REF: GPIL/NSE&BSE/2021/4306

Date: 06.02.2021

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 2nd February, 2021.

This has reference to conference call held on 2nd February, 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

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

Transcript

Conference Call of Godawari Power and Ispat Limited

Event Date / Time	**:**	**2nd February 2021, 12 PM IST**
Event Duration	**:**	**1 hour 2 mins 23 secs**

Presentation Session

Moderator: Good afternoon Ladies and Gentlemen, I am Bharthi, moderator for the conference call. Welcome to Godawari Power and Ispat Limited Q3FY21 earnings conference call hosted by Go India Advisors. At this moment, all participants are in listen-only mode now. 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 Mr. Ankit Toshniwal of Go India Advisors. Thank you and over to you sir.

Ankit Toshniwal: Thank you Bharthi. Good afternoon everybody and welcome to Godawari Power and Ispat Limited earnings call to discuss the Q3FY21 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, CFO, and Mr. Dinesh Gandhi, Director. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Dinesh Gandhi to take us 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 Ankit. Good afternoon, Ladies and Gentlemen. I am Dinesh Gandhi. I welcome you to this conference call of Godawari Power and Ispat Limited to discuss the earnings for Q3FY21.

At the outset, I am pleased to report that company has achieved highest ever financial performance during the quarter driven by strong operating performance and the price realization of iron ore pellet and the steel products.

Just to give you some highlights, the highest ever top line the company has achieved is 1132 crores, highest ever EBITDA of 348 crores on consolidated basis, highest ever PAT of 203 crores on standalone basis, and consolidated bottom line of about 166 crores. That is after derecognition of Ardent Steel as a subsidiary. As you are all aware, we have liquidated partial stake in that company in the last quarter. EBITDA of the company is up 2.68x on YOY basis and PAT is up 5.58x. Free cash flow generation is 90% of the EBITDA and company has declared the dividend of Rs.5 per share after a period of almost five years and company is virtually mostly out of the restructuring now and that has been brought down to a considerably lower level.

The strong financial performance resulted into robust FCF generation which we used mainly towards deleveraging. The company has repaid 667 crores of long term debt in the current financial year as against full year repayment of 213 crores in last year. Our interest cost on the date as we have been guiding has now been reduced to average 9% against 11% earlier. The long term debt of the company now stays at 873 crores, which includes 500 crore for the iron and steel business and close to about 370 crores for our solar power business, which is on a standalone basis is self-sustaining generating almost about 90 crore EBITDA on an annual basis. The net debt to EBITDA on a longer term basis we target to 0.5x; our aim is to become debt free continues.

As you are aware, we have liquidated almost about 50% of our stake in Ardent Steel in the last quarter. The transaction has been completed and the funds realized has been utilized towards the repayment of debt. As you have seen, the induction of partner has resulted into iron ore sourcing benefit to the company, which is quite visible as per the performance reported by the Ardent Steel. Godawari Power continues to actively participate in operational management of the company, being leading partner.

Coming on the future growth, we are looking to in a phased manner the investment, which is a natural transition to value addition on the iron ore pellet going forward. This growth we will attain mainly from the internal accruals based on the future cash flow generation. As I said, this capex will continue to be funded by the internal accruals. The company is also looking to be carbon neutral in the aim to shift to renewable energy for captive requirement where the cost has considerably gone down as compared to the grid power cost and power generation, coal-based power generation in the old turbine.

As you are aware, the prices of iron ore pellets we have realized is average about Rs. 9000/ton in the last quarter. The current prices are closer to about 10-year high which is ruling at about Rs.11500 to Rs.12000/ton in domestic market; international prices on ex-plant basis is also closer to the same level.

The performance in the Q4 we expect it to be much better than Q3. The outlook on the business continues to remain robust. We continue to maintain 90% plus efficiency utilization. We continue to leverage our portfolio to maximize the profitability and production capacity is as guided in the earlier conference call, is set to increase in next financial year, about 20% capacity increase is through debottlenecking is already planned in sponge iron and close to about 10% to 12% in the pellet from 2.1 million to 2.4 million ton. We expect the final stage of the regulatory approval to be received by the end of the current financial year.

With this, we now open the floor for question and answer. We will be happy to answer all your questions. 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.

First question comes from Amit Dixit, from Edelweiss.

Amit Dixit: Congratulations for a good set of numbers. I have two questions. The first one relates to the overall demand scenario for rebars in the secondary market. How do you see it panning out in Q4?

Dinesh Gandhi: I would like Mr. Agarwal to answer this question. B. L. sir, over to you.

B. L. Agarwal: Hello? Abhishek? I think you will be in a better position to answer this question.

Abhishek Agarwal: Hi, good morning everyone. Can you please repeat the question once again, please?

Amit Dixit: Yeah, sure. So, my question was that how do you see the demand scenario of rebars in secondary market panning out in Q4 given that we have seen a lot of price erosion recently.

Abhishek Agarwal: Yeah, see, to be very honest, definitely demand has been erased out in the last two or three weeks or so, I would say strictly after the New Year. See, everybody was expecting a price correction thinking the market has gone too high and so there was a price correction, but the demand was there, but then this budget thing came up and everybody was expecting that you know, like before the budget, the consumer end was saying that there will be something in the budget. So, now I think, budget is over, and you know, everyone knows that the budget is more on the economy boost side, so I am very confident that the demand is going to come back and prices should stabilize at a certain level, I won't say that it will probably go up to the levels they were four weeks back, but I am very confident with the current budget and the sentiments again changing towards economy boost, the demand should come back in the secondary market of rebars.

