident we will achieve the same volume.

Rakesh Roy: For FY24, we are expecting the same volume?

Abhishek Agarwal: Yes, definitely.

Rakesh Roy: And regarding your mining, it takes how many months to fully ramp up the new mining extensions?

Abhishek Agarwal: Once the approvals are received, anything between say 12 to 18 months.

Moderator: We will move on to the next question that is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Sir, I want to understand one thing. Once we improved our new pellet capacity, would the high-grade pellet ratio remain the same like the 65% or it would come down?

Abhishek Agarwal: No, currently the capacity is 2.7 million. Of course, we have applied for approval of 3 million tonnes. But I have also said earlier, depending on the market conditions and our mining expansion, we might split the capacity into probably, say 2 parts, 1.5 x 2. But yes, going forward, whatever pellets we produce is going to be high-grade pellets; that is for sure. We will install the capacity in the same volume and we could enhance our mining capacity. Going forward, the ratio of high-grade pellets will go up rather than going down.

Vikas Singh: And sir, one more thing. If I remember correctly, we previously talked about debottlenecking our sponge iron plant, bringing it to almost 6 lakh tonnes capacity. Looking at the one quarter results, it seems that it's running at the same capacity. As we have done maintenance CAPEX already, why are we still giving a guidance of half a million tonne only and not 6 lakh tonnes?

Abhishek Agarwal: Because the environmental approval which we have received from the MoEF and the State Pollution Board is for half a million tonne. We have received the EC. It's also mentioned in the investor presentation. We have got the permission from the MoEF but we are waiting for the approval from the State Pollution Board. At the current level, we can definitely produce 0.6 million tonnes. But due to the permission limit, we are restricting ourselves to 0.5 million tonnes. No other reason.

Vikas Singh: My third question is regarding our integrated steel plant. I know it's a little bit early, but do we have the land bank already available or the entire thing has to be drawn from the scratch and not only on the product side?

Abhishek Agarwal: We have the land bank. Certain regulatory approvals are under process. It is government land. We have already identified that the land has been already allotted to us. We are just waiting for the formalities to get completed so that the land can be allotted to us officially in terms of we can start the work. That is the reason there is a delay in terms of the project and its groundwork. But we have the land with us, you can say that.

Vikas Singh: And lastly, sir, in terms of iron ore mining incremental 3.65 million tonnes, can you give us where we are in terms of regulatory approvals and if there is any change in timelines there?

Abhishek Agarwal: There is a saying, the world lives on hope. I am hopeful, it should be in place probably by, I think, the end of Q3. From there on, you can consider 12 to 18 months to ramp up to the full capacity.

Vikas Singh: Just one more question if I can pitch in. You said that you are actually covered till 2Q in terms of coal pricing.

Abhishek Agarwal: I said Q2 as well as early half of Q3 as well.

Vikas Singh: The price at which we have bought the coal versus the spot price, what is the difference?

Abhishek Agarwal: All my buying has been on index pricing. Basically, index means as the market keeps going down, my value of incoming coal will keep going down. So, I will always be on the gaining side. Even if the market goes down further by \$10, we will save \$10 further because I am not buying spot, I am buying on index.

Vikas Singh: And lastly, Hira Ferro Alloys seems to be making losses till now. Any outlook?

Abhishek Agarwal: The reason was, earlier in the Q3 of last financial year, there was a huge stop loss because the prices of manganese ore had jumped up quite a bit and then crashed. And the finished prices of alloys also crashed. I think Q3 and Q4 were impacted because of that. Q1 when we were able to start producing it at the peak capacity, unfortunately the market turned around of ferro alloys and the prices corrected from Rs. 90 a kg to Rs. 65 a kg currently. That is the reason I would say the profits as anticipated in the alloy business are not showing the numbers. That's the only reason. No other reason. The market is fine.

Management: Let me intervene. Hira Ferro Alloys is not making losses. It is at least at a breakeven level or slightly above the breakeven level. Despite all this, the power plant is commissioned – solar power plant – in Hira Ferro Alloys, that will contribute to the margin from Q2 onwards. And the capacity is also ramped up there. Hopefully, from next year onward, above 50 crores EBITDA is definitely possible from Hira Ferro Alloys going forward.

