



# HIRA

## GODAWARI POWER & ISPAT



REF: GPIL/NSE&BSE/2023/5059

Date: 16.02.2023

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,  
1<sup>st</sup> Floor, Rotunda Building,  
Dalal Street, MUMBAI – 400 001  
BSE Security Code: 532734

Dear Sirs,

**Sub: Submission of Transcript of Conference Call held on 13<sup>th</sup> February, 2023.**

This has reference to conference call held on 13<sup>th</sup> February, 2023 to discuss the results and performance of Q3-9MFY23 for Analyst/Institutional Investors/Fund House/Investors etc.. please find attached herewith the Transcript of Conference Call held on 13.02.2023.

The aforesaid information is also being hosted on the website of the company viz., [www.godawaripowerispat.com](http://www.godawaripowerispat.com).

Thanking you,

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

  
**Y.C. RAO**  
**COMPANY SECRETARY**

Encl : As Above



### Godawari Power & Ispat Limited

An ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 certified company  
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**“Godawari Power and Ispat Limited  
Q3 & 9MFY'23 Earnings Conference Call”  
February 13, 2023**



**MANAGEMENT: MR. ABHISHEK AGRAWAL – EXECUTIVE DIRECTOR –  
GODAWARI POWER AND ISPAT LIMITED  
MR. SANJAY BOTHRA – CHIEF FINANCIAL OFFICER –  
GODAWARI POWER AND ISPAT LIMITED  
MR. DINESH GANDHI – EXECUTIVE DIRECTOR –  
GODAWARI POWER AND ISPAT LIMITED**

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

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Godawari Power & Ispat Limited Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sana Kapoor: from Go India Advisors. Thank you, and over to you.

**Sana Kapoor:**

Thank you, Mike. Good afternoon, everybody, and welcome to Godawari Power & Ispat Limited earnings call to discuss the Q3 and 9-month FY '23 results. We have on the call Mr. Abhishek Agrawal, Executive Director; Mr. Sanjay Bothra, CFO; and Mr. Dinesh Gandhi, Executive Director. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the 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, Sana. Good afternoon, ladies, and gentlemen. I would like to welcome you all to the earnings call of Godawari Power & Ispat Limited on behalf of the company. Our Q3 FY '23 results and earnings presentations have been uploaded on the company's website and stock exchanges. I believe that you have got a chance to have a look at it.

Just to begin with, it was an exciting quarter. We saw many important and strategic developments. To begin with, Government of India in the month of November removed the export duty on iron ore pellet and steel product, which was levied in the month of May 2023. This was contrary to the popular prescription and surprised many, most expected that the iron ore pellet export tax will not go away fully. It is now clear beyond doubt that Government of India has no intention to exit the iron ore pellet and see this as value-added product and not par with iron ore.

Pellet industry is generating huge employment and taxes and contributing to the growth of Indian economy. This move by government has made us more confident, and we have accordingly announced the league of our iron ore mining and pellet capacities, the capacity of iron ore or mine is supposed to be expanded to 6 million tons from 2.35 million tons currently. Additionally, a 6-million-ton iron ore beneficiation facilities also proposed to be built at the mine itself.

Both these projects have a combined capex of about INR 200 crores. Another INR 100 crores of capex is proposed to be made to increase the pellet capacity from 2.7 million tons to 5.7 million tons by establishing a new 3-million-ton iron ore pellet plant at the existing plant location.

In this regard, I would like to clarify that although the company had announced the capacity of 2.7 million tons of pellet originally, in view of availability of a single unit of 3-million-ton pellet plant capacity, we have decided to increase the capacity from 2.7 million to 3 million tons of the proposed plant. And therefore, now the overall capacity would increase to 2.7 million to 5.7 million tons.

With the increase in 0.3 million in capacity, there will not be any corresponding increase in the pellet cost as we will continue to be able to set up within the INR 100 crores plant capex. We plan to set up 1-million-ton greenfield steel project is still awaiting for process for acquisition of legal and other approvals like environmental and approval, water allocation, etcetera. The final plant configuration and product mix is still being worked out and shall be announced with the announcement of the capex post the shift of all these approvals.

However, further as a forward integration, we have decided to increase the capacity of our steel billet plant from 4 lakh tons to 5 lakh tons which was put on hold and also decided to undertake modernization of one of our existing rolling mills with the capacity of 2.16 to convert the same for manufacture of steel structural and strip mill as a backward integration to our fabrication from galvanizing facility and backward integration to our ERW pipe capacity.

This will help us to set up a precedent of experience and setting up larger rolling mill for manufacture of narrow width strip for manufacturer of ERW pipes with our greenfield steel plant. In the meanwhile, as detailed in our presentation, we are continuing with our normal capex plan, setting up of the solar projects and other efficiency improvement, capacity expansion projects, mainly funded through the internal accrual. This includes 600,000-ton beneficiation plant at the mine and steel billet capacity, etcetera.

The solar power plant, the company has already commissioned 70 megawatts solar power plant at Rajnandgaon and started drawing power from this plant. The acquisition of Jagdamba Power plant has also been completed, regarding other two solar projects, 1 solar project of GPIL with a capacity of 30 megawatts is expected to be commissioned by end of June for supply of power to our mine. And another project of 60-megawatt capacity for Hira Ferro Alloys is expected to be commissioned by March 2023.