Amit Dixit: So, if I may add a followup question on this, what kind of prices you are seeing now, the spot price of rebars versus Q3 average?

Abhishek Agarwal: See, Q3 average, the prices actually started going up post Diwali, where there was a drastic increase in the prices of rebar. At the moment, prices are hovering somewhere around…on a basic level it is around 36000, so compared to Q3, pricing has …...

Amit Dixit: Sorry sir, I missed the last bit.

Abhishek Agarwal: The prices in Q4 are still on the higher side compared to Q3.

Amit Dixit: Okay. Sure, I got it. The second question is on the iron ore situation in Orissa. So, recently, we have been hearing that the iron ore supplies are increasing, the production is increasing, however, we have also heard that Orissa government is acting on certain miners who are not within their either environmental norms or something. So, and production is mostly ramping up from JSW and while they might sell something in merchant market, but they always have very big captive requirement. So, in light of these, how do you see iron ore supply in Orissa panning out?

Abhishek Agarwal: See, iron ore supply in Orissa, I would say, to be very honest; there was never a shortage of iron ore supply, per se Orissa or probably at a country level. See, the prices were going up because there was demand and at the same time the finished prices were going up. So, the prices kept going up, people kept buying at a high level, because at the same time finished was supporting them, so

Orissa government is being very proactive, the couple of big mines which were not in operation, by the new lessee, they have handed over the mines to OMC now, so those mines should be in production and should be in the market for merchant sale at least by end of this financial year, probably by end of March or early April; which is a very positive sign. SAIL has been allowed to sell 25% of its captive resources, so on an average SAIL is doing almost a sale of 1 million ton every month at pan India level, whether it is Jharkhand, Orissa, or even Chhattisgarh, so SAIL has been very proactive. So, they have realized that there needs to be more supply of iron ore to control the prices, so SAIL has been doing that. Orissa government has been very proactive. OMC, for example, they have been taking out auctions of 1 million ton every month, so 1 million ton is lump, and 1 million ton is fines. So, per se, I don't think so, there is shortage of iron ore in the country, it is only the prices which people have been highlighting time and again, so at the bottom line there is no shortage of iron ore fines in the country at the moment. And you cannot rule out, you cannot just separate India from the global market. So, globally, iron ore has been on the up-trend since pandemic, so eventually, things get tested on its own demand and supply. So, since internationally the prices are getting tested, so eventually in India, prices have also started going down now because finished prices. So, both has a direct link; demand and supply as well as the prices.

Amit Dixit: Okay. One last question if I may push it. What is the increase or decrease in secondary rebar prices from the peak that you have seen, and do you think that we are at a level, given their primary rebars are that we are closer to bottom or do you see a further scope of price decline in secondary market?

Abhishek Agarwal: See, if you talk about the peak, then I would say, the prices corrected almost by close to 15% from its peak levels. Primary producers, still the prices are pretty much high. The difference between the primary and secondary is still almost a gap of 20%. With the new budget and the import duty being reduced, so the country is hoping that since globally the prices are correcting, so eventually primary producers will be forced to change their prices in the longer term. There will be demand but prices…there will be correction to a certain extent going forward.

Amit Dixit: But you don't think that secondary rebar market is near its bottom, you still see scope of price reduction?

Abhishek Agarwal: I think, it has reached near its bottom and I can only see upside going forward.

Amit Dixit: Okay, wonderful. That helps. Thanks and all the best.

Abhishek Agarwal: Thank you so much.

Moderator: Thank you sir. Next question comes from Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Hi, thank you for taking my question. Firstly, I just want to understand, you mentioned the gap between the primary and secondary on rebar is 20%. Historically, what has been this gap?

Abhishek Agarwal: 10%. On average of 8% to 10%. If I mention in Indian Rupees, the gap is usually around Rs.5000 a ton, which is currently around Rs.10000 a ton.

Gaurav Rateria: Okay, so there is an imminent correction of Rs.5000, which is possible at least by the primary producers.

Abhishek Agarwal: No, it will depend on the demand and supply. See, because primary producers are mainly supplying to the government projects because they qualify with the BS norms. The good thing which has happened recently is that Government of India has approved a new policy where they have allowed the recyclers and the secondary producers who can comply to the BS norms, so they are also eligible to supply to the government projects now. So, with that policy in framework now, so I am confident the gap between primary and secondary will eventually start coming down. So secondary should go up and primary should come down to reduce the gap.

Gaurav Rateria: Okay. And secondly, just wanted to understand, what I understand is that there had been a lot of channels destocking around December because the prices were going up too fast and in January when the demand did not come, that kind of created a panic in the market. So, at what point in time, the channel destocking will be fully over and there will no excess inventory in the system, which will kind of help in the stability in the prices?

Abhishek Agarwal: I think the destocking process has already started. That is why suddenly the demand has disappeared. Once the destocking levels are almost back to nil, I think, the demand will come back, and it can happen very soon.

Gaurav Rateria: Like, this should be a phenomena in the February month itself?

Abhishek Agarwal: Yeah, I think, the process will start very soon, I am very confident about it. Because everybody who started, who had over inventories thinking the market going up, going up, so now everybody has decided that lets destock on an entry level and when market normalizes we will start buying again. So, that process I think, will start very soon.

