स्वच्छ भारत
एक कदम स्वच्छता की ओर

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GODAWARI POWER & ISPAT

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एक कदम स्वच्छता की ओर

REF: GPIL/NSE&BSE/2021

Date: 28.05.2021

To,

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

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

Dear Sirs,

Sub: Submission of Transcript of Conference Call held on 26th May, 2021.

This has reference to conference call held on 26th May, 2021 for Analyst/Institutional Investors/Fund House/Investors etc., please find attached herwith the Tranascript of Conference Call.

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

Thanking you,

Yours faithfully,
For **GODAWARI POWER AND ISPAT LIMITED**

Y.C. RAO
COMPANY SECRETARY

Encl : As Above

Transcript

GODAWARI POWER & ISPAT

Conference Call of Godawari Power and Ispat Limited

Event Date / Time	**:**	**26th May 2021, 12 PM IST**
Event Duration	**:**	**1 hour 14 mins 02 secs**

Presentation Session

Moderator: Good afternoon Ladies and Gentlemen, I am Bharthi, moderator for the conference call. Welcome to Godawari Power and Ispat Limited Q4FY21 earnings conference call hosted by Go India Advisors. At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At the time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Ms. Sheetal of Go India Advisors. Thank you and over to you ma'am.

Ms. Sheetal: Thank you Bharthi. Good afternoon everybody and welcome to Godawari Power and Ispat Limited earnings call to discuss the Q4FY21 results. We have on the call Mr. B. L. Agarwal, Managing Director; Mr. Dinesh Agarwal, Executive Director; Mr. Abhishek Agarwal, Executive Director; Mr. Siddharth Agarwal, Non-Executive Director; Mr. Sanjay Bothra, Chief Financial Officer 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 through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you sir.

Dinesh Gandhi: Thank you Sheetal. Good afternoon, ladies and Gentlemen. I welcome you all to this conference call of Godawari Power and Ispat Management to discuss the Q4FY21 numbers and the financial year 2021 numbers. I hope you and your family are keeping well in these unprecedented times. I trust that you have all had a look at our results and earnings presentation uploaded to the exchange and company's website. I will briefly discuss the results and then we can move on the Q&A.

I am pleased to inform you all that FY21 has been the best year of the company in the entire history. We achieved highest ever quarterly and yearly financial performance driven our strong operating performance during the year. We had highest revenue of more than 4000 crores on a consolidated basis. We recorded consolidated EBITDA of 1236 crores and highest ever PAT of 625 crores. As you are all aware, after a gap of almost four or five years when we were in the debt reduction mode the company did not declare the dividend but we made an initiative by declaring Rs 5 per share as interim dividend and I am now pleased to inform all the shareholders that the board has approved the dividend policy and in line with the dividend policy the board has recommended payment of 13.5 per share as annual dividend, taking the overall dividend for FY21 to the extent of 18.5 per share. Future dividend payment will continue to be governed by the policy approved by the board in yesterday's board meeting.

Our strong performance has resulted into robust cash flow generation. The company generated over 900 crores of free cash which was mainly used towards deleveraging the balance sheet besides some amount towards the CAPEX and working capital. The company has reduced the debt by over 600 crores on a standalone basis and brought down the debt o 457 as on 31st of March. We have further reduced the debt to 193 crores as on date we are discussing. In addition to this, we have repaid about 50 crores of term loan in Godawari Green Energy, our solar project and Ardent Steel has been made debt free. Consolidated repayment for the full year is 723 crores in FY21. In addition to the same, the company has repaid debt of 464 crores in GPIL and 15 crores in the current year after March 21. As you are all aware, our cost of borrowing has been reduced from earlier 11% to 8% during FY21. The impact of same is now visible in the interest cost of the company which has considerably gone down. Our tax provision has been higher at around 30% in FY21. Going forward in all our companies we are adopting the new tax regime and our tax from FY22 onwards income tax liability will be around 25% as we will be receiving into the new regime effective next financial year.

The financial performance was driven by the operating performance despite the pandemic year and I would like to take this opportunity to put on record the efforts and contributions made by the employees of the company for their dedicated effort despite the year of pandemic. I take this opportunity to place on record the support extended by the government authorities at local level and even at central level. Going forward during the current year, the company will continue to invest on the CAPEX to further increase captive mining, iron ore beneficiation and increase in steel billet capacity as detailed in our presentation on slide number 8 we plan to complete this CAPEX by FY22. As regards the increase in Aridongri mining capacity as we have guided earlier from 1.4 million ton to 2.3 million tons the company has completed the specification to the respective authorities for award of the approval and we are expecting the approval any point from now. This has been of course delayed to some extent because of the ongoing COVID situation and lockdown in Delhi; but we are confident of receiving the approval as the situation normalizes.

I would also like to take this opportunity for the initiatives taken by the company and its officials to fight the pandemic and extend full support to the local government authorities in fighting the pandemic. The company has not only supported by extending donation of two crore rupees to CM relief fund but also extended support to the government authorities by supply of oxygen, medicines, injections etc and spent over four crore rupees during the regular current financial year to help the state government fight the pandemic.

I would now like to touch upon a few of the strategic initiatives of the company. Going forward the company is aiming at carbon neutral growth and to achieve the same we have decided to replace a part of our solar thermal capacity as well as part of our thermal power coal based thermal power capacity with 250 mega watts solar PV project to meet our increased requirement for higher billet capacity which we are in the process of announcing. We are utilizing the existing land parcel which we had acquired earlier for setting up a coal based power plant. Parcel of land is close to about 362 acres which will be sufficient to set up this 250 mega watts project. The cost of project has been estimated to be approximately 750 crores and this will be funded mainly out of the internal accrual although we will be required to take some banking facilities for opening the letter of credit, availing buyer credit etc, etc. If you see the dynamics of the project on slide 4, you will see that the plant will run at about 17% to 18% PLF and is expected to generate 37 crores unit of electricity per annum and an annual limit of 170 crores based on the replacement cost of power which will be replacing going forward. This project will be commissioned by Q3FY23, this will not only help the carbon neutralize of the company but also help increase sustainable EBITDA going forward. As you are all aware we are in the process of divesting our request and stake in our solar power subsidiary company which is currently giving us a return of 12%. We are in advance negotiation with the prospective buyer and we hope to close this transaction during this current year and as and when this transaction is finalized we will make a suitable announcement to the exchanges. The equity realized from this project will be utilized for the solar project. The thermal project was giving us an internal return of about 12%, we expect higher return by investing this money into solar PV project which is expected to give us more than 24% of internal rate of return. This stake sale will make also GPIL as a 100% debt free company from long-term debt although the company will continue to avail working capital subsidy going forward from the lender.