Coming on the operational performance, the production of iron ore mining and pellet production has increased by 4% and 2% respectively, during Q3 FY '23. The production of steel billet increased by 80%. HB wires increased by 306% and Galvanized Fabricated products by 22% on Y-o-Y basis. The sale of pellet and steel billets were up 9% and 321% y-o-y, whereas sponge iron and rolled product reduced by 55% and 67%, respectively. Mainly, the fall in sponge iron and roll product sale is mainly because of sale of partially the steel billet and rolled products.

Payroll and sales volume for GPIL and HFAL both increased 50% quarter-on-quarter on 50% and 20%, respectively. The market price of iron ore for Q3 stood at INR 5,500 a ton, whereas company's captive iron ore landed cost was about INR 3,000 a ton showcasing competitive advantage for the company as in the captive iron ore mine.

Coming on the financial performance, consolidated revenue increased to INR 1,463 crores in Q3 FY '23, up 12% quarter-on-quarter basis, but down 9% Y-o-Y. The lower sales on Y-o-Y basis was mainly due to fall in realization of pellet and ferroalloy. Higher Q-o-Q sale was on account of trading sales of INR 241 crores. Excluding trading sales, there was a fall in the revenue at INR 1,222 crores.

Consolidated EBITDA was INR 173 crores is down 25% quarter-on-quarter, 55% Y-o-Y, mainly due to lower realization on Y-o-Y basis for the pellet and sponge iron and other value-added product on quarter-on-quarter basis. As you are all aware, GPIL is a integrated steel company and as of December, we had a net cash of INR 600 crores.

Coming on the market outlook. Global outlook for iron ore is positive. Prices of iron ore have risen from low of \$78 a ton late last year to \$120 currently. The sudden shift in China's COVID policy has turned the sentiment to positive. China is looking to revise its fledgling property sector and has announced a number of measures and increased liquidity. At the same time, China as

usual focusing on Infra spend to support economic growth. All these argues well for higher steel production in China and stronger demand for iron ore.

Another factor working in favour is weather related disruption in Australia and Brazil. Iron ore demand supply is finally balanced, which should keep iron ore and therefore, pellet prices well supported. Domestic steel demand is very strong. Indian government in its recent budget has announced increased capital outlay by 33% to INR 10 lakh crores and also increased railway outlay by 75% to INR 2.4 lakh crores, this argues well for the steel demand in the country, specially for long steel products. The current steel prices of the normal good pellet is holding about INR 10,000 a ton. The prices of sponge iron and another value-added products like billet, rolled products, etcetera, have improved to Q2 level, which we had seen a fall in Q2, Q3.

With this, I conclude my opening remarks and open the floor for Q&A. Thank you, and over to you.

**Moderator:** Thank you. We have the first question from the line of Jatin Damania from Kotak Securities. Please go ahead

**Jatin Damania:** Thank you for the opportunity sir, I just wanted to check that in the previous call, we have stated that the current order book of our pellet business was driven by the domestic order. With the renewal of the export duty, how are we placed in terms of the domestic order book? And have we got any inquiry as far as the export order is concerned?

**Abhishek Agrawal:** So on the pellet book order side, we still haven't started exporting because the domestic licenses are still a much better competitive export market. On the inquiry side, of course, we have been getting regular inquiries from our regular buyers, but the delta between the domestic and export is almost recently bugged, which is a substantial difference. So at the moment, company is focused on selling everything domestic, but we are already open by export given the price realization.

**Jatin Damania:** Right. And as for the presentation that you have said that you will be probably increasing our mining capability to 6 million tons in the next 18 months and the remaining, the pellet will be probably coming in the next 16 months. So by any chance, rather looking at selling incremental iron ore mine in the market in FY '25, '26 before the pellet comes in place?

**Abhishek Agrawal:** No. We have no intention of selling any iron in the market. We want to elongate the mines life. So we will mine as per the requirement of the pellet plant. We have no intention of selling in the market.

**Jatin Damania:** Sure, Thank you . I will come back in the queue

**Moderator:** We have the next question from the line of Mitul Shah from Reliance Securities. Please go ahead

**Mitul Shah:** Good afternoon sir, Thank you for the opportunity. Sir, you have given a remark that now prices have reached to a Q2 level, which dipped in Q3. So can you give a few ballpark numbers? It is almost at a Q2 average or peak level of Q2? And second question, how has been the volume trending in Jan-February? And what is the outlook for this quarter and maybe next 1 or 2 quarters after this export duty being removed, so any traction in terms of orders and all?