Gaurav Rateria: Okay. Sir, last question from me, given the supplies have increased in iron ore and you mentioned there is no shortage, what we are hearing is that there has been some correction in the iron ore prices in Orissa by some of the merchant miners. Do you think the prices are likely to cool off anytime soon because supplies are increasing?

Abhishek Agarwal: Yes, see, prices have already started coming down and as I said earlier, eventually everything plays out on demand and supply and since the finished prices have corrected, so eventually the prices of raw materials has to get corrected. It cannot be the iron ore, it can be at the same level when the finished level go down. Eventually it will become unsustainable for the buyers. So, I am sure, the miners will realize the same fact and the prices have already started cooling down in Orissa. For example, there was an auction of lump yesterday from OMC, so from the last auction the prices have gone down almost by 15% and auction was of 1 million ton, which is not a small quantity.

Gaurav Rateria: Right, so basically, this will also settle down at the time when the steel prices kind of bottom out even iron ore prices will bottom out in your opinion?

Abhishek Agarwal: Definitely, definitely.

Gaurav Rateria: Okay, thank you.

Abhishek Agarwal: Thank you.

Moderator: Thank you sir. Next question comes from Vikas Singh from Philip Capital. Please go ahead.

Vikas Singh: Good afternoon sir.

Abhishek Agarwal: Good afternoon.

Vikas Singh: Congratulation on good set of numbers. Sir, I just want to understand this 2-1/2 to 5% kind of the import duty corrections, so given the secondary players also rely on the sponge and scrap mix, so how do you see a change in their cost of production and how would it get reflected in the prices, or do you feel that already the spreads are so low that it won't matter too much?

Abhishek Agarwal: No see, eventually India is part of global steel market, so….government has reduced the import duty on certain products, that is because they have realized that there is a correction happening in the international market and domestic prices are still on the higher side when it comes to the primary side, so once the imports starts happening in India, so eventually domestic players will also match the prices with the import levels. So, it will be same level field whether for a steel manufacturer or for consumers. So, that is the whole idea behind the decision of import duty on the steel items.

Vikas Singh: So, just a followup…so, what kind of followup of price correction you expect as set correction because of this versus you said that this...

Abhishek Agarwal: With the reduction of 5% import duty, it comes to around about Rs.2500 on the rebar, right? So, for example, if domestic prices are Rs.53000, so automatically the prices are now at Rs.50,500 levels. And globally the prices have been in the correction mode, so eventually the moment imports starts happening in India, which I don't think it is going to happen so soon, but in the longer run if imports are happening, so the domestic producers will be forced to match their prices with the import prices.

Vikas Singh: Understood. The second question pertains to sir, there was a mention about you signing an MoU worth 2300 crores with the Chhattisgarh government, I want to understand at what level of debt once you commence, you will be comfortable to start this capex, if you could share some timelines regarding the same?

Abhishek Agarwal: See, in any greenfield projects, right, it takes almost…you know, you have to acquire the land, then apply for the EC, and then plan a project, start activities, so it at least takes four to five years minimum for any greenfield project to come to production. So, we are very clear as a company, management is very clear that we will only start doing any new capex once the company is debt free. We will not invest a single penny in any new project if the company is not debt free. So debt levels are now down to 500 levels, so with the current market we are confident that by end of this financial year, we should be debt free.

Vikas Singh: Okay, so in all effective it means that from next year probably some status quo start regarding the new capex.

Abhishek Agarwal: Yeah, but only after we are debt free, nothing before that.

Vikas Singh: And sir, what would be your short term debt? So basically I wanted to understand your total net debt at this moment, including steel billets and the Godawari Green Energy?

Abhishek Agarwal: Dinesh, you take it up.

Dinesh Gandhi: Yes. See, I have already said the debt figures in my opening remarks; it is close to about 875 crores, that is the debt which remains as on date and out of that about close to about 370 crores is for the solar business, which is separately self-sustaining. At the standalone level, we have a debt of close to about 500, that is long term debt besides working capital limit of close to about 150 crores, which normally remains almost 70%, 80% unutilized. So, that is the debt position. At standalone level, we are aiming at debt free. I think Abhishek said this quarter, it is the calendar year '21-'22, let me correct it, rather than the current quarter itself. In the current quarter debt there may be some debt remaining at the end of the quarter and hopefully the way the billet prices are ruling, within the current calendar year we should be able to be debt free.

Vikas Singh: Understood sir. So, basically, currently it is 950, 970 crores is the total net debt, out of which we would come down to 300 crores, only the green energy debt would be remaining by next calendar.

Dinesh Gandhi: You have to keep working capital debt separately because without the limits you can't operate the plant, number one, number two, solar debt you have to keep it separately. Solar is self-sustaining, separately is the debt, which we will repay over a period of time as per the maturity or may be we will prepone it by three, four years. So, that 200-300 crores of debt does not matter for us, at the solar level.

Vikas Singh: Understood sir. Sir, just one last question regarding your Aridongri mines expansion, so if you could explain that at what stage we are right now and when we can expect the incremental produce to start coming in?

Dinesh Gandhi: See, the public hearing has already taken place for the environmental approval and we are awaiting the final approval by end of this financial year or may be first quarter of next financial year.

Vikas Singh: Okay sir, great. Thank you, thank you for taking my question and all the best.