Moderator: The next question is from the line of Pruthul Shah from Anubhuti Advisors. Please go ahead.

Pruthul Shah: I joined the call late. So, I don't know whether the question is answered or not. But I just wanted to understand that on a YoY basis if we see, the iron ore mining and pellets have gone down significantly. What is the reason for that if you can explain?

Abhishek Agarwal: On the pellet side, it is already mentioned we had taken an annual shutdown of our bigger plant which we always do before the monsoon so that during the monsoons, we are able to produce at full capacity. No other reason. It's a planned annual shutdown. But the guidance given to everybody at the start of the year, we are confident we will achieve that which is a 2.6 million tonnes guidance. You can see the improvement in volumes Q2 onwards.

And on the mining side, we had already mentioned a couple of months back, there was an accident that the overburden dump had collapsed because of which there was an interruption in mining at full capacity till April. From May onwards, we started resuming at full capacity. That bottleneck thing took us some time, but today, we are producing at full capacity. No other reason.

Pruthul Shah: Sir, next was on your outlook on the export markets for pellets. How Godawari is looking into the exports?

Abhishek Agarwal: We are always exploring the export market. But at the moment, we haven't done a single export shipment, primarily because the domestic pricings of pellets are much better than the export. It's a common business sense, wherever you get more money, you sell it. So, at the moment, domestic is the preferred market. But we are always open for exports.

Pruthul Shah: I just wanted to know if you can provide the difference between the export price of pellets and domestic price of pellets if you can share.

Abhishek Agarwal: Today if I compare on apple on apple basis, it is about 10%. If I say that domestically they are, say about Rs. 10,500 to Rs. 11,000 for the high grade, export will be about Rs. 9,500 to Rs. 10,000. There is a 10% difference. That is the reason we are not in the export market at the moment.

Pruthul Shah: And sir, one last question that with respect to the new CAPEX plan that you have announced, the total amount comes to around Rs. 3,500 crores. Out of that, what would be the amount that would be incurred in FY24 itself?

Abhishek Agarwal: On both the new projects, in the current financial year, we don't see much of CAPEX being spent because both the projects are still under the approvals. We are expecting the approvals to be probably in our hands, say at the end of Q3 or early Q4. There will be no major CAPEX in this financial year. We would only complete the pending CAPEX going on. Next year onwards, we can see a substantial amount, but the project is about 2 to 3 or 3-1/2 years; so, of course, the expenditure will be accordingly.

Pruthul Shah: And sir, just one followup with respect to this pellets business only. Incremental 3 MT that we are setting up. Is this only, say for exploring the export market or a mixture or it depends upon the scenario at that time?

Abhishek Agarwal: It all depends on the scenario. We are focused on the export market. The demand in India is also gradually going up. People are realizing the value of good quality iron ore. Plus, if we also happen to start steel production which is of 1 million capacity, you can say 50% will be going for in-house consumption. Going forward, in the longer term, say 5 years down the line, we will have only 1.5 million tonnes for exports or merchant sales. That is the whole idea behind the 3 million tonnes capacity.

Moderator: The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Most of the questions have been answered. Just 1 or 2 more followups. Sir, on the mining and the beneficiation expansion that we are planning, we have highlighted in the presentation that roughly around Rs. 200 crores is the amount that we have earmarked for it. How much would be for mining and how much would be for the beneficiation plant?

Abhishek Agarwal: On the mining side, basically that you create the infrastructure to mine and process the raw material and dispatch it. Out of Rs. 200 crores, I would say about Rs. 40 crores will be on the mining side because of infrastructure and the remaining Rs. 160 crores will be on the beneficiation side.

Yogansh Jeswani: Again, on the beneficiation plant, just for our understanding, if you could help us with this beneficiation plant, will we be able to use more of waste fines and convert them into usable iron ore or will this also help us on the cost side? Basically, what does the beneficiation do for us?