- Dinesh Gandhi:** See let me clarify. I said in my opening remarks that pellet prices are holding about INR 8,000 for normal pellet and about INR 11,000 for the high-grade pellet. And the prices have reached - come back for sponge iron and other value-added products like billet, rolled products, the prices have gone to Q2 level. Q2 level, meaning sponge iron at INR 32,500, steel billet at INR 48,000 a ton and wire above INR 50,000 a ton.
- Mitul Shah:** Okay. Because this number seems to be at least 2% to 5% lower than Q2 average, which we reported. So it's...
- Dinesh Gandhi:** The Q2 average sponge iron was about INR 32,000, INR 33,000, and it's the same level.
- Mitul Shah:** In your PPT, it's INR 34,000 -- INR 33,900. That's why I'm asking.
- Dinesh Gandhi:** Okay. No, so it is INR 32,000, I stand corrected.
- Mitul Shah:** Yeah. And secondly, on the volume side, how has in the last 1.5 months and going forward next 1 or 2 quarters view?
- Dinesh Gandhi:** Pellet, you will see the normal volumes. So far as the sponge iron and finished steel, we have already announced a shutdown of our sponge iron plant and other value-added facilities manufacturing like billet, etcetera because we have already reached the sponge iron plant utilization of more than 98% currently, and we do not have a scope to manufacture more sponge iron in the current financial year till March. So we are taking this opportunity.
- And if we are not able to produce sponge iron, then we have to shut down our waste heat recovery power plant. And even the steel billet facility because running billet facility and grid power does not make any sense it will put to losses. So we have decided that sponge iron, billet power generating capacity and other value-added facilities will all remain shut down till the last week of March. And definitely, the sponge iron volume will go down considerably and even billet and other products volume would go down considerably in the second half of Q4 FY '23. Pellet and sponge iron will continue to operate. Pellet will have an usual capacity production of about 650,000 tons and ferroalloys is at about 4,000 tons for the quarter. Sponge iron, Abhishek, can you tell me how much is the exact production till now?
- Abhishek Agrawal:** So till now, we have produced about 4,85,000 tons and think about INR 495...
- Dinesh Gandhi:** Current year number you give. Current quarter?
- Abhishek Agrawal:** Okay. Current quarter. So we have produced, say, about 50,000 tons till now and additional 10,000 tons operation. So total volume will be about 60,000 tons for Q4. 6-0-0-0. That's it.
- Mitul Shah:** Okay. Sir, and lastly, on the capex side, we are planning to spend INR 400 crores for this year. So after this change in few dynamics FY '24, what one should consider as a ballpark number or any change in our plans?
- Dinesh Gandhi:** See, out of this capex, power generation has already started building into the numbers. Jagdamba Power plant is already operational. We have already put to use our 70-megawatt solar power plant. And the additional solar capacities will come into the production where we are likely to

save INR 3 per unit of the power generation. And this plant will operate at about 15% capacity to utilization level. Steel billet is still from 400,000 to 500,000 tons will get commissioned by September, and this will coincide with commissioning of our new furnaces.

So impact of that will come in the next financial year. We already said that the additional power generation capacity of 8-megawatt will be available when we commission the new turbine. And sponge iron, billet capacity will definitely help us produce more structural and other steel where we should be able to save INR 1,000 per ton.

**Mitul Shah:** Okay. So we earlier indicated somewhere around INR 500 crores kind of annual capex for next 2, 3 years. So would it be in the similar range, right?

**Dinesh Gandhi:** Yes, yes. This INR 400 crores is already coming in from the last year. We have not announced new capex in the current year, except the 70 -- one rolling mill modification plan.

**Mitul Shah:** I'm talking about '24, '25. FY '24, FY '25, maybe FY '26, those 2, 3 years.

**Dinesh Gandhi:** Yes. Yes. In those 2, 3 years, the new mining and pellet capacity will come.

**Mitul Shah:** Okay sir, Thank you

**Moderator:** We have the next question from the line of Chirag Singhal from First Water Capital. Please go ahead

**Chirag Singhal:** Sir, I wanted to know what is the coal consumption cost for Q3 and what was it during Q2?

**Abhishek Agrawal:** Coal assumed -- for yearend, for DRI you're talking about?

**Chirag Singhal:** Coal consumption cost for Q3 as well Q2.

**Abhishek Agrawal:** That's what I'm asking. Coal consumption as in for sponge iron because coal is being consumed...

**Chirag Singhal:** For sponge iron?

**Abhishek Agrawal:** So for sponge iron Q2 was at levels of about INR 16,000 a ton. Now it's come down to INR 13,000 a ton, 1-3-0-0-0.

**Chirag Singhal:** This is current INR 13,000 per ton is current.

**Abhishek Agrawal:** Yes, INR 13,000 is for the current Q4. And for Q3, it was about INR 16,000 a ton.

**Chirag Singhal:** Okay. And what was it during Q2?

**Abhishek Agrawal:** It is higher above say INR 17,000 because the national market of coal has started going down, I would say, post-Diwali, which was November. So that's why the impact of INR 3,000 is being affected in Q4. And I'm hoping since the national market is downtrend, so in financial year, the cost will further be -- probably should be get down by at least INR 2,000, somewhere in the range of INR 10,000, ONR 11,000 a ton.