Dinesh Gandhi: 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 back in the queue for more questions. The next question comes from Rina Shah from Ashika Stock Broking. Please go ahead.

Rina Shah: Hello sir, good afternoon. Thank you so much for the opportunity and congratulations on good set of numbers. Sir, my question is, I wanted to understand your domestic and export collective mix in this particular quarter.

Dinesh Gandhi: See, you know, we have been partially selling in the international market, depending upon the demand, and partially in the domestic market, and this mix will continue, it will be more or less the same. It is about 50%. Sorry? This depends on purely the demand and supply in the domestic and international market. So it is very difficult to guide on that basis but for us the realization is important.

Rina Shah: Sir, I am asking about third quarter pellet sales mix of domestic and export.

Dinesh Gandhi: No, that I won't have readily. I will give those separately.

Abhishek Agarwal: Rina, so I will tell you, in the third quarter, I would say out of the entire production, close to 20%-25% was for exports and the rest for in-house consumption and domestic market.

Rina Shah: Okay, thank you so much. And sir, another question that I have is, your current realizations, it seems that you have a forward booking, so how the things are shaping up in Q4 if your pellets for whole March month is also booked and what is the price that you are looking at in Q4 in terms of realization?

Abhishek Agarwal: See, in Q4, we usually have a quarter of 38 to 40 days, so more or less we are covered till 7th. So, March, since everybody was waiting for the budget and the budget is out, and the main barrier of whether there will be duty on pellets or not, so now since it is evidenced that there will be no duty on iron ore pellets, so we are very much open, depending on the realization whether we are open to exports or we are open to domestic market. But since we still have book orders till in Feb end, so we are in…there is no panic situation.

Rina Shah: Yeah, but anything like, since you are doing the forward booking, any rough number on how pellet realization and sales number will be going forward in Q4?

Abhishek Agarwal: In Q4, I think, it should end somewhere probably somewhere around Rs.11,500 to Rs.12000 on an average basis.

Rina Shah: Okay, that's all. Thank you so much.

Abhishek Agarwal: Yeah, thank you.

Moderator: Thank you ma'am. Next question comes from Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Hi sir, congratulations on a great set of numbers. Sir, when are we likely to formalize any dividend policy?

Dinesh Gandhi: Bhavesh, we are working on this currently. We will finalize it, we will try and finalize it by next board meeting that is for the full year audited results or near about that time.

Bhavesh Chauhan: Right, and what about our brownfield expansion plan that we had announced we were expanding billet bar from 4 lakh to 7 lakh and even some expansion wire rod, so when is that likely to come up?

Dinesh Gandhi: No, that brownfield expansion, as I said, in my opening remarks, we are looking at expansion in sponge iron capacity from 500 to 600 thousand tons and pellet capacity from 2.1 million to 2.4 million tons. That, the final leg of the approval is expected by the end of current financial year and we are likely to operate the higher capacities in the next financial year.

Bhavesh Chauhan: Okay sir, and sir lastly, we have already given that for mining expansion plans, something that you mentioned that will happen once you get EC clearance, but what is the likelihood of starting it next financial year?

Dinesh Gandhi: Next financial year.

Bhavesh Chauhan: And we will be going from 1.8 to, I believe, 2.8 million tons?

Dinesh Gandhi: No, one mine the expansion plan is under way, 1.4 to 2.3 million ton in Aridongri mine and the other mine continues as 0.6 million tons.

Bhavesh Chauhan: Okay thank you sir, and all the best.

Dinesh Gandhi: Thank you.

Moderator: Thank you sir. Next question comes from Prish Kumar Gupta from Nirmal Bang. Please go ahead.

Prish Kumar Gupta: Hello sir. I have one query. You mentioned that you will be debt free in this financial year, so you are referring to financial year ’21 or ’22?

Dinesh Gandhi: No, no, calendar ’22.

Prish Kumar Gupta: Okay, calendar year ’22.

Dinesh Gandhi: No, sorry, calendar year ’21.

Prish Kumar Gupta: Okay, okay. And how much of our revenue is from iron ore and how much revenue is from steel?

Dinesh Gandhi: Iron ore pellet, we don’t sell iron ore, we sell iron ore pellets, and iron ore pellet revenue is closer to about 50% to 60% depending on the price mix.

Prish Kumar Gupta: And remaining 40% comes from steel.

Dinesh Gandhi: From the sale of the steel business, that is from sponge iron to finished steel wire rod.

Prish Kumar Gupta: Okay, so rest 40% is sponge iron plus steel billets, right?

Dinesh Gandhi: Yes.

Prish Kumar Gupta: Okay. So, raw material in our steel plants is used from our mines only, we don't import…

Dinesh Gandhi: Yeah mainly, around 80% from the captive mines, 20% we are, subject to the market availability, sourcing from the local market.

Prish Kumar Gupta: Okay, thank you.

Dinesh Gandhi: Yeah, thank you.

Moderator: Thank you sir. Next question comes from Ayush Mittal from MAPL Value Investing Fund. Please go ahead.

Ayush Mittal: Congratulations sir on a good performance and substantial debt reduction. Sir, you had mentioned about this mine expansion from 1.4 million ton to 2.3 million ton, is that the right number?

Dinesh Gandhi: Yes.

Ayush Mittal: So, what is the status of this expansion, like, where are we, at the stage of this…?