Our future growth strategy will continue barring unforeseen circumstances we continue to maintain our current level of operation of 90% to 95% of the plant in various divisions. We believe that once the environmental approval is received, the company will be self-sufficient in meeting its iron ore requirement by end of FY22. We will continue to leverage our portfolio flexibility to maximize profitability. Our next stage of growth as you are all aware we have signed an MoU with the Chhattisgarh government. The investment in the new steel business will take close to about 18 to 24 months prior to the major CAPEX will be committed on their side. Before that we will commit our investment into the solar and after that whatever cash flow is generated will be utilized for the next phase of growth in the steel business. With this, I once again thank you for participating in this call and now open the floor for questions and answers. Thank you very much.

Question and Answer Session

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

First question comes from Parthiv Shah from Tracom Stock Brokers. Please go ahead.

Parthiv Shah: Thank you for taking my question, is my voice audible?

Dinesh Gandhi: Yes, Parthiv.

Parthiv Shah: Congratulations to you guys for fantastic set of numbers and unbelievable number in terms of the dividend that you have shared. Good going there. Sir my first question is regarding the mining benefit. As I understand, I got a sense that the benefit of additional mining maybe we would get from H2 of FY22 assuming the permissions come and you are ready for your further CAPEX there, how can I pencil in this benefit because as I understand around 20% to 30 % of current inventory you are buying from the market and your landed cost of the mined ore is a lot, lot less. So at the current prices or the range that you have defined, what sort of additional EBITDA incremental can we factor in for H2?

Dinesh Gandhi: See Parthiv, if you see my last year's numbers, we would have purchased about 20% of our requirement from the market and this was within an average cost of about Rs. 5000 per ton. Going forward the current price of iron ore as you are all aware is very high which is in the rage of about Rs.9000 to Rs.10,000 per ton. The company as of now in the current year is planning in a manner wherein whatever inventory is there, we are first trying to consume that. Whatever inventory is there at the mine we are trying to bring it to the plant so that we are required to buy the minimum iron ore in the current year and once we receive the approval, we will be able to definitely increase the volume immediately and simultaneously we will continue to enter the CAPEX from the mine that is mainly for the crushing plant etc. So definitely we may be required to take about 10% or so from the market but we will try to minimize even with this 10% purchases from the market and try and maximum utilize from the captive mine. Now the savings will depend definitely on prices going forward; how the prices behave in the market.

Parthiv Shah: Great sir. Sir I also want to understand how is the pipeline for our high grade pellets and what approximate volume are we targeting for FY22 for the high grade pellets and what is the additional benefit in terms of current index levels of realization that we get in high grade pellet?

Dinesh Gandhi: Abhishek you will take this? Hello?

Abhishek Agarwal: Parthiv on the high grade side the incremental price we are currently getting to the market is close to 25$ for a ton of pellet compared to the normal pellet, upto 3.5. On the volume side, going forward we are starting to sell close to 40% to 50% of our entire merchant sale of high grade.

Parthiv Shah: Fantastic. Thank you so much, that answers all my questions. All the best guys.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. Participants are kindly requested to restrict with two questions in the initial round and may join the queue for further questions. The next question comes from Pritesh Chada from Lucky Investments. Please go ahead.

Pritesh Chada: Congratulations on good numbers. Sir, I have one question; what would be the replacement cost of your asset of this 2.1 million tons of pellets and half a million ton of sponge along with the iron ore mining if one has to put some thumb rule what should be the replacement cost of this asset as on date?

Dinesh Gandhi: I would like Mr. B.L. Agarwal to answer this question.

B. L. Agarwal: Yeah good morning everybody. Yeah Dinesh?

Dinesh Gandhi: Sir there is a question, what is the replacement cost of our mine as well as the steel plants which we have set up in Godawari Power, including pellets and everything.

B. L. Agarwal: Okay, as on date the replacement cost of our steel capacity is currently 4 lakh ton and going forward by the end of this year it will be 5.5 lakh tons. Sponge iron capacity therefore increasing from existing 5 lakh tons to 6 lakh tons. Pellets we have already gone from 2.1 million to 2.4 million, mining capacity is likely to be from 1.4 million to 2.3 million. Mines, definitely there is no large capex involved in the mining, because the mining is being done through contractual workers. But if I target replacement cost of Godawari Power and Ispat, including all the divisions that is pellets, power, sponge iron and steel, position on date it will take not less than 4000 crores. And mines, you know the premium has gone so high ranging from 95% to 125%; so to **re-wire** the mining it is not possible for anybody. So I cannot include the replacement cost of mining to these numbers but replacing cost for the CAPEX including Godawari Power and Ispat will not be less than 4800 crores as on date.

Pritesh Chada: So that would include 2.1 million tons or 2.4 million tons of capacity.

Abhishek Agarwal: 2.4 million tons of pellets, 0.6 million tons of sponge iron and the captive power.

Pritesh Chada: Okay and the incremental capacity when is it supposed to kick in?

Dinesh Gandhi: You see the for pellet incremental capacity, we have received the environmental clearance so it is already operational from the current quarter itself. Steel we are regularly ramping up our capacity. By the end of this year we will be able to achieve 5.5 lakh tons. Mining also we have achieved 2.35 million tons by the end of this year and the beneficiation plant which is currently 1 million ton will be 3.3 million tons that is likely to happen sometime next month itself.