- Chirag Singhal:** Okay, This should be Q1 onwards.
- Abhishek Agrawal:** Yes, this is Q1 onwards, yes.
- Chirag Singhal:** INR 11,000 per ton.
- Abhishek Agrawal:** Yes, yes, yes.
- Chirag Singhal:** Okay, alright. I will be back in the queue thank you
- Moderator:** We have the next question from the line of Prashant Kumar Kota from Emkay Global. Please go ahead
- Prashanth Kota:** Hi sir thank you for the opportunity. My question is regarding the proposed 1-million-ton steel plant. Now have you made up our minds fully and just waiting for clearances and commitments from government? That is the first question. And related to that, sir, have we also considered setting it up as a DRI or a thermal coal-based plant wherein because the coking coal is always out of control, always, always like that happens. So since you are already in a coal reach belt and probably if we get some good auction -- in the auctions at good price and coal mine. Would that be an option that you would consider? And just wanted to know your thought process on how you would go about.
- Abhishek Agrawal:** Okay. So on the INR 1 million steel side, the company is focused on setting up the plant. But of course, the land acquisition and water availability those, the company is working on those fronts with the State Government that is taking much longer than we expected. And on the plant side, since you mentioned we should be work on probably a coal based DRI side. So what we have analysed if you take an average of late sales, you leave the COVID period a side. We'll consider an average of, say, 5 to 7 years between the primary producer of blast furnace versus the secondary producers through DRI route. The added difference between the input to output is about INR 700 a ton. So there's an issue that the EBITDA of INR 700 when you go through a blast furnace to compared to DRI route. And so we are very clear, we will be going with the blast furnace route. We have no intention of setting up another INR 1 million plant to DRI route.
- Prashanth Kota:** Sir, the INR 7,000 this is that you are saying -- sorry.
- Abhishek Agrawal:** Are on the coking coal prices are on the high side at the moment, which is very correct. But if you see in the long term, we think that the coking coal price also will stabilize going forward.
- Prashanth Kota:** Sure, sir. And you say the INR 7,000 incremental EBITDA is because of the higher realization for the blast furnace...
- Abhishek Agrawal:** It's both. It's both. So the realization is higher about say INR 3,000 to INR 4,000 a ton. And on the input side, because of the process, since the power requirement is not there, in steel making the hot iron is directly melted in the heavy converter. So on the operations side, the EBITDA is about INR 4,000 a ton and INR 4,000 a ton on the finished side because of the quality. So put together, our INR 7,000, INR 8,000 additional EBITDA will be there compared to the DRI. So we have no intention of installing DRI going ahead. We will be going with the blast furnace itself. As in then and there you get the required approvals.



- Prashanth Kota:** Thank you sir and all the best.
- Abhishek Agarwal:** Thank you
- Moderator:** We have the next question from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead
- Bhavesh Chauhan:** Hi sir, Can you talk a bit about the 18 months' timeline that we have given to expand iron ore mining in terms of when can we expect a clearance you said and then how long will it take to complete the groundwork?
- Abhishek Agrawal:** Okay. So we have already applied for the Environment Clearance, and that process is already in place. We should be able to get the permission in Q2 of this financial year or early of Q3. And basis that, the moment we get the permission, we will start the mining activities. And on the beneficiary side, we already have a INR 6 lakh permission for beneficiation for which the plant is already under election state and the remaining capacity of 5.4 million tons will also start building up once we get the approval.
- Bhavesh Chauhan:** Okay. And sir, in terms of pellets, we are saying 36 months to expand it to nearly 5.7 million tons.
- Abhishek Agrawal:** Yes.
- Bhavesh Chauhan:** So I thought sir, it should take a little less than that, so...
- Abhishek Agrawal:** No. So the issue is, so see 10 months to 12 months will go for the required approval since we have to go to Delhi, to the MoEF for the clearances. And then when we start the work, the groundwork will take up for 24 months. 10 to 12 months is the process, which you need to get approval from MoEF and then State Pollution Board. So that's a total 36 months. And we have already filed for the TOR for the INR 3 million pellet plant so that we think, so we should be able to start the groundwork say end of Q3, of this next financial year, say November, December.
- Bhavesh Chauhan:** Okay sir. Thank you
- Moderator:** We have the next question from the line of Sanjaya Satapathy from Ampersand. Please go ahead
- Sanjaya Satapathy:** Sir, can you please help me in understanding that you have said that several of the prices have recovered. So what kind of margin that one can really look forward to in quarter 4?
- Dinesh Gandhi:** Quarter 4, like there is 1 impact you will see negative side is from the closure of facilities for about 4 to 5 weeks. Barring that, our pellet, we will continue to operate at, say, closer to about 40% margin. And ferroalloys margin as usual are 18% to 20%.
- Sanjaya Satapathy:** Okay. And what about billet etcetera?
- Dinesh Gandhi:** Billet will be -- again, we'll be closing down for 1.5 months. So whatever earnings it was there, it will go into fixed cost and maintenance expenses. So I'm not taking into account the margin for value-added facilities from sponge iron to finished steel.