Abhishek Agarwal: Public hearing has already been conducted which was very successful. So the next stage is filing of EIA. We are very confident probably in the next three to four months we will get the new enhancement EC and so from the next financial year we will ramp up the production accordingly.

Ayush Mittal: No I could not get it. If you will be filing the EIA then how much process does it take after that?

Abhishek Agarwal: That's what I am saying, after filing the EIA it will take another three to four months till receiving of the new EC and when that is received, we will ramp up the production. So I am expecting we will ramp up the production in the next financial year that is 2021-22. From April….

Ayush Mittal: So anticipating….thinking that we will get the approval you will start ramping up the production starting next financial year? Is that right?

Abhishek Agarwal: No, we will only ramp up the production only when we get the desired approval.

Ayush Mittal: Okay but these approvals can take very long…in some cases it can take multiple years also?

Abhishek Agarwal: That was the case earlier I would say. The government of India has been very, very proactive. They have been trying to simplify all the compliances and the EC rules. With the current process they are doing right now, we are confident we should get the new EC in the next three to four months.

Ayush Mittal: Okay great. Second sir, about the Brownfield expansion we are doing….like we are integrating putting up more of billet capacity and wire rod, what is the status of this?

Abhishek Agarwal: What we are doing basically is….as you know kiln technology keeps evolving; so what we are doing is basically we are replacing our old induction furnaces by the new technology one, so that process has already begun. We have already completed 30% of our modernization and the rest we will take in a phased manner. So by the end of financial year 2021, we should be able to ramp up the production to our desired level. We will take another one year from here.

Ayush Mittal: Which will effectively increase your end product capacity of steel billet, HP wire rods and these products which you had mentioned earlier?

Abhishek Agarwal: Exactly. So our sponge iron consumption will be 100% captive. We will not be selling any more sponge iron in the domestic market. It will be used for making steel billets and further end products.

Ayush Mittal: Okay great. Given that we have seen that there is so much of volatility in the pellet prices and it makes much more sense for us to keep integrating forward into higher value added products like billets etc., how much coke do we have further to do Brownfield expansion and increase these capacities at the current locations to move forward?

Abhishek Agarwal: There is no further scope of expansion because as per MOEF Raipur and specially the premises we operate from is defined in a critically polluted area, we are not allowed to expand in any coal based industry. Unfortunately we cannot do any further expansion. So the current expansion which we are doing is the maximum we can do in the premises.

Ayush Mittal: Okay got it. So sir, given that we have been having very good times as of now, what is the management planning to capture a part of this profitability as a long-term sustainable thing? How do you think we can get to capture these kind of profitability going forward? Any thoughts on that?

Dinesh Gandhi: The long-term profitability if you are aware iron and the steel is a cyclical industry so the volatility is going to be there. You have seen it in parts that we have been good for the last three years barring the current financial year. I am not talking about it. We have been doing an EBITDA of close to 600 and 650 crores. On a longer term basis, this number is likely to increase going forward hence we are increasing our mining capacity from 1.4 million to 2.3 million tons. Further we are increasing our sponge iron capacity by 20% and 15% pellet capacity and steel billet capacity as well. So the growth number would actually start reflecting in the next financial year and thereafter which will definitely add to long-term sustainable level but it is very difficult to pin point on a particular number which will be long-term sustainable because of the volatile nature of the industry.

Ayush Mittal: Agreed sir. Thank you that was useful. Wish you all the very best.

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

A.M. Lodha: I wanted to know how much is the loan remaining FY21 in two months, how much the Company is planning to repay the long-term loans?

Dinesh Gandhi: Another 200 to 300 crores.

A.M. Lodha: In the next two months…February and March?

Dinesh Gandhi: Yes.

A.M. Lodha: Then in that case we should be able to….on the long-term loans the Company should be debt-free in June itself in my view. By June 21?

Dinesh Gandhi: Yes, possible sir, possible.

A.M. Lodha: Okay. Then we have signed one MoU with Chhattisgarh government for 1400 capex, can you throw some light on this sir?

Dinesh Gandhi: This capex is medium term plan for the Company which will be spread over a period of four to five years and that will be mainly done through the internal accrual. But only before we start the implementation on that project we will need about one and a half to two years to get the land acquisition, the government approvals etc., etc. and then only we will start investing the money in the new project.

A.M. Lodha: My last question is on sale of Ardent stake. Actually I have noticed from the presentation sir that we have got in Ardent we have got realization of around 48, 49 crores in this quarter and all of a sudden the sales of pellet in Ardent has jumped from one lakh to two lakh tons. Can you throw some light on this sir? How did this happen?

Dinesh Gandhi: I will tell you, from one lakh to two lakh is because of the last quarter…not the Q3, in Q2 there was a maintenance shut down in Ardent Steel and therefore the volume was very low. The sustainable volume in Ardent steel…the annual capacity is close to about 700,000 tons. So on an average for the full year we will get that kind of volume….of 1 lakh ton.

A.M. Lodha: Any view on the disinvestment of the balance sheet in Ardent and new merger on the Godawari Green or outright sale which the Board might consider at the appropriate time sir?

Dinesh Gandhi: We are working on it sir but it is very difficult to give a timeline. Ardent Steel remaining stake we are not looking to sell it. We want to see that the new partner who has come into the business starts contributing his role into the company and maintains the profitability or increase the profitability going forward. As of now we are certain to maintain this 32% in Ardent Steel. So long we have been discussing with many investors the closing of the assets. The moment we find a good investor we will be able to do that.