Abhishek Agarwal: There are 2 parts. One is, we will beneficiate the low-grade iron ore of, say 35-40 to make it to a high-grade concentrate, say about 65-66 which can be used for pellets so that we were in advantage to upgrade the low grade from 35 to 65 or 66 whatever depending on the process. And second is the cost side. Currently, we are bringing everything to the plant and beneficiating in Godawari. We are paying about Rs. 1,000 transportation. In the process of doing that, we are throwing away about 15% to 20% of our tailings. To save on the transportation, now we would be beneficiating in the mines and we can save about Rs. 150 on the transportation. On an analysis basis, if you do a mining of say 6 million tonnes or 5 million tonnes, Rs. 150 is almost Rs. 75 crores to Rs. 80 crores. That is the whole idea of installing beneficiation in the mine rather than doing in the plant.

Yogansh Jeswani: Currently, we already have a beneficiation plant at the pellet unit.

Abhishek Agarwal: Yes, we have. The capacity is 3.2 million tonnes. And that is the reason we are able to produce high-gate pellets.

Yogansh Jeswani: With this 6 million beneficiation plant that will come up at the mine, the other 3.2 will still be of use?

Abhishek Agarwal: We can always utilize it depending on how the process gets stabilized in the mines. But of course, if the plant is running smoothly, there is no reason we are going to isolate it. It's going to be in the circuit. If there is a requirement of further beneficiating it, we will do it. It's a choice we have.

Yogansh Jeswani: But suppose the 6 million beneficiation plant at the mine is running smoothly, then this 3.2 becomes not so useful then.

Abhishek Agarwal: Exactly. You are correct.

Yogansh Jeswani: And the savings that you mentioned was roughly around Rs. 70 crores to Rs. 80 crores per year once this comes up.

Abhishek Agarwal: Yes, if we see our CAPEX of say Rs. 160 crores, it's a 2 years payback. So, it's no brainer.

Yogansh Jeswani: On the integrated steel plant, is there a little more clarity as to what we want to do now? I think in the past, we were still contemplating whether we wanted pig iron or an integrated steel plant.

Abhishek Agarwal: We are very clear we won't be going with only pig iron because selling pig iron which is such a huge volume is not a cakewalk. What we are going to do is we will definitely put up a finished line of steel. We are exploring the finished long steel as well as the flat steel, which is the TMT bars and you can say structure or strip.

Yogansh Jeswani: Just one last question from my end. I think the approvals are not in our hands. So, it's tough for you also to make any commitment to us. But you have fairly highlighted that Q3 or Q4 is where you expect something to come through. And then again, it will take anywhere between 15 to 18 months for the mining and, say 2-3 years for the integrated steel plant. Between today and then, what is the growth that we see? What kind of growth can we expect? Will it be very marginal, 5% to 10%, that we will get from debottlenecking of our say billet and sponge and so on and so forth? Or there can be something which will be major in, say the next 2-3 years also?

Abhishek Agarwal: Firstly, the additional savings which is coming from the energy business because we have been commissioning the new turbine and the solar plants. So, our energy input costs will go down and we see an annualized additional EBITDA of, say Rs. 100 crores to Rs. 125 crores. That is one benefit. Second would be our steel capacity will be from 0.4 million to 0.5 million. So, the additional EBITDA on a lakh tonne will also start getting realized from, say Q3 onwards.

And on the growth side, to be very honest, in terms of volume, we don't see much growth from here till our new projects are commissioned. But with the markets can go up again, of course, the bottleneck is going to go up again.

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

Vaibhav Kumar Dubey: Sir, I wanted to know Godawari has recently launched high-grade pellets we all know of 66 grade. We wanted to know what is the market of the particular grade pellet, what is the demand, and from which region the demand is maximum for the particular grade?

Abhishek Agarwal: At the moment, we are selling everything domestic. Because of the lower silicon levels and lower cost levels, domestically we are able to get the desired premium. And people are quite happy with the quality because they are able to realize the benefit in the downstream products. At the moment, we are selling everything domestically; Maharashtra and Chhattisgarh. And we are also exploring export opportunities.

Moderator: The next question is from the line of Kishan Tosniwal from Polar Ventures LLP. Please go ahead.