- Sanjaya Satapathy:** Understood sir And in terms of -- assuming that all these productions would have been normal instead of the shutdown that you are taking. I'm just trying to get a sense as to where the prices and costs are. And where exactly is the margin, assuming normal businesses?
- Dinesh Gandhi:** See, majority of our margin comes from the pellet business.
- Sanjaya Satapathy:** Correct.
- Dinesh Gandhi:** Majority of our margins come from the pellet business. But does -- it's not that the value-added facilities does not contribute, it does contribute. And to that extent, there will be impact, but there will be a higher positive delta from the pellet business. And therefore, we have said in our announcement that although this will have a negative impact, but overall, it will be positive, and profitability is expected to be higher than the last part that is Q3 and Q4.
- Sanjaya Satapathy:** So will it be back to Q2 level at least?
- Abhishek Agrawal:** It could be. Yes, depending on the average realization, but realization is, as I said, is around INR 10,000 a ton currently. And definitely, last 1.5 months would be closer to average of the last quarter. So definitely, it should be better.
- Sanjaya Satapathy:** And how much was the pellet margin in Q3?
- Abhishek Agrawal:** See, I'll not be able to give you in absolute terms, but at about INR 2,000, INR 2,500 a ton.
- Sanjaya Satapathy:** Thanks sir
- Moderator:** We have the next question from the line of Hitesh Arora from Unifi Capital. Please go ahead
- Hitesh Arora:** Thank you for the opportunity. Just to clarify, just to get your revenue breakdown for the quarter. You got the volumes and your realizations, if I multiply the volumes, the realization of around, I think, around INR 150 crores or thereabouts. What contributes the delta or the difference?
- Dinesh Gandhi:** Sorry. Sorry, come again? I've not understood.
- Hitesh Arora:** In the presentation, you've got the volumes and the realization for your end products, if I multiply...
- Dinesh Gandhi:** For Q3. For Q3.
- Hitesh Arora:** Yes, yes, yes. So if I multiply those, I get the difference of maybe around INR 150-odd crores in the number that I gave versus the actual revenue that...
- Dinesh Gandhi:** So I've shared in my opening remarks that the sales of INR 1,400 something crores includes INR 241 crores of trading sales.
- Hitesh Arora:** Trading sales? Okay.
- Dinesh Gandhi:** Therefore, difference is coming. If we reconcile with that, it will get reconciled.

- Hitesh Arora:** How much did you say, INR 240 crores?
- Dinesh Gandhi:** INR 241 crores.
- Hitesh Arora:** Okay. It's the trading, and this is normally you do at every quarter, the trading business?
- Dinesh Gandhi:** No, it is not higher because we had done certain -- I think it is -- Bothraji it is coal contracts, no?
- Sanjay Bothra** Yes, it is regarding the coal contracts, yes.
- Dinesh Gandhi:** Yes, yes. So I'll just to clarify for the larger audience, we have done some hedging for the coal. So some transactions have settled as a trading sales. Some we took delivery, some were settled. So that the difference is there.
- Hitesh Arora:** And what is this INR 250 crores number would be last about...
- Dinesh Gandhi:** In fact, because of the accounting standard, it is appearing as a trading. But otherwise, if you consider this as an hedging mechanism, then it is a part of the reduction in raw material cost. So corresponding entries are there.
- Hitesh Arora:** Okay. So INR 240 crores, how much in last quarter?
- Dinesh Gandhi:** No. It was negligible. Normally, our trading sales in the year could be INR 40 crores, INR 50 crores. Normally, it is not that large. It is a onetime transaction.
- Hitesh Arora:** Okay, Thank you for the calculations.
- Moderator:** We have the next question from the line of Punit Mittal from Global Core Capital. Please go ahead
- Punit Mittal:** Okay so Just 1 question to -- just to get my understanding correct. You have a significant difference in the production and the sales volume. So on the P&L, the cost that we see is based on the production versus the revenue that you show is based on the sales volume. Is that understanding, correct?
- Dinesh Gandhi:** Yes. No. The difference in the sales volume, like I'll just give you an example. In pellet, we consume almost about 33% of our production for captive using in sponge iron. Similarly, the sponge iron whatever is produced, almost 80% is used for captive consumption in making steel billet. And billet goes into rolled products, rolled goes into the wire. And therefore, each product we sell in the market and there is a value addition as well. And therefore, there would be a difference in sales production volume and sales volume.
- Punit Mittal:** Okay. So part of that difference is in-house volume?
- Dinesh Gandhi:** In-house consumption, yes.
- Punit Mittal:** For the upstream products. Okay. Okay. Got it. That's all from me. Thank you so much
- Dinesh Gandhi:** Yes.