A.M. Lodha: Thank you sir. Congratulations for a good set of numbers sir and thanks a lot sir.

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 Lakshit Bansal an individual investor. Please go ahead.

Lakshit Bansal: Hello? My question is regarding some ongoing media reports that only KIOCL is authorized to export duty free and a PIL has been admitted by the Supreme Court against 61 firms for violating the guidelines of the central government. So I want to know if our company is also in this list of 61 companies or not?

Abhishek Agarwal: As you mentioned the Ministry of Commerce has come out with the clarification almost two months back, the export of pellets apart from KIOCL is not illegal; rather government of India is giving us a 1% duty drawback which is an incentive on exports of pellets. So the criteria of illegal exports apart from KIOCL is totally buried. It is past now. The Ministry of Commerce has come out with a clarification two months back stating that everyone is allowed to export pellets and it is not only KIOCL. Regarding the PIL which is being admitted in the Supreme Court against Duty revision, to be honest, I would say it is totally baseless. All that you tend to do is, they are trying to create an atmosphere in the country where they were saying pellets should be banned or not exported so that it is consumed in the domestic market and the prices should go down. So the entire mechanism or the hue and cry is only to put pressure on pellet manufacturers to reduce the prices so that the steel industry can be in support of the Indian profit. So although the PIL has been admitted, at the India level we have an organization called Pellet Manufacturers and we are taking up the matter on official level, not only on an individual basis. So there are 61 companies, you are absolutely right, so all the big guys like JSW, ESSAR, JSPL and all the big traders like Bavaria all have been named in the PIL. So we are collectively fighting it out in the Supreme Court. But with facts and figures, this is totally baseless with government of India giving us 1% incentive on exports and they are saying we are doing duty evasion which is like two ends of a corner….it is like that.

Lakshit Bansal: I understand that. Okay, thank you.

Moderator: Thank you sir. The next question comes from Shantanu Manthri from MK Ventures. Please go ahead sir.

Shantanu Manthri: Hello sir, I just wanted to know that say suppose next year we ramp up our iron ore sourcing, so right now it is now like 80:20…80% captive. So once the entire facility expanded comes on stream, so we will be fully self-sufficient right? It will be….

Abhishek Agarwal: Yes, it will be 100% captive then going forward.

Shantanu Manthri: Okay sir. The other thing sir, I just wanted to understand in our cost structure, any impact of coking coal because recently the prices have shot up. So how will it impact our cost structure?

Abhishek Agarwal: We don’t use coking coal.

Shantanu Manthri: Okay, fair enough. Got it, that's it from my side.

Moderator: Thank you sir. The next question comes from Ashish Kejriwal from DAM Capital. Please go ahead.

Ashish Kejriwal: Hi, thanks for the opportunity. Sir, in one of your earlier comments you had mentioned that our government has made proposition where secondary producers too can supply to government projects provided they are BI certified.

Dinesh Gandhi: Right.

Ashish Kejriwal: My question is whether that has already been implemented and if yes, are we a part of that?

Abhishek Agarwal: See, we are not into making rebars, we are into wire rods. So firstly, we are not into rebars so we are not into that category of supplying to the government sectors. Secondly, the process has already been started. People who are into rebars have already started filing applications with the government agencies to get approvals so that they can supply in the future. Godawari Power does not make rebars so it does not make any difference to us. We make wire rods.

Ashish Kejriwal: Okay fair enough.

Moderator: Sir, can we go ahead with the next question?

Dinesh Gandhi: Yes.

Moderator: The next question comes from Parthiv Shah from Tracom Stock Brokers. Please go ahead.

Parthiv Shah: Congratulations sir on a wonderful set of numbers. Sir I have a couple of questions. We all understand that the Greenfield expansion in the steel industry always comes with its set of risks and a lot of gestation period along with sometimes even cost overrun. So I was just wondering, based on your commentary that in Chhattisgarh especially at the area where you operate there is a lot of restriction on environmental clearances for further expansion for other companies elsewhere along with yours. In this current scenario where the iron ore prices have gone up so much not all companies had the privilege of having their own captive mine. There were a lot of smaller players who have been studying in this current scenario and who are unable to expand, and don't have the capital. Are they willing to sell off their businesses which you can acquire and sir won't that be a better route for you going ahead because you already have a very strong balance sheeted company and if you can get Rs.10/- asset for Rs.6/-, Rs.5/- won't that be a more efficient capex and enhance the shareholders return on capital employed?

Dinesh Gandhi: Thank you. For your information not many assets are available in Chhattisgarh.

Parthiv Shah: Okay.

Dinesh Gandhi: So, I agree with you if assets are available at a low price why don't we go and acquire but in Chhattisgarh not many assets are available. The assets may be available in Orissa. We will look into that separately. In Chhattisgarh we have a sizeable raw material. Eventually for a long-term future, we have to find the utilization of the same in Chhattisgarh in value addition. This is not a short-term plan; this is a medium to long-term plan.

Parthiv Shah: Okay fair enough sir. The second question is regarding your plans of doing some sort of de-bottlenecking in your solar project which will enhance the P&L, have we completed that or are we planning to do that any time in future?

Dinesh Gandhi: Partially we have already completed. Partially we hope that in the next quarter it should come on stream.