Pritesh Chada: Okay, thank you very much sir.

Moderator: Thank you sir. The next question comes from Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Hello sir, congratulations on very good set of results. Sir, my question is more like today we are generating a lot of EBITDA from pellets. Our volumes in pellets are very high. So what is the management's strategy to move towards more and more products like pellets, wire rod etc; so that our dependence on pellets become very low? Is there any such plan after the solar power CAPEX that we have announced?

Dinesh Gandhi: Yes, as you are aware we have signed an MoU with the state of Chhattisgarh for setting up a Greenfield steel facility going forward. Initially we are in the process of searching for the land and the land acquisition will start. The actual

CAPEX on this will start only 18 to 24 months. Till then we will continue to leverage on our existing capacities and wherever there is a scope we are increasing the capacity as mentioned by our MD Mr. B.L. Agarwal, we are increasing the mining capacity to 0.3 million tons and even steel billet capacity to 700,000 tons in the current year, it has already up by 5.5 lakh tons. Similarly sponge iron is increasing to 600,000 tons. We have been continuously on increasing the value addition on pellet. About 2-1/2 to 3 years ago we were hardly doing value addition of 200,000 tons, now we have already reached through full integration of 400,000 tons and going forward we are aiming at 700,000 tons at the existing location before we move on the Greenfield CAPEX maybe in 18 to 24 months.

Abhishek Agarwal: In the meanwhile we will definitely continue the solar expansion also so that we are taken as carbon neutral company and most of our captive power will be green power only.

Bhavesh Chauhan: Thanks sir, that's helpful. Sir, lastly what was our EBITDA or EBITDA per ton Ardent in this quarter?

Abhishek Agarwal: Ardent was close to about 2500 approximately.

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

Moderator: Thaknk you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. The next question comes from Shantanu Mantri from M.K. Ventures. Please go ahead.

Shantanu Mantri: Hello sir, a big congrats on fantastic numbers. I just have a couple of questions. One is on the pellet realization right now. So we just heard you saying that the current prices are somewhere around Rs.15,000….is that right?

Dinesh Gandhi: Yes.

Shantanu Mantri: And we are looking to export around….the export to domestic mix, I heard you saying that it will be around 75% exports, 25% domestic. So our blended realizations would be much higher than the current 15,000. Am I getting this right? Because the export prices are much…

Dinesh Gandhi: What you have to take is, the blended realization going forward. As you said, it is 15,000 to 16,000 a ton on exports basis. As far as we are concerned, we are selling maximum and we are guiding for the prices which are on exports basis and this is the blended realization.

Shantanu Mantri: Alright. So this also includes your increment in the high grade pellet. So when you say 15,000 does that factor in that as well?

Dinesh Gandhi: Abhishek?

Abhishek Agarwal: Yeah when it comes to exports, the blended is to domestic, so current 15,000 blended average realization at the moment.

Shantanu Mantri: Alright, understood.

Abhishek Agarwal: Factoring in all, domestic, exports and high grade all three.

Shantanu Mantri: Okay, that makes it very clear. And sir one last question. I heard you saying on CNBC, you had given a guidance on FY22 EBITDA, somewhere around 1700, 1800 crores. So even if we factor in all the CAPEX, as per my calculation, we'll be left with some good amount of cash. So any plan of rewarding shareholders with that?

Dinesh Gandhi: I think we have already, number one, the expected or the guidance which has been given by Abhishek on the CNBC is from the current pricing. Now, the actual cash flow will depend upon the pricing going forward, that is how you should take it, number one. Number two, we have already guided what will be our distribution policy on the dividend, as per the dividend policy. So, we will continue to reward the shareholder based on the dividend policy announced and approved by the board.

Shantanu Mantri: Alright, fine sir. That is it from my side. Thank you and all the best.

Dinesh Gandhi: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Good afternoon sir.

Dinesh Gandhi: Good afternoon Vikas.

Vikas Singh: Congratulations on a very good set of numbers. Sir, I have two questions. Firstly, in terms of our pellet exports, now with some problem happening in terms of longer lead timing for the vessels, high pricing, higher freight, so are we experiencing any problems with respect to dispatching our material from the port as of now or the lead time has increased or even the China demand has come down, anything that sort of has happened so far?

Abhishek Agarwal: No. On the logistics side, there are delays as, there have been cyclones, but on the delivery side, there have been no issues till now. We have been able to deliver all our commitment as per the contracts. So, going forward I am sure the Chinese authorities will definitely consider shifting the Indian vessels for loading in the port. At the moment I don't see any reason why the delivery is getting delayed. Everything is in order at the moment.

Vikas Singh: So, after some price correction in the export market for iron ore, is the all in ex-plant realization for exports still better or now it is lower, if you could just tell me that?

Abhishek Agarwal: At the moment we are covered till mid of July. We have order books till the mid of July. So, it is too soon to say how the market is going to proceed, because it is still May. And we still have two months to book further orders. So, I would say it is too soon to take a call right now. But, if correction happens, of course it might go down to certain extent, but looking at the fundamentals, I don't see much correction happening at the moment now.

Vikas Singh: Okay sir. My second question pertains to our solar thermal power plant CAPEX. So, just wanted to understand that on the one hand we want to sell our solar thermal power plant on the second hand we are adding this 250 megawatt. I understand that that is because you want to be carbon neutral. But, would that be still more profitable than we doing sponge iron capacity increment and huge waste heat proportionally higher? So, overall that strategy wouldn't have been giving you some volume growth, also which we are currently lagging right now? So, just wanted to understand the entire thought process of selling solar thermal and adding 250 crores in the solar power again and instead of going with sponge verses this heat kind of the power generation strategy. If you could explain, it would be really helpful.