- Moderator:** We have the next question from the line of Ashish Kumar from Infinity Alternatives. Please go ahead
- Ashish Kumar:** Thank you sir and sir, a couple of questions. One is on pellets. How much is the production guidance? Do you think that we can -- we were looking at doing roughly 700,000 tons per quarter. So can we start hitting that from the 500,000 that we did last quarter?
- Dinesh Gandhi:** No, no, last quarter will also be higher. Yes, Abhishek?
- Abhishek Agrawal:** No, no. Please go ahead. Please go ahead.
- Dinesh Gandhi:** Yes. Last quarter also, we had a higher volume. It's not 500,000 tons. 500,000 tons could be the sales.
- Ashish Kumar:** Right. So we've done 1.9 in 9 months, and our guidance was 2.7, so would it be...
- Dinesh Gandhi:** Our guidance was 2.6, 2.7 is capacity.
- Ashish Kumar:** Okay. So I'm just seeing your presentation. But do you think that we can hit the 2.6 guidance from...
- Dinesh Gandhi:** Yes, 2.6 we can hit.
- Ashish Kumar:** So we can have 700,000 this quarter.
- Dinesh Gandhi:** Yes. Yes. Maybe 20,000, 25,000 plus minus, but it is closer to that number.
- Ashish Kumar:** Sure, sir. And sir, second thing was in relation to the use of cash. Now we have INR 500 crores of cash and the export realizations have also come back to reasonable even in the worst of times, we generated positive cash flow. Are we looking at doing a largish pay out to the investors, either in the form of buyback or a onetime special dividend given the fact that our -- we'll be generating serious amount of cash flow from the business?
- Dinesh Gandhi:** No, you're right. The point is that we have a lot of capex lined up. We're already going through the capex. If you see my presentation, there is a capex input together solar plus other debottlenecking capex, including already done is close to INR 1,000 crores. We have announced further capex about INR 1,000 crores in pellet and mining business, and then we are looking to set up a greenfield steel plant also. So our dividend pay-out will continue to be as guided in our dividend policy of 10% to 15%. And we are not looking at buyback because you need to conserve case for our capacity expansion project. We'll not intend to raise much debt. We'll try to set it up through the internal generation only.
- Ashish Kumar:** So in terms of the steel plant, why is the thought process? Because it will be ROC dilutive for our business. So why do we think that we should do good on that part?
- Dinesh Gandhi:** See ROC diluted like you have -- you are into the business; you have mines, and you need to consume a partial pellet into the manufacturing as well. So it's a good hedge between pellet business and steel business. You have an opportunity to sell pellet, which gives the higher delta. And you consume the steel, steel also all the opportunity. So rather than just giving the dividend

and say looking at pellet business, we do not see businesses like this. We will want to restrict ourselves to a pellet company. We'll continue to manufacture steel.

**Ashish Kumar:** And how much do you think will be our capex for this year? We had projected a INR 400 crores capex? How much do you think with your capex for FY '24?

**Dinesh Gandhi:** FY '24, we'll place the order for a new pellet plant, once we get the approval for mining, mining capex will start just to about INR 200 crores. We have to give the advance for our new pellet plant. Once the approval is in place, we'll start building the -- give the cash. So maybe get you a time lag of 6 to 8 months. After that, the cash will continue to be required.

**Ashish Kumar:** Yes. No, no, I'm just trying to understand as to what...

**Dinesh Gandhi:** No, that depends when we are able to get the approval. And after that, the money would be required. As of now, my requirement would be closer to about maybe balance capex, which is close to about no more than INR 250 crores to INR 300 crores in whatever projects which are in pipeline currently.

**Ashish Kumar:** Okay. And lastly, sir, on the ferroalloys business, have you seen a recovery in the prices on the ferroalloys business also?

**Dinesh Gandhi:** Yes.

**Ashish Kumar:** So are they similar to Q2 levels or...

**Dinesh Gandhi:** No, no, no. It is much lower, much lower.

**Ashish Kumar:** So what will the...

**Dinesh Gandhi:** It is near -- ferroalloys is certainly selling closer to about, say, silico manganese, which we sell closer to about INR 75,000. Last financial year, it was more than INR 1 lakh a ton, INR 1,20,000. So it has not come to that level.

**Ashish Kumar:** Right and how do you see that going forward, sir?

**Dinesh Gandhi:** Very -- it is unlikely to go in a hurry to the levels which were prevailing last year.

**Ashish Kumar:** Okay. So we should budget in INR 75,000 to INR 80,000.

**Dinesh Gandhi:** Yes, INR 75,000, INR 80,000 a ton max.

**Ashish Kumar:** So basically, the short term will...

**Abhishek Agrawal:** No. The only silver lining for the ferro businesses, a lot of capacities of ferroalloys is going out of production, especially in higher energy markets like Africa, Europe, because ferroalloys is a lot of power. At the same time, the raw material cost has gone down compared to last year. So there's only silver lining, right? How the market is going to play, it depends on the demand and supply.