Parthiv Shah: Okay, thank you sir, that's it from my side. Thank you so much and congratulations once again.

Moderator: Thank you sir. The next question comes from Nibha Agnihotri from Master Capital Services. Please go ahead.

Nibha Agnihotri: Hello everyone. Sir, most of my questions are cleared. I just want to ask a small question. We can see that in the early profit after tax in consol is 166 crores wherein standalone PAT is 203 crores. Sir may I know the difference….why the difference between consol and standalone?

Dinesh Gandhi: The difference between consol and standalone is because of the de-recognition of Ardent Steel as a subsidiary of the company concerned about sale of stakes.

Nibha Agnihotri: Okay so because of Ardent Steel?

Dinesh Gandhi: Yes.

Nibha Agnihotri: Okay sir, thank you so much.

Moderator: Thank you ma'am. The next question comes from Inderpreet Bansal from IB Securities. Please go ahead.

Inderpreet Bansal: Sir congratulations for the numbers. I have questions regarding….like you have mentioned that now your borrowing cost is around 9%, so in the near future do you see of it going up or at least remain constant at 9%?

Dinesh Gandhi: No it will not remain constant at 9%, this is linked to the marginal lending rate of the day. If the day's marginal cost of funds goes up this will go up based on that line and that too at an annual interval. Like if the rate is reset recently, at least it will remain constant for a period of one year and at the time of the next review by the lender, if the bench rate increases, marginal lending rate; then it will increase otherwise it will remain fixed for next one year.

Inderpreet Bansal: Okay sir, thank you so much.

Dinesh Gandhi: This is linked to the floating rate…so

Inderpreet Bansal: It is constant for one year?

Dinesh Gandhi: Till December it is constant.

Inderpreet Bansal: Okay, got it.

Moderator: Thank you sir. The next question comes from Bhavin Chhada from Enam Holdings. Please go ahead.

Bhavin Chhada: Congratulations to the management team for excellent numbers and the deleveraging process. A couple of questions sir. After the recent fall in long product prices and seeing the current prices of billet rounds and wires, they are now more or less equivalent to your quarterly realizations? Is my understanding correct?

Dinesh Gandhi: Yes, more or less yes.

Bhavin Chhada: Pellets are still higher so obviously you make a lot of money in pellets, so that maybe higher but the long product prices have already corrected to the level of products and post budget duty changes how do you see the impact? I understand that the long products duty free budget was 10% and it has been reduced to 7-1/2%....to 2-1/2 but simultaneously the scrap import duty has also been reduced so for long players is it a neutralized impact or how would you read it?

Abhishek Agarwal: To be very honest, India's secondary market is primarily driven by the sponge iron market. We do not operate furnaces using 100% scrap. So the impact on duty on the scraps is very minimal. So it is not substantial and at the same time I am confident since after the budget the sentiments will change, market is more bullish now and the prices have bottomed out and it can go upwards from here on.

Bhavin Chhada: So obviously since we are not big importers of steel scraps, basically for the long product the impact has been a 2-1/2% custom duty reduction versus, 5% for flat product right?

Abhishek Agarwal: Yes.

Bhavin Chhada: Okay. I missed out on your debt reduction target, I think you said you intend to become completely debt free and then look at expansion right? That's what you said?

Dinesh Gandhi: Yes.

Bhavin Chhada: Over what period of time?

Abhishek Agarwal: I think in the next 12 months we should be debt free, that all depends on the market, but at the current levels we are very optimistic we should be debt free in next seven months and in the worst case scenario we should be debt free in the next 12 months.

Bhavin Chhada: Okay and 1300 crores is your debt figure right?

Abhishek Agarwal: No, I would like to correct that. The debt figure currently stands at group level at 900 crores at standalone basis it stands at 500 crores long-term debt.

Bhavin Chhada: 500 crores standalone and 900 crores group level?

Abhishek Agarwal: Yes, including the solar plant.

Bhavin Chhada: So at that rate it is 1300 crores, I was coming to that figure only; total is 1300 odd crores.

Abhishek Agarwal: No, totally 900 crores.

Dinesh Gandhi: Bhavin long-term debt in standalone balance it is 500 crores, and in the solar subsidiary 365 crores approximately.

Bhavin Chhada: Do you have any working capital debt also?

Dinesh Gandhi: Working capital is a fluctuating limit so we don't count it.

Bhavin Chhada: How much would that be…?

Dinesh Gandhi: We are given 150 crores of working capital limit.

Bhavin Chhada: And just on the mining thing….that is your Ari Dongri mine how much reserves are currently pending there?

Dinesh Gandhi: Bhai this is a subjective question, that depends, how deep you are able to go, what are the mining technology. They are all mines which has been operating for more than 50 years.

Bhavin Chhada: Sure. As per the last approval or do you think this can operate for another 10 odd years easily?

Dinesh Gandhi: Minimum next three years.

Bhavin Chhada: But 2030 has to be compulsorily as per the last Supreme Court order, all captive mines will also get expired in 2030 right?

Abhishek Agarwal: No, the new act says, 50 years once your lease deed has been executed. So our Boria Tibu mine is valid till 2060.

Bhavin Chhada: So Boria Tibu is 2060 and Ari Dongri is how much?

Abhishek Agarwal: I think it is valid for another 18 years more. I think it is 2040.

Bhavin Chhada: So you are saying it is 50 years' life or 2030 whichever is later. In case mines are operating more than 50 years, they will get expired in 2030 right?