Dinesh Gandhi: Vikas, it is like this, our divestment plan for the solar thermal, which is an ITP and most of our investors had given us feedback that we should exit out of the non-core business. And it is not that we have decided to exit this business now. This is on the discussion stage for almost for a couple of years now. So far as the solar thermal is concerned, we definitely want to divest this project. But, you should appreciate that whatever money is realized as of date, number one is going into solar PV, which will give the higher returns. Our returns on solar PV, solar thermal is actually about 12% or so going forward. And the expected return on solar PV is closer to 24%. As I said in my opening remarks, this will not only give long term sustainable EBITDA to the company, at the same time, we are utilizing our idle lane, which is lying where we had invested about close to 80 crores-90 crores earlier and at the same time, it is giving me much needed power for increasing the steel billet capacity. So, we are increasing steel billet capacity from 400,000 to 700,000 tons. And for that I need the additional power. And if I have to grow, then I have to fully depend on grid, not less than Rs.6 per unit. So, this solar PV, it is not that it was not on our cards earlier, we were earlier going through the group captive mode. We were in discussion with many. But, now since we have the cash flow and I don't have utilization of cash flow for next two years, by the time we start, as per your suggestion, this iron ore and other capacity, whatever is possible in our existing premises, at existing plant, we are already doing it. So, it is not that we are not increasing our sponge iron or steel billet or mining or pellet or wherever there is scope at the existing location, we will complete it by the next one year or so. And after that we will start the CAPEX at the next location, for which I don't have the land as of now. We are in the process of searching the land. Then land acquisition will happen. Then we will have to go for environment approval. So, what will I do with the cash in between?

Vikas Singh: Understood sir.

Dinesh Gandhi: While your suggestion is taken that we should spend in the core business of iron and steel, so this solar thermal is for the core business of iron and steel. So, rather it is giving me an opportunity that I am hiving off one project, I am divesting in one project which is giving me lower returns and utilizing the money and at the same time making the company debt free, because I will not take any major debt for my solar PV project. So, just take an example. I had already guided for 170 crores of EBITDA from solar PV, whereas my existing solar thermal is giving me an EBITDA of close to about 80 crores to 90 crores annually.

Vikas Singh: Okay sir, okay. And sir, just one clarification, since our sponge capacity would now be lower than the billet, so we would be buying a lot of mechanics from the outside, so which would be kind of an impact on the conversion margin to us, is that a correct understanding?

Abhishek Agarwal: I would like to correct on that. So, currently our capacity of billet is 4 lakh tons, which would be around 5.5 by the end of this year. Our sponge capacity would be 6 lakhs, so it would be a complete integration. So, we won't be selling any sponge in the market. And the entire 6 lakhs of production would be going for steel making. And we are also using scrap to a certain percentage of 10% to 15%, that is how the process is. So, the remaining material which needs to be converted into steel will be in the form of scrap. We won't be buying sponge iron from the market. If it is already in the form of scrap, then that will further continue to be in the form of scrap.

Vikas Singh: So, basically I was just referring to the slide eight of your presentation, which says 0.7 million tons of billet. So, if I back calculate, so basically the gap whatever the additional is, from getting converted from the billets, we will be getting only the conversion margin on both, anything above 0.6, so that will be 1½ lakh ton of billets would be sold on conversion margin going forward, in the longer term.

Abhishek Agarwal: Yes, yes, you are right.

Vikas Singh: That answers my question. Thank you sir and all the best.

Dinesh Gandhi: Thank you Vikas.

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

The next question comes from Mr. Chetan Shah from Jeet Capital. Please go ahead.

Chetan Shah: Hi. Sir, just one small clarification. When we spoke about divestment of this energy, are we referring to both Godawari Green and Godawari Energy, both or we are just talking about one entity?

Dinesh Gandhi: We are talking about one entity, Godawari Green Energy, which is an ITP in Rajasthan. Godawari Energy is a company in which we are holding 300 something acre of land which I have mentioned. And this land we are utilizing it for solar PV. Eventually this solar, GE will be merged with GPIL going forward at an appropriate time.

Chetan Shah: Sir, this Godawari Green Energy, what is the debt in this specific entity, if you can share that specific number please?

Dinesh Gandhi: Sir, 350 crores approximately.

Chetan Shah: Okay. Thank you so much sir. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: Good afternoon everyone and congratulations to the team on a very good set of numbers. My question was regarding the CAPEX. So, this solar power plant, the entire capacity you plan to spend in the current financial year?

Dinesh Gandhi: Not in the current financial year, partially in the current year and partially it will go in the next year, is what we have guided for commissioning in Q3 FY23.

Sachin Kasera: Sure. And I believe you have mentioned 135 crores-140 crores of CAPEX for debottlenecking. That should happen in the current financial year?

Dinesh Gandhi: Mostly it will happen in the current financial year. It may be some portion may spill over in the next year, but mostly it will be in the current financial year.

Sachin Kasera: Apart from that I believe you have signed an MoU with the Chhattisgarh Government, I think some 2500 crores of CAPEX. And in between the board has also taken an approval for some acquisition as far as the NCLT is concerned. So, can you give us some understanding on how much you plan to spend on both these two activities in 2022 and 2023?

Dinesh Gandhi: Sachin, the approval which we have taken about a month ago from the board for acquisition, we were looking for target acquisition in a particular company. But, that has not materialized for some or the other reason. And whatever money you would remember that we had divested, we will be investing, advancing some money to ARC. We had advanced the money, we have got it back and repaid to the lender out of that. So, nothing on the card on this so far, as on the date for the acquisition.

Sachin Kasera: And Greenfield MoU with Chhattisgarh, how do you plan to spend the CAPEX in 2023-2024, how will it pan out?

Dinesh Gandhi: As I said, it will take at least 18 to 24 months before which we will start spending money on the project, barring land acquisition. So, that will be definitely be done prior to that. And that will be, we definitely plan to do it in a phased manner. But, detailed plan will be announced in due course of time. It is still before we finalize on the project, get the Government approval, then we will definitely guide on the market as to how and when it will be completed, in what manner it will get completed.

Sachin Kasera: Okay. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Ashok Agarwal, an Individual Investor. Please go ahead.

Ashok Agarwal: Congratulations on the best, fantastic performance in the quarter four and the year as a whole. My question or suggestion is that in view of such an amazing performance, cannot the management consider issuance of bonus this year?

Dinesh Gandhi: Ashok, we will take your suggestion and we will deliberate in the board and internally and maybe if some decision is taken, then we will definitely get back. And maybe there would be an announcement may be made in this regard. But, we have taken your suggestion.

Ashok Agarwal: Okay. Thank you very much.

Dinesh Gandhi: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Bachh Raj Nahar from Mili Consultants. Please go ahead.

Bachh Raj Nahar: Good afternoon and congratulations on superb results.

Dinesh Gandhi: Thank you sir.

Bachh Raj Nahar: Just two questions basically. One is that the companies that you had captive mines, they are making the final full steel production. Their EBITDA level whether it is Tata Long Products or Tata Steel, their EBITDA level is Rs.29000 to Rs.30000 per ton. So, and they also have the versatile products and capacity, like they have the sponge iron as well as they have pig iron. And whatever is the market condition, they shift over basically. By that process, they are really doing fantastic job whereas we by selling the pellets, our EBITDA margin might be currently 12000 depending on the price of the pellet. But, whether we can, of course you have announced the Greenfield project when that may take a long time. So, whether there could be some other way around basically, whether in the short term whether pig iron plant or additional sponge iron plant can be set up? Or, whether we can also have some contract manufacturing, by which we can increase our bottom line substantially, because of the current market of the final steel production?

Dinesh Gandhi: Sir, I appreciate your point.

B.L. Agarwal: Your suggestion is well taken. But, if you see the margins of Tata Steel going more than Rs.25000-Rs.30000 a ton, mainly in the flat product, mainly in the HRNCR. We are into the long product only. And we have planned our function going forward, mainly in the flat product and not in the long product. And there is no possibility of updating our pellet and convert it into flat product, because there is no player in the secondary segment who has the flat product capacity. If we speak of the long product, the EBITDA margin in the long product remains again Rs.15000 a ton maximum. If you talk about the pellet, to make 1 ton of steel, the production of pellet is 1.5. Our margin in the pellet, in this quarter is going to be about Rs.10000 a ton. And to make the steel it requires 1.5, it means Rs.50000 a ton. So, whether we tie up for the long product or whether we sell the pellet directly in the market, makes no difference as far as the total EBITDA is concerned. So, there is no point that we get our pellet converted in the local manufacturers. No local manufacturers will have such a huge capacity to consume our additional pellet, because our capacity is 2.4 million tons and we will internally consume about 0.8 million tons. Our 1.6 million tons, we require about 1.2 million tons of the outsourcing, which is not possible in the market. But, going forward definitely we are looking mainly in the flat product for further capacity and not in the long product.

Bachh Raj Nahar: Okay. And second question is of course on again depending on the availability of the iron ore that is also on that side only, that whether since you are going to have mining capacity of 2.3, pellet capacity of 3.3 ultimate, so whether you will be able to, you have to procure 1 million tons going forward every year. There are two questions. Whether, are you planning to increase the pollution clearance for 3.3 million tons of iron ore from your own mine? And second thing is that whether you can again, increase your basically the profitability, by sourcing, though the price of iron ore presently is very high, but at that price also there will be a contribution which is produced by steel, more steel and by that way you can sell your pellets whole and you can secure iron ore, by which you can produce sponge iron. Like that, whether this kind of fungibility is possible? This is my two points I thought I should mention.

Abhishek Agarwal: Just to clarify. Firstly, our mining capacity would be, going forward will be 3 million tons after expansion. Our pellet capacity is for four million. So like that iron ore would be captive for pellet convention, because we don't have to buy any iron ore from the market to produce pellet. So, that is point number one. Secondly, selling entire pellet in the market and procuring lumps for sponge iron from the market that disturbance affects supply chain, because the quality if ore available in the market is not as good as our pellet, we have two mills of wire rods what are to be export base. So, the phosphorous content would be much higher, so we won't be able to export the wire rod. So, this supply chain will be totally become commercial, which is a severe liability for us. So, we will keep using pellet for our internal consumption and make value added steel, which will be exported or sold in the domestic market. That will be the way going forward.

Bachh Raj Nahar: Okay sir. And one small question. In one of your two quarters back presentation, you mentioned about in one of the mines you will be upgrading and selling to the cement industry or something like that. Is there any progress on that front?

Abhishek Agarwal: Yeah, we are. The beneficiation permission which we have taken for 1 million to 3.2 million, so that is work in progress. Once we are able to achieve a quality with the cement, we will start selling to the cement plant. That is going to take another six to eight months from now on.

Bachh Raj Nahar: Thank you so much and all the best sir for the excellent coming forward good results. Thank you so much.

Management: Thank you.

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

Next question comes from Mr. Sameer Joshi, an Individual Investor. Please go ahead.

Sameer Joshi: Congratulations for a good set of numbers. I have two questions. One is in respect of the solar plant of 250 megawatts, is it only for captive use and if yes, how much EBITDA is expected to be accrued because of this plant? And second question is how do you see price realization going on till FY22? Thank you.

Dinesh Gandhi: Yes. Your first question is on the solar PV 250 megawatts. So, solar PV, 250 megawatts is 100% for the captive requirement. This is number one. And if you would have seen our presentation, we already guided, it is expected to give us an annual EBITDA of 170 crores at the replacement cost of power.

Sameer Joshi: Okay, fine.

Dinesh Gandhi: And what is your second question sir?

Sameer Joshi: Second question was pertaining to price realization maybe going till FY22?

Dinesh Gandhi: For us it is difficult to predict the price realization going forward. But, definitely so far as the overall commentary is there and since we are talking of the growth in the global as well as Chinese market, we believe that the prices are here to stay for some more time.

Sameer Joshi: Okay. Thanks.

Dinesh Gandhi: Thank you. Hello, Sheetal? Hello Bharathi?

Moderator: Yes sir.

Dinesh Gandhi: Bharathi, I think Abhishek is disconnected. Can you take him on the line again?

Moderator: Yes sir. He is reconnected back. He is reconnected.

Abhishek Agarwal: I am back. I am back.

Dinesh Gandhi: Okay.

Sheetal: Bharathi, you can take the next question.

Moderator: Yes ma'am. The next question Chirag Patel, an Individual Investor. Please go ahead.

Chirag Patel: Hello? Am I audible?

Dinesh Gandhi: Yes.

Chirag Patel: Congratulations on a good set of numbers. I have one question. We are moving to solar based energy for our production need. So, what cost saving we are going to witness going forward compared to what we are currently doing?

Dinesh Gandhi: Our blended cost what we are drawing form the grid currently and what we are expected to draw from grid and our coal-based power is close to about Rs.5.5 per unit. And the variable cost or the operating cost of solar PV is not likely to exceed more than 50 paisa per unit. So, we are definitely aiming for saving of Rs.5 per unit in our electricity cost, about 37 crores unit annually.

Chirag Patel: Okay. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Varun Mehta from Wealth Link Investments. Please go ahead.

Varun Mehta: Hello sir. I just wanted to know what would be our cost of borrowing going ahead as the working capital would be needed? And if you can just throw some light on what would be the demand scenario from the Chinese market right now, as we are hearing the prices have corrected. So, are we still witnessing a good demand for your, as you are focusing more on exports now?

Dinesh Gandhi: Yes. Our rate of interest as I was stating in my opening remark is close to 48% per annum. And so far as Chinese market is concerned, we definitely continue to sell maximum of our product in Chinese market. The recent fall in the prices is more of a curb, what we believe is curb on the speculative pricing. If you remember about a month ago or a month and a half ago, the prices were ruling at about 190, 180-190 kind of band. After that all of a sudden, the prices had spiked to about 230 dollars in the international market of the iron ore CIF China. This is now pulled down to close to about 200 dollars. So, I don't think the overall situation changes from that. Definitely some curb has taken place in the speculative pricing.

Varun Mehta: Okay. And sir, we are exporting majorly to China or we are exporting to more countries and we are going ahead and meeting the demand?

Dinesh Gandhi: Currently, carry on sir, carry on.

Abhishek Agarwal: We are doing it, China, Malaysia and then Indonesia and in the finished side, in terms of iron rods, billets we are exporting to Philippines, Africa and Thailand. So, it is not only China, pellets are mainly only to China, China and Malaysia and finished goods are going to all sorts of countries Philippines, Indonesia, Sri Lanka, even Africa we have supplied quantities of wire rods.

Varun Mehta: And sir, are we looking at good enquiries right now at the current price, what we are quoting in the market?

Abhishek Agarwal: The buyers are waiting when the markets will stabilize. So, it will be something like, you need to have patience. The fundamentals are definitely strong. There has been a price correction. But, eventually the demand is there. The buyers are only waiting to see when the prices are going to stabilize, so that the buying gets started there.

Varun Mehta: Right, understood. It is helpful. Thank you so much sir.

Moderator: Thank you sir. Next question comes from Mr. Satyan Wadhwa from Profusion Capital. Please go ahead.

Satyan Wadhwa: Can you just shed some light on in terms of forward contracts on pellets? Have you already taken bookings for pellets for the month of June and July, if I may? And what kind of pricing for exports and for domestic sales? Thank you.

Abhishek Agarwal: At the booking levels, we are covered till mid-July, domestic as well as exports. Primarily 70%-80% is going for exports. And the pricing we are looking at is, with the average realization of close to 15,500 rupees.

Satyan Wadhwa: So that means even if the prices were to fall, there will be no impact in the first quarter, right, in the June quarter?

Abhishek Agarwal: Definitely, definitely. We really prefer 45 days to 50 days to book order, that is how we prefer to operate the plant.

Satyan Wadhwa: Okay, great. Thank you.

Management: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Anuj Bhargava from Anubhav Trading. Please go ahead.

Anuj Bhargava: Congratulations. Very good set of numbers. I am happy.

Dinesh Gandhi: Thank you sir.

Anuj Bhargava: I have some questions. Primarily, you have got such large exports. I have not heard you mentioning anything on US dollar hedging or whatever is your prime currency in which you are hedging. You also mentioned in your note a small 25 megawatts of Jagdamba Power and I am just wondering what is the play over there. And the third thing is, you have this very large powerful group now, if I may say HIRA group. How does Godawari fit in, in this whole group and what is the group vision there? So, these are my principal questions and then if there is something I can talk on that. And I am keen to know what is the reserve situation of your iron ore mines, so are we looking at twenty years life, thirty years life, forty years life on the iron ore mines. Thank you.

Dinesh Gandhi: Continue with this question please.

B.L. Agarwal: I will answer to the life of the iron ore mines. And with the current exploration already done, we are covered till the next twenty years. But, thereafter, maybe after five years we will do some exploration. Till now we have incurred the iron ore to the depth of 150 meters. But, after removal of about 50 meters, we will further explore and go down. And if we are lucky, we can get more iron ore and maybe cover for further period. But, as of now we are covered till twenty years from now.

Anuj Bhargava: Excellent. Very comforting.

Abhishek Agarwal: And on the forex hedging side, so since we are doing lot of exports, we always make sure that our cover on the forex side as well. So, all our export shipment which we had booked till now are already forex hedged at the levels of 75 plus or minus 25 level. So, instead of maximum realization, then the product is depreciating.

Dinesh Gandhi: So Abhishek, you are taking it or I will answer?

Dinesh Gandhi: Okay. Jagdamba, so far as Jagdamba is concerned, the board has approved the merger of that company, divesting the power business from the Jagdamba Power and merging it with the Godawari Power. Unfortunately, this merger has got delayed, because of the pandemic situation. Recently one hearing has happened for convening the meeting of the shareholder of the company, both the companies and we are awaiting the orders for that. And this power is for meeting our existing requirement of steel. Jagdamba is already meeting our requirement for last two years. And I think you had asked for the group structure also. So far as group structure is concerned, we have given the same in our presentation also. Besides Godawari, under the Godawari group, we have Hira Ferro Alloys, which is an associate company of

Godawari Power, in which Godawari has invested 48 crores, rest is run by the promoters' family. Other than that is Jagdamba, but Jagdamba is not part of GPIL. It is an associate of GPIL. And the remaining equity is held by the elder brother, that is Mr. B.L. Agrawal. So, that doesn't come under, despite, the Hira group per se is the larger group, in which his brothers are there. But, those businesses are separate. And the promoters of Godawari Power, wherever there has any stake is part of the Godawari Power.

Anuj Bhargava: Got it. Thank you.

Dinesh Gandhi: And some maybe stake is there in the promoters' family, which we may decide to integrate going forward with the GPIL or appropriate decision may be taken in due course of time.

Anuj Bhargava: Understood sir.

Dinesh Gandhi: And about hedging, hedging is like this, our realizations are all short term, maybe about a month and a month and a half. We sometimes keep hedging the realization depending upon our view in the market. And sometimes we keep it open, because we have to import the coal as well. So, for export and import partially we have already hedged. Because, we are importing large quantity of coal, South African coal for our sponge iron plant, so partially we have hedged and partially we keep on covering depending upon the market conditions.

Anuj Bhargava: Sir, that means since you are importing from South Africa, your calorific value requirements of the plant maybe very high, is that right?

Dinesh Gandhi: Yes, yes.

Anuj Bhargava: Fair enough. Good, very delighted at what you have achieved. All the best.

Dinesh Gandhi: Thank you sir. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Kamal Bagaria from Hitech Corporate. Please go ahead.

Kamal Bagaria: First of all, I would like to congratulate for your excellent performance in Q4 and for the year as a whole to the management and the entire team. My question is, you have excellent realization and most of the steel industries are giving very good results in the March quarter. What is the price realization currently as compared to the March quarter, whether is there any change or whether it has gone downside or what is the current scenario? Number one. Number two, what is going to be the price realization in future, keeping in mind that China had changed some policy decisions for pooling metal international prices. So, can you throw some light going forward, what management is thinking as far as the international metal market is concerned?

B.L. Agarwal: I am taking this question. What you said is very correct. China has recently taken a very bold call in the market on all commodity, not only on steel, but all metals, aluminum, steel, copper, everything. There was a sudden spike on the global prices, including China in all these commodities in the month of May. And after this announcement, the sudden spike of the prices has already cooled down in China. And on the day-to-day basis, now prices of all these commodities are more or less stabilized for the last three-four days. Further announcement which were done by the China in the month of March, China has quoted 7.5 million tons globally. They were the highest in the history of China. Now, they have withdrawn the 13% tax benefit in the exports segment. Definitely this is done to affect the export from China, at the same time, China is looking for the reduction in the production over there. And they restricted the production cut. Therefore, removed the import duty on many of the items in the country. All this is done to increase the availability of domestic steel and cheaper import to meet their ever rising demand in China. China is, as everybody is aware, China has given a huge stimulus package during this pandemic, not only China, but the whole world and there is ample liquidity in the whole world. And that is the reason that all the commodities have gone up to all time high. As long as there is liquidity in the market, the prices are not going to come drastically, maybe there will be 5% correction here and there, but not in the near future. Now, Chinese export, which I believe will come down to almost 50%, from 80 million tons maybe China will like to export 40 million tons only. Where is the additional 40 million tons, which is required globally will be met? There are only three countries, number one India, number two Japan and number three Korea. India is not in a position to export more than 1.5 million tons per month. And that to be very optimistic, I don't believe that India would be in a position to export more than 1.2 million tons. As far as Korea and Japan is concerned, they also cannot export more than, both together 0.5 million tons. But, the steel that is there of about 2 million tons per month globally. So, where the supply will come? Either the global requirement has to go down or the price will go up. We have recently heard because of the announcement in China, the prices have come down only in China and not in any other country. Europe is still high. All other countries are still sitting in the highest level of price. But, one thing is very clear the price cannot go for a long, to keep on going up, going up, going up. Ultimately that is going to impact the downstream industry also. So, there needs to be some level of pricing. I don't think any further scope for much increase in the price at the same time, I don't think there will be a big downside on the global market in the commodity. Maybe 5%, but not more than that.

Kamal Bagaria: Hello? My second question sir, as I understand the international prices, Indian prices as compared to the international prices in steel sector is around, down around 15%. So, even if the international prices go down by another 5% as you say, it should not affect our Indian consumption? As such we are having a lot of infrastructure project being announced by the Government and going ahead, how the company sees its future as far as steel prices, international steel prices are concerned, whether we are going to get affected by international prices or Indian market prices are already low 15%. So, our company as a whole, the realization for the current year will not get affected?

Dinesh Gandhi: Yeah, I am pretty sure that there is no much scope in reducing the domestic prices, because the Indian prices are already low as compared to the export overseas market. I don't feel any reduction in the prices in the domestic segment in the near future. That may happen only when the international market will come down by more than 15%, which I don't expect in the near future at all.

Kamal Bagaria: Thanks a lot sir. Thank you very much.

Moderator: Thank you sir. The next question comes from Mr. Harish Kumar Gupta, an Individual Investor. Please go ahead.

Harish Kumar Gupta: Good afternoon sir. I think I may have missed the answer of my questions, like if you have answered already. What was the realization of pellet prices in March quarter? Right now, I think it is around 15500. But, what was the realization in quarter four?

Dinesh Gandhi: March quarter numbers we have given in presentation. It is close to about, pellet realization is 11700, average.

Harish Kumar Gupta: And right now it is hovering around 15500?