- Ashish Kumar:** Right. So basically, in short term, the volume growth is basically going to come from mining and the pellets engineers...
- Abhishek Agrawal:** Yes, yes. Right.
- Ashish Kumar:** Is that a fair way to look at it?
- Abhishek Agrawal:** Yes.
- Dinesh Gandhi:** Yes.
- Ashish Kumar:** Okay, thank you and all the best
- Moderator:** We have the next question from the line of Ramesh from U Gagar Ventures. Please go ahead
- Ramesh:** Hi thank you, in your presentation, it was mentioned that the pellet sales volume has -- while production is more or less on the line, it was 4% up but its sales volume has gone down by about 13%, and your realization is more or less flat like in a sense from Q2 to Q3. So what's the forecast for Q4 in terms of sales volume and realization? What can we expect? And as you mentioned, some -- second question is as you mentioned, some shutdown in the plant of sponge iron. So what is the additional maintenance cost which we expect in this year?
- Dinesh Gandhi:** Abhishek, would you like to take.
- Abhishek Agrawal:** Yes. Yes, I will take. So on the pellet side, see probably the sales are little down because probably our in-house DRI production was on the higher side. So 4% to 5% doesn't make a lifting because if one of a challenge is that the additional volume goes into the market for sales. So that is why there's a difference in the production, the sales volume.
- On this Q4, since we've already led a statement on Saturday, we are taking a shutdown of 4 to 5 weeks for the DRI unit. So that entire volume, which will be consumed in DRI will be going in the market. So the sales volume in Q4 of pellet will be much higher compared to Q3 or even Q2 because of the shut down in the DRI plant. DRI consumes about 70,000 of pellet every month. So that additional 70,000, 80,000 tons of material will be dispatched in the market. So the sales volume in Q4 will be much higher. On the resin side, Q3 was added about INR 8,000. Q4, the average would be about close to INR 10,000, say INR 9,750. INR 9,800. So a jump off about of 20%, 25% compared to Q3.
- Ramesh:** So there will be a substantial increase both in sales volume as well as realization for pellets?
- Abhishek Agrawal:** Yes, yes, yes.
- Ramesh:** And pellets being your mainstay sort of in terms of revenue, so it will be a good picture for Q3.
- Abhishek Agrawal:** Yes. So overall, we expect a better Q4 numbers compared to Q3 in terms of profitability difference.
- Ramesh:** And any additional cost which we'll incur in, is maintenance and...

- Abhishek Agrawal:** No, no. See, we already have a maintenance schedule for the entire year. So substantial costs wouldn't be there. This is a regular maintenance. There's a new turbine work which we have undertaken. So we're using the opportunity to take up that as well. So that's going forward when the turbine is in commissioning state, we do not take the shutdown for the plant. Only fixed cost and all will go into the cost and the plant will be shut down for next 4 to 5 weeks. Apart from that, nothing major.
- Ramesh:** Right right. Okay
- Moderator:** We have the next question from the line of Ganesh, an Individual Investor. Please go ahead
- Ganesh:** Sir, can you hear me well?
- Dinesh Gandhi:** Yes.
- Ganesh:** So from your presentation, I see that we are concentrating mostly on Ari Dongri mines. But our estimated availability from both Ari Dongri and Boria Tibbu, they are like by and large equal. So any reason for that? Or when do we plan to give the Boria Tibbu mines?
- Dinesh Gandhi:** Boria Tibbu mine some production will continue to grow, but our focus is on Ari Dongri initially. And then later on, when Ari Dongri, the volumes go down, we will use Boria Tibbu.
- Ganesh:** Okay. Okay. Got it. Sir, just 1 more question.
- Dinesh Gandhi:** Life is much more than what we can consume. So it is better to focus on 1 location, reduce the cost. If you focus on 2 locations, then the cost also increases.
- Ganesh:** Got it. Yes. Just have 1 more question. I'm assuming all our -- the huge capacity additions, the long-term additions we have are in the new location. So -- but we have also been judiciously gradually adding capacity in the old location, the current location that we have. So for the next 3 years or so in our plan, can we assume that our capacity is by and large done in the old location? Or will we have opportunities to have small or...
- Dinesh Gandhi:** No. Capacity is already done. We have some estates and some additional land which we have purchased which will help us setting up additional pellet capacity of 3 million tons in the existing location. And after that, there is no more scope of doing anything. And most of the debottlenecking capex also, we are simultaneously doing it. So we will be done with the capex, except the maintenance. There will not be any new capex at the existing location. Everything will go to new locations.
- Ganesh:** Okay. Correct. So this pellet plant that you just talked about in the extended location nearer to the existing location.
- Dinesh Gandhi:** No, no. We were earlier planning for setting up a pellet at the new location, but since the land for the pellet is getting delayed, so we sort of setting up the pellet plant here so that we can keep on it at least.
- Ganesh:** And this is also we have a time frame of 3 years, or it will be lot sooner.



- Dinesh Gandhi:** No, it will not. It will be done within 3 years. Because the new location is still uncertain because it is still taking a lot of time in land allocation and others.
- Ganesh:** Got it sir, thank you for the opportunity.
- Moderator:** We have the next question from the line of Shivam, an Individual Investor. Please go ahead
- Shivam:** Hi Thank you for the opportunity. I would just like to know the range of the ferroalloys EBITDA. Like if you continue on the past years what you tell be from the maximum to the minimum side. Can you tell me?
- Dinesh Gandhi:** You mean prices?
- Shivam:** Yes, yes, yes. You were saying that 70,000 one.
- Abhishek Agrawal:** No, see. Dineshji, I'll take these questions. See on the pellet prices, the COVID phase of 2 years was quiet, I would say, one-off incidents where the prices are going up to INR 1.2 lakhs as average was there for the entire year. There was a very exceptional period. Usually the pellet prices hover about, say, INR 50,000, INR 55,000. The lowest if we say probably when the cycle was quite low in 2013, '14, the prices are as low as INR 40,000, INR 50,000 also. And on the higher side, you have seen about INR 1.25 lakh, INR 1.3 lakhs a ton. But on a longer term, I would say, considering of INR 5 on a year average is what we usually consider by reviewing a project. So INR 5,000 EBITDA when the market is quite settled normal.
- Shivam:** So this is of ferromanganese or silico manganese, can you just say.
- Abhishek Agrawal:** No. So we don't make ferromanganese. We are mainly into silico manganese of the same grade. So I'm talking about silico manganese only.
- Shivam:** Okay. Okay. Silico manganese.
- Abhishek Agrawal:** We do produce ferromanganese, but that's very -- probably once in a blue moon where there's opportunity, we see in the market is good. But more or less, we are in the silico manganese market, pretty same grades.
- Shivam:** And sir, any reason to sticking into the silico manganese only. Like the other companies usually switch according to the market conditions, basically.
- Abhishek Agrawal:** No, there is no specific reason. For making ferromanganese, the purchase of the raw material has to be accordingly to make ferromanganese, then you have to import a lot of raw materials. The Indian manganese or the quality where you can produce good quality ferromanganese. So accordingly, we have to plan all the inventories and all. And even a silico manganese market in India is very substantial.
- And with exports happening, so we see sitting to one for the products, it helps planning the inventories and other things. Switching back to ferromanganese, silico manganese the raw material inventory goes up quite a substantial level because if you maintain different grades for different products. So -- and at a group level we thought let's stick with silico manganese only.