Abhishek Agarwal: Exactly.

Bhavin Chhada: So both your mines are operating for less than 50 years? So your original lease till 50 years will stand. Is that understanding correct?

Abhishek Agarwal: Yes.

Bhavin Chhada: Okay thank you and best of luck.

Moderator: Thank you sir. The next question comes from Utkarsh Somaiya an individual investor. Please go ahead.

Utkarsh Somaiya: Thank you for the opportunity. I'll list out the previous answer you gave to another participant. You were explaining a sustainable revenue and EBITDA at your current capacity. I understand prices do fluctuate but I missed out your answer. Could you please explain that?

Dinesh Gandhi: What I said is, excluding the current year, last three years our average EBITDA has been more than 600 crores. Our capacities are likely to increase, that is as the prices of the iron ore prices at that time was close to about 6500 average for the last three years against close to about 9000 rupees a ton in the last quarter and close to about 11500 rupees a ton in the current quarter. It is very difficult to calculate a number or pin point on a number that purely depends on how the prices are going to play out in future plus some addition would come from the capacity expansion which is on the pipeline…Brownfield expansion.

Utkarsh Somaiya: Okay. 600 crores was your average EBITDA at 6500 rupees a ton….

Dinesh Gandhi: That is for three years upto FY20.

Utkarsh Somaiya: Right. Currently prices are 11500 and the same was at 3000 in the previous quarter and how much work can you do with the expansion….percentage wise or volume wise?

Dinesh Gandhi: Percentage wise about 20% would be sponge iron, steel billet will increase by 50% and pellet capacity by about 15%.

Utkarsh Somaiya: Okay and you will be repaying 700 odd crores of long-term debt?

Dinesh Gandhi: That is current debt about 875 crores approximately.

Utkarsh Somaiya: Yeah and solar and working capital debt will remain correct?

Dinesh Gandhi: No, including solar is the long-term debt. Other than solar the long-term debt is 500 crores.

Utkarsh Somaiya: Solar will also be repaid or solar will remain?

Dinesh Gandhi: Solar will be repaid out of its own cash accrual.

Utkarsh Somaiya: Okay at the end of FY21 how much short-term or long-term would remain on the books?

Dinesh Gandhi: Currently the long-term debt remaining is 500 in my steel business and steel business debt like we have said we are likely to pay in the current financial year. Solar in any case it is generating handsome cash flow. It will continue to repay its own debt. We are not going to give the money to the subsidiary company and they repay the debt.

Utkarsh Somaiya: Okay thank you so much understood.

Moderator: Thank you sir. The next question comes from PB Jalan from KLJ Securities. Please go ahead.

P.B. Jalan: Congratulations for the excellent results.

Dinesh Gandhi: Thank you.

P.B. Jalan: My question is that, can you tell the first time EBITDA as on date for the pellets? First time EBITDA for the pellet as on date…means roughly during this period.

Dinesh Gandhi: Sir individual product wise EBITDA we don't disclose sir.

P.B. Jalan: Okay. The next question is, the budget has been recently presented. Any negative outcome of the budget to our company?

Abhishek Agarwal: No, I think the government has been very proactive and the single focus is development, development, development. They are trying to revive the economy, so I think the budget is wonderful for everybody in India. I don't see any negative face on this budget per se Godawari and probably per se the entire Indian public. I think it is a very good budget. Very proactive it will revive the economy.

P.B. Jalan: Okay sir, thank you.

Moderator: Thank you sir. The next question comes from Sameer Joshi an individual investor. Please go ahead.

Sameer Joshi: Congratulations for a good set of numbers. I have basically two questions. How much is your products and capacity books in advance? Second thing, having turned debt free do you plan to buy distressed assets which will enable you to either backward integrate or forward integrate?

Abhishek Agarwal: As per the production numbers we really book orders of close to 30 to 40 days especially in pellets because the volumes are huge. So I would say we are covered till end of February. That's the answer to your first question. In the second case, once we are debt free, we are exploring all opportunities whether it is a new Greenfield project as we have signed a new MoU with the government of Chhattisgarh or acquiring distressed assets. There are not very good assets available in the market right now. But we are keeping our eyes open and we will definitely consider if any good asset is available in the market to acquire and it will be forward integration and not a backward integration definitely because already we have a huge capacity of pellet for the merchant market so we would like to get more into steel making rather than go into pellet making.

Sameer Joshi: Okay sir, thank you.

Moderator: Thank you sir. Due to time constraint we will take the last question for the day from Mr. Anoop Kumar from Vibor Pvt. Ltd. Please go ahead.

Anoop Kumar: Thank you sir for giving the opportunity. I just wanted to re-confirm if I gathered rightly that you said that during the current quarter the average realization of the pellet size should be in the range of 11500 to 12000, am I right?

Dinesh Gandhi: Yes, yes very much.

Anoop Kumar: And this was 9000 in the last quarter?

Dinesh Gandhi: Yes, yes.

Anoop Kumar: Okay thank you.

Moderator: Thank you sir. Now, I hand over the floor to Mr. Dinesh Gandhi for closing comments.

Dinesh Gandhi: Ladies and gentlemen thank you for attending the earnings conference call of Godawari Power and Ispat Limited and participating in the call. We have tried to answer all your questions. If anything is remaining, you can approach us separately offline. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference call 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 day.

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