Dinesh Gandhi: Yes, yes.

Harish Kumar Gupta: Okay. Thank you. Thanks a lot.

Moderator: Thank you sir. The next question comes from Mr. Vaibhav Agarwal, an Individual Investor. Please go ahead.

Vaibhav Agarwal: Hello? Sir, my question was regarding the Chinese steel prices only. China has come down a lot on having this speculation on future etc. coming down and there is a collection of about 20% on HRC prices this month. So, don't you think that realization would be impacted in the next few months? You have answered this question, but just wanted your opinion once more.

Dinesh Gandhi: He has already explained what is the view. So, what additional you want to understand?

Vaibhav Agarwal: Mostly it has been answered, so it is okay. Thanks a lot.

Dinesh Gandhi: Thank you.

Moderator: Thank you sir. The next question comes from Mr. A M Lodha from Sanmati Consultants. Please go ahead.

A M Lodha: Hello? Am I audible sir?

Dinesh Gandhi: Yes, yes.

A M Lodha: Congratulations on a good set of numbers for this quarter and a very good outlook given by Abhishek on the CNBCTV18. Sir, I have two questions. We are having a land of 362 hectares as mentioned in the page four of the investor's presentation. It was acquired in 2010-2011 something. Can you tell us what was the cost at the time, that your company has incurred?

Dinesh Gandhi: As I said I think in the opening remark, it is close to about 80 crores or so.

A M Lodha: Okay sir. Sir, my question is since our prices have gone up, since the last one year and we as investors we are facing difficulty in either acquiring or selling, so in line with other steel companies like JSW, Jindal Steel and Power, you would like to have a good liquidity in our stock also. So, this is one suggestion from the investors that we should consider at an appropriate time continuation of ESOP. And the company has repaid most of the loans, term loans, so the company should get all the share closed and debenture released.

Dinesh Gandhi: Yes sir, I will take your last question first. So far as the release of shares is concerned, we are still awaiting, first part was the release for which I think two banks have already approved. And we are awaiting approval of one more bank. Because of the pandemic it has delayed. So, some shares are likely to get released very soon. Rest of the remaining shares since we are closing down our debt most probably in the month of June. We would be approaching lenders now. Since we have repaid our long term loans, all our shares should be released. And I am most likely 100% confident that these shares will be released, but it will take procedural time now from the lender.

A M Lodha: Okay. Regarding liquidity sir?

Dinesh Gandhi: Sorry?

A M Lodha: Liquidity?

Dinesh Gandhi: Liquidity is something, what is your suggestion in increasing the liquidity and how can we help in that?

A M Lodha: Sub divisions, we require sub divisions. Since our prices have gone up Rs.1000, so we require.

Dinesh Gandhi: I got your point. You are suggesting about splitting the shares.

A M Lodha: Yes sir.

Dinesh Gandhi: Okay. Let us debate. We take your suggestion. We will debate this in the board meeting and if the board agrees, then we will definitely consider your decision. And suitable as and when it is approved by the board, we will make it definitely.

A M Lodha: Thank you very much. Wish you very best, best time ahead sir. Thank you very much.

Dinesh Gandhi: Thank you sir. Thank you.

Moderator: Thank you sir. Next we have a follow up question from Mr. Chetan Shah from Jeet Capital. Please go ahead.

Chetan Shah: Sir, just one small question. So, in terms of current year, CAPEX will be approximately 300 crores, is that what I have understood it rightly, about 130 our normal ongoing CAPEX and about 180 crores to 200 crores of solar power plant which we are going ahead with or I have missed out something?

Dinesh Gandhi: Yes, as we have said, close to about 150 crores is for our expansion and various debottlenecking CAPEX, that is there. Solar, maybe around 200 crores to 300 crores may go in the current year, depending upon the progress we are able to make in the project.

Chetan Shah: Okay. And is there any normalized maintenance CAPEX which we do? Every year it is about 50 crores-60 crores, will that be over and above this?

Dinesh Gandhi: That is about 20 crores-25 crores approximately maybe required. That could be there. Of course, we have not mentioned about it.

Chetan Shah: Okay. Thank you sir. Thanks. That is it from my side.

Moderator: Thank you sir. Due to time constraint, that will be the last question for the day. Now, I hand over the floor to Mr. Dinesh Gandhi for closing comments.

Dinesh Gandhi: Ladies and gentlemen, thank you very much for participating in the conference call of Godawari Power & Ispat Limited to discuss the results. In my closing comments I would like to state few facts, which I believe you will be all aware of. As you would have seen with our dedication, we have repaid the entire debt of the company in last three years. And whatever is remaining is likely to be repaid going forward and the company will definitely be a debt free company. Similarly, if you would have seen our last three-four years numbers, our contribution from captive mining is increasing in the company. And going forward we are increasing it to 100% that will drive our EBITDA going forward. Definitely whatever savings we are able to make, similarly whatever investments which we have recently committed into the solar PV, that will also drive our sustainable EBITDA. So, I believe that over a longer period of time, we are working on a model, wherein we are able to assure that we are able to expand our consistent sustainable EBITDA in a longer-term manner. So, with this I would like to close this call. thank you very much for participating. Thank you all.

Management: Thank you very much. Thank you. Thanks.

Management: Thank you everyone.

Management: Thank you Bharathi and thank you Sheetal.

Dinesh Gandhi: Yeah, thank you Bharathi and thank you Sheetal.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

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Investor Relations Contact:

Niharika Shah	Sheetal Khanduja
Go India Advisors	Go India Advisors
niharika@GoIndiaAdvisors.com	sheetal@GoIndiaAdvisors.com
M:+91 97690 98986	M:+91 97693 64166

Company Contact:

Sanjay Bothra	YC Rao
sanjay.bothra@hiragroup.com	Yarra.rao@hiragroup.com
Godawari Power and Ispat Ltd.	Godawari Power and Ispat Ltd.
M: +91 98939 00152	M:+91 9630038861