- Shivam:** And sir, can you give any guidance on volume growth? And can you tell us that why the ferroalloys is under some pressure right now?
- Abhishek Agrawal:** See, the ferroalloys is under pressure because I think one is currently, the export market is quite subdued from India because Middle East, Europe is not a big market in India. And as you are aware, because of high energy prices post the war, the consumption of ferroalloys has gone substantially. Our continuing capacity of steel is out of production in Europe since post the war. So that is the reason the export market is quite subdued. And to balance out the demand and supply, India needs to keep exporting ferroalloys, or else the domestic market will be oversupplied, and the prices will be under pressure. So that is the reason the ferroalloys prices are quite under pressure right now.
- Shivam:** And sir, your volume growth guidance for ferroalloys? Any?
- Abhishek Agrawal:** We have been producing at the ready capacity level, say as kind of 10%. So our volume growth will be on the same level. We are not expanding the ferroalloys as much.
- Shivam:** Okay
- Moderator:** We have the next question from the line of Punit Mittal from Global Core Capital. Please go ahead
- Punit Mittal:** Just a follow-up question. You had said that your margins for the pellet business is the highest. And then the other downstream -- sorry, upstream products are low prices. And you also said that you don't want to just stick to a pellet company even though the ROCs of the other product may be lower. Can you explain why is the case if the business or pellet is generating substantial EBITDA? What are the products? Why would you not stick to pellet? Thank you
- Abhishek Agrawal:** See the reason we -- Dineshji I'll take this.
- Dinesh Gandhi:** Yes. Go ahead, Abhishek. Go ahead.
- Abhishek Agrawal:** Yes, the reason we don't want to -- only do pellet because a lot of expansion is happening even in India in terms of pellet capacity. Lot of our current buyers will turn into producers rather become a machine sell in the market. And depending only on 1 product, lifelong, I don't think is the right strategy. Because I guess see the iron ore price has also gone on to below \$40 when the market was -- globally, market was at quite a low level.
- So in pellet market or iron ore, as you're aware, many driven by China market. So I would say it is a big question mark. If the market goes down, then straight away property takes a big hit. We see Q2 to Q3, the moment pellet prices has started going down, property we started going down. So looking into that, we want to probably be in the middle where we are a pellet player, where that opportunity. At the same time, we enter the steel market also, and you use that opportunity to make good quality steel and earn profit as well. So it's I think it's a middle part.
- Punit Mittal:** Partially, hastening your business.
- Abhishek Agrawal:** Yes, exactly.

- Punit Mittal:** Got it, Thank you.
- Moderator:** We have the next question of the line of Hitesh Arora from Unifi Capital. Please go ahead
- Hitesh Arora:** There's a chart in the -- in your presentation. So the cost of captive iron ore landed at \$2,900. So just want to understand what is the cost of pellet production. So you got this roughly INR 2,900 here, you probably would have some conversion costs. We would have probably some transportation costs. Could you roughly break it down? How much is it? Or any other component that I'm missing?
- Abhishek Agrawal:** See, on an overall level, as we've already mentioned, our mining cost is about INR 3,000 a ton landed to the plant. And overall the INR 3,000 with beneficiation and other operating costs, roughly -- today's pellet cost is about say INR 6,000 a ton.
- Hitesh Arora:** Okay. So INR 3,000 plus another INR 3,000?
- Abhishek Agrawal:** Yes, because the energy costs on the higher side. So the conversion is about say INR 2,000 and additional INR 1,000 on account of the yield loss really beneficiate and make higher pellets. So put together the current year costs is somewhere around INR 6,000 a ton.
- Hitesh Arora:** Okay. Thank you
- Moderator:** That was the last question. I would now like to hand it over to the management for closing comments.
- Dinesh Gandhi:** Thank you all for joining the conference call of Godawari Power & Ispat Limited. Although we have tried to respond to all your queries, if you have any more remaining, you can always touch to our Investor Relations team at Go India or you can directly reach us. Thank you very much and thank you for participating. Thank you all.
- Abhishek Agrawal:** Thank you.
- Moderator:** On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.