Kishan Tosniwal: I was just reading somewhere that the promoter of your company has invested and participated in a private placement of a company called Deccan Gold Mines. Is there anything related with the company's business or is it the promoter, in his own capacity, has done that?

Abhishek Agarwal: Promoter, in his own capacity, has done that. Nothing to do with the company.

Kishan Tosniwal: Nothing to do with Godawari and Godawari is nothing to do anything regarding this?

Abhishek Agarwal: Nothing.

Moderator: The next question is from the line of Ganesh, an individual investor. Please go ahead.

Ganesh: Thank you for keeping us minority investors well informed. There are a couple of slides that are not there this time about iron ore prices and all that. Could you please include them from next time?

Abhishek Agarwal: Sure. I will discuss with my team and whatever slides you are expecting, which were there earlier, we will try and give it in addition from next time.

Ganesh: Secondly, the lead times that we are talking about for our long-term expansion, the number of months, 24 months, 30 months, etc., are these from today or are these from the time we get environmental approvals?

Abhishek Agarwal: On the mining side, it is about 12 to 18 months from the date of approval. On the pellets side, it is about 18 months from the date of approval. And on the steel plant side, because it is going to be a bigger project and it is going to be a greenfield project, we can expect about anything between 24 to 30 months from the date of approval. So, yes, the condition is date of approval because that is something which is not in our control. We know in how much time we can put up the plant, but to start the working, we need that approval and which is not in our hands, unfortunately.

Ganesh: Regarding the new Fe 66 pellets that we are releasing to the market, just curious and want to understand. The coking coal prices and other input prices are all very less now. What is the motivation for people to use a higher grade pellet if they can manage with the lower grade pellet because the other input costs are lesser?

Abhishek Agarwal: The problem is if we make both the products, the point is we will lose the premium on the better product. And in today's market where there is already a demand-supply mismatch in India in terms of pellets, if we start making more volume of the 63 pellets or 64 pellets, we won't get the desired premium which we are getting right now. Plus, there will be a pressure on us to sell. And once you get under the pressure, then you start doing desperate selling. We don't want to do that. We are very focused. Our primary focus is to produce more of high-grade pellets and eventually realize the desired premium. Because going forward, with more initiatives towards green steel, the demand for high-grade iron ore will keep going up year on year, be it domestically or be it internationally. So, our focus is very clear. We want to make more and more of high-grade pellets.

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

Rakesh Roy: One more question, sir. When you see your ferro alloys realization for GPIL and Hira and Alok, all are three different. Any reason why it is different for Hira and Alok?

Abhishek Agarwal: The difference in terms of realization for Hira and Alok, probably in terms of the time of booking the input cost on the raw material side. That is the only difference. There might be a reason, probably we sold some quantity in Hira and then the market tanked or the market went up and Alok booked then. So, it's only the price fluctuation, nothing else.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Sir, I may have missed it, but can you tell me how we are going to fund our CAPEX of this Rs. 3,500 crores of steel plant….?

Abhishek Agarwal: Everything is going to be internal accrual. We have no intention of going to the banks. If required, we might. But at the moment, with the current scenario, we are confident everything will be funded by the internal accrual.

Vignesh Iyer: Sir, just to understand it, this year of FY24 have we shifted to 25% tax? It was 27%, if I am not wrong, last year?

Management: No, we are at 25%. Only some deferred tax or some adjustments here and there, but on an average, we will be on 25% tax rate.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Dinesh Gandhi: Friends, in conclusion, I would like to highlight that GPIL stays well prepared for the next phase of growth, backed by a robust net cash balance sheet and a competitive advantage with captive iron ore mines and the production of high-grade pellets. With an ambitious growth plan and unwavering support from all the stakeholders, we are confident of our future prospects. We extend our sincere gratitude for your presence in this conference call, and we trust that we have been able to address all your questions. If you have any further questions or additional information which you may need, please do not hesitate to contact us directly or reach out to our investor relations at Go India Advisors. Thank you once again for joining and participation in this call. And with this, we conclude this call.

Moderator: Thank you, members of the Management Team. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines.