GODAWARI POWER & ISPAT
Regd. Office & Works: Plot No. 428/2, Phase I, Industrial Area, Siltara, Raipur – 493111, Chhattisgarh
Corporate Office: Hira Arcade, Near Bus Stand, Pandri, Raipur - 492004, Chhattisgarh
Web Site: www.godawaripowerispat.com, Email Id: yarra.rao@hiragroup.com
CIN: L27106CT1999PLC013756 Contact No.: 0771-4082000 Fax: 0771-4057601

REF: GPIL/NSE&BSE/2022/4734 Date: 03.06.2022

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 30th May, 2022.

This has reference to conference call held on 30th May, 2022 for Analyst/Institutional Investors/Fund House/Investors etc., please find attached herewith the Transcript 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

Yarra Chandra Rao
Digitally signed by Yarra Chandra Rao
Date: 2022.06.03 15:19:37 +05'30'

Y.C. RAO
COMPANY SECRETARY

Encl : As Above

"GPIL Q4 FY2022 Earnings Conference Call"

May 30, 2022

ANALYST:	**MS. SANA KAPOOR – GO INDIA ADVISORS**
MANAGEMENT:	**MR. B L AGRAWAL – MANAGING DIRECTOR – GODAWARI POWER & ISPAT LIMITED** **MR. ABHISHEK AGRAWAL – EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT LIMITED** **MR. SIDDHARTH AGRAWAL - EXECUTIVE DIRECTOR –GODAWARI POWER & ISPAT LIMITED** **MR. DINESH GANDHI – EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Godawari Power and Ispat Limited Q4 FY2022 Earnings 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 '*' then '0' 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 Madam.

Sana Kapoor: Thank you Peter. Good morning everybody and welcome to Godawari Power and Ispat Limited Earnings Call to discuss the Q4 FY2022 results. We have on the call Mr. B L Agrawal, Managing Director, Mr. Abhishek Agrawal, Executive Director, Mr. Siddharth Agrawal, Executive Director, 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 takes 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 morning ladies and gentleman and thank you for joining us on the earning call today for the Q4 and FY2022. I trust you have had a look at the earning presentation uploaded on the exchanges and the company website. I will briefly discuss the results and other business developments and then we will open the house for Q&A.

As you are all aware FY2022 was a landmark year in the history of GPIL. We have achieved many strategic milestones during the year. Just to name GPIL had a record breaking financial performance substantially higher and highest ever revenue EBITDA and PAT. The consolidated revenue increased to Rs.5399 Crores. EBITDA had increased to Rs.1864 Crores which is 36% and 64% higher respectively. The consolidated PAT more than doubled to Rs.1403 Crores from Rs.627 Crores an increase of 136% Y-o-Y. Even on quarterly basis, PAT from continuing operations attributable to the owners of the company increased by 24%. The company has achieved net debt free status on standalone balance sheet in Q1 FY2022 on a consolidated basis in Q4 FY2022. The company is net cash positive as of March 31, 2022. Consequently the pledge on promoter shareholding was fully extinguished and reduced to zero in April 2022 from the level of 32% at the end of the last financial year. The company has divested the entire 100% shareholding in non core business of solar and thermal power housed in Godawari Green Energy and earned a net profit of Rs.98 Crores on investment which is reflected as an exceptional item in our results. The company has started manufacturing high grade pellet during the year which commands the higher price in market by about Rs.1500 a tonne over the commercial grade of the pellet. The company has started supplying pellet to large steel companies in domestic market as well as started exports of the same. The company has taken step forward to consolidate the operations related to iron and steel business in the group and the same is being consolidated under GPIL and accordingly increase the stake to 76% in HFAL. Going forward the company plans to consolidate remaining investment in Hira Ferro and Alok Ferro. Further moving on the consolidation the board has approved the acquisition of 25 megawatt thermal power plant of Jagdamba power on slump sale basis lump sum consideration of Rs.70 Crores. The transaction is expected to be completed by June end. This transaction is value accretive as GPIL needs the power and the cost of power on a longer term basis, which will be much competitive as compared to the grid power. The 25 megawatt power project is also critical for value addition business otherwise we cannot move the volume on the grid power alone. Finally the board has declared the final dividend of 140% on expanded share capital consisting of split of equity share and issue of bonus share till the year in the ratio of 1:1.

Coming on the operational performance, I am happy to report that GPIL has achieved highest production volume in iron ore mining, iron ore pellet and Ferro alloys business. All of them are of 36%, 6% and 14% respectively on Y-o-Y basis. The production volumes of the value added product like sponge iron and pellets in Q4 was lower on account of production quantity reaching the full EC limit and therefore we have to suspend the production of sponge iron, which resulted in lower wastage recovery power generation and consequently the lower production of the steel billets. On a Y-o-Y basis, the sales of iron ore pellet and sponge iron were up 3% and 21% respectively. The sale of billet and HD wire reduced by 33% and 64%. The overall volume of billet and wire was on account of strategic shift of the higher volume of sales of the sponge iron and wire roll on account of better profitability as compared to the value addition margin. Realizations if compared annually on all products have shown great performance due to better demand conditions in domestic and global markets. The pellet realizations was much higher in the first half of the year and the value added business had a better realization in the second half. As compared to FY2021 the average realization of iron led or in the sponge iron increased 50%, 44% and 54% respectively. Even on quarterly basis Q4 our iron ore pellet realization and sponge iron realization increased by 10% and 8% quarter-on-quarter basis.

I will now briefly touch upon the growth outlook and the initiatives taken by the company in this regard. As you aware, we are focusing on reducing carbon footprint by setting up three captive solar power projects with the capacity of 155 megawatt. These projects are not only environment friendly but also expected to save substantial cost for the company by replacing the grid power. The projects are progressing well. With regards to the 70 megawatt Rajnandgaon project of GPIL is fully ready and awaiting synchronization with the grid and expect to start generation very soon may be in a couple of days. The other two projects are expected to be commissioned by end of Q3 FY2022. Apart from this the company already generates 42 megawatt captive power from wastage recovery, for 20 megawatt biomass power in GPIL and 8 megawatt biomass power in HFAL. We will continue to focus on our competitive advantage. Our earlier proposal of setting up HR and CR mill has dropped in view of substantially higher capital investment originally envisaged by the company. Our focus will now be on intermediate products like pellet, pig iron and billets. We are working on the final product details and will be announced in due course with capital investment required. The company is aiming to set up one million tonnes Greenfield pig iron plant. There is a good demand of pellet in our local markets. The company is also planning to setup a lower width steel mill at its exiting location and therefore the company has kept on hold the expansion capacity in the steel billet. The final details about the change in plan are being worked out and will be announced with Q1 results. Our iron ore mines have a long life of 35 years. I am happy to report that the reserves in our iron ore mining has substantially increased consequent upon the additional trialing taken by the company during the year and now we have established that the reserves are to the extent of 165 million tonnes for the mine as compared to earlier estimate of 35 million to 40 million tonnes. We are now moving ahead with increasing the EC limit for our iron ore mining capacity from 3 million tonne to 5 million tonne and eventually we will increase it to 9 million tonne depending upon the future growth plans of the company. The capex guidance for FY2023 is around Rs.500 Crores. As we have mentioned our capex will be primarily funded through the internal accruals. The details of the capex are given in our presentation. With regards to the guidance, on the production volume in FY2023, we expect to produce about 2.7 to 2.9 million tonne of iron ore and about 2.4 million tonne of pellets in the FY2023. The company is now 100% captive in meeting its iron requirement. We will maintain focus on high grade pellet in intermediate products. The company is better placed compared to the other players in view of the captive iron ore resources which leads to cost saving and high grade pellets in which we realize higher prices.

Coming on the market outlook, on the international side, the iron ore market is in slightly deficit in Q4 FY2022 and production disruption. Russia and Ukraine war disrupted the supply of iron ore supply of steel and raw material thereby increasing the demand of iron ore in Europe and Asia. Iron ore prices in Q4 were range bound and expected to stay in the range of 120 in the rest of the year. The demand and consumption of the steel and other commodities in China is subdued due to havoc created by the COVID and the lockdown. Expectations in the Chinese market will recover if the lockdowns are expected to ease and the government will provide required stimulus. I have just seen a media report that Chinese government has announced a stimulus package of 300 billion Yuan although the reports are not yet confirmed but this is what is floating in the social media. Coming on the domestic iron ore, as you are all aware the government has recently levied an export duty on iron ore. Iron ore fines from 0%/ 30% to 50% and pellet which was having nil export duty has been subject to now export duty of 45%. Finished steel products and semi finished and finished steel products, the export duty is leveled at 15%. This is likely to definitely put pressure on the domestic iron ore and the pellet prices and also the finished steel prices. The prices are expected to be close to the export prices based on the international demand supply. NMDC has already reduced the iron ore prices by Rs.750 a tonne a few days ago. Going forward the price dynamics of iron ore and pellet will depend on the impact of export duty and the demand and supply scenario in both domestic and international prices. Some support will come from the increased cost introduction of the auction of iron ore mine under even circumstances. The markets are expected to be normalized over the next couple of days. We remain conscious of the situation in watching the emerging market conditions, which will drive the profitability of the company going forward. Thank you and now we can open the floor for question and answers. Over to you.

Moderate: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jatin D from Kotak. Please go ahead.

Jatin D: Good morning Sir and thank you for the opportunity. Just wanted to understand the overall view of the company on this export price because you are one of the larger exporter of pellets and with this duty on export price how do you see to pricing moving in the domestic market and the impact on the overall profit of the company?

Dinesh Gandhi: It is very difficult to quantify on the profitability of the company at this stage but definitely this 45% duty wherein India has the export of surplus of the iron ore as well as the iron ore pellet both. India was exporting close to about 20 million tonne of iron ore and 15 to 20 million tonne of iron ore pellet in the global markets. Now this is definitely going to put in the pressure. As I said in my opening remarks we are watching the situation but we expect the prices for a higher grade pellet we should command better price of Rs.1500 a tonne and not only in export we have reduced the export in the second half of the last financial year and we have started supply the high grade pellet even to the large steel manufacturing companies in India and partially pellet we have captive consumption and partially we sell it in the local market but the pricing trend will be able to come to know only in the next few days because everybody is shocked with the kind of decision which has been taken and trying to access the situation.

Abhishek Agrawal: Just to add what Dinesh just said with the coking coal prices and steel being on very high side so the high grade pellets you produce of 65 with alumina content of 1% so we have been able to tap the domestic market where Tata Steel, JSPL, and all these big buyers who operate the big blast furnace have been using our high grade pellets for the last few months. Tata Steel has been buying from us every month so we are confident with bigger chunk of production being on the high gate side we should be able to utilize some level of price drop because of export ban rather duty on export side.

Jatin D: Sir in case of GPIL so we would be having some contract which would have been lined up to be executed in this quarter so have we executed fully or we will be taking a hit on the current quarters volume as well in the export market?

Abhishek Agrawal: No as we have always mentioned a book order of almost four to six weeks so this quarter there will not be any impact because we have already supplying. Our maximum volume is going to domestic market so this quarter there will not be much impact of the export market. There was one shipment. We were supposed to go in the end of June so we are talking to the buyer to find a solution so that you long term perspective the relation does not get spoilt and that particular volume will be substituted by supplying your domestic market so this quarter we do not see very big impact happening on the pellet side and the impact on the financial side.

Jatin D: Thank you. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Kunal Motishaw with Reliance Securities. Please go ahead.

Kunal Motishaw: Good morning Sir. Congratulations and a great performance in FY2022 and thank you for the detailed presentation. Sir could you quantify the export percentage in 4Q and FY2022 of volume or something as a percentage of total sales?

Dinesh Gandhi: FY2022 will be closer to 30% to 35% and Q4 Abhishek you have ready the quantity available export how many consignments.

Abhishek Agrawal: We have done one shipment in every month since we are supplying a domestic market, so we reduced volume in the export side and we were doing one shipment of 55 every month. So, the export volume has considerably gone down compared to previous quarter.

Kunal Motishaw: Okay, got it. Sir, so how much is the realization gap between domestic and exports?

Abhishek Agrawal: No, we were supplying at the same level which were supplying for export for our high grade pellet.

Kunal Motishaw: Okay, so there is no gap as such?

Abhishek Agrawal: There was no gap as such because we were selling the product domestically and export at the same level, so the export market was going up, so domestic prices were automatically going up, the export was going down, so substantially the domestic prices went down, so both are in tandem.

Kunal Motishaw: Okay, understood and Sir you have guided us 2.4 million tonnes for FY2023, so are you confident that I mean without exports would you achieve this and when do you expect this export duty to be in place?

Abhishek Agrawal: I wish we had an answer for this whether duty is going to be reversed but we are hopeful that this is a short-term measure to control the prices because everybody knows the inflation is very high, the infra projects were on a standstill because of the prices, same steel sold at 7000 plus, so this was the measure taken by the Indian Government to probably control the inflation, so hopefully this is a short-term measure, not a long-term, we have to wait and watch and in terms of the production volume been sold, we are confident we will be able to find new buyers to replace the export volumes only because we had this high grade market where coking coal being on a higher side is going to support us.

Kunal Motishaw: Okay, understood. Sir, are you in dialogue with the government or something for this or how is it?

Abhishek Agrawal: See of course we have a pellet association at India level, so we had started a dialogue, it is always better do talk with numbers and data so we have given certain numbers and data to the government and hopefully things should get resolved soon. Unsure to say anything, but we have started a dialogue with the Finance Minister and Commerce Minister at association level of course not on an individual level.

Kunal Motishaw: Alright, okay. What would be the current spot versus total average current spot price of our high grade pellets?

Abhishek Agrawal: Current spot price of high grade pellets price is about Rs.11500 going forward. The earlier price was about Rs.12000 – Rs.12500 so a reduction of probably Rs.1000 we are expecting looking at the current market scenario.

Kunal Motishaw: Sir, I am sorry, I did not get you, you are saying 11500 currently?

Abhishek Agrawal: Yes, the orders we are executing the high grade orders are 12000 plus levels and since we have booked till almost end of June, we have time to correct the amount as required going forward. At the moment we are very comfortable.

Kunal Motishaw: Okay, thank you. I will come back again if I have questions.

Moderator: Thank you. Our next question is from the line of Prashanth KP Kota from Dolat Capital. Please go ahead.

Prashanth Kota: Good morning and congrats for the good year FY2022, what we are always hearing should not happen, has happened, I think how the steel sector operates because it is in the same value chain, we will do exports at some price, it is pricing based on international market but when it comes to domestic market, all the ferros, non ferros entire metals state follow import parity price similarly even now if there is a duty, let the duty be there on exports, we will reduce volume on exports, but domestic volumes see collectively work along with the iron ore industry etc., the prices can be held up well, where I am coming from I will tell you, if pellet price has come down, iron ore lumps will come down, if iron ore lumps comes down, price will come down again if price will come down, pellets will come down, so it is a vicious spiral somewhere someone who also lock it and if he take the first more in terms of reducing price, so as pellet industry then iron ore will follow then lumps will follow, pellets will follow, the fines will follow, so somewhere somebody have to completely lock this, I want to know your thoughts and how to think about?

Abhishek Agrawal: No, unfortunately I do not agree with your thought process because everything commodity means demand and supply, so first everybody knows there is pellet surplus in India, so eventually there will be price fall but the only way has to be done is when the prices has to go up, it takes a second for the seller but when the price has to go down, it will takes almost a day, so the difference the time gap which is required for the prices to correct takes some time, so eventually all the pellet buyers, of fines will stop making the fines, so mines will come under pressure then they will revise their prices, so it is a cat and mouse game, it is all about being patience, things will not happen overnight, so going forward we have to wait and see how much prices go down, how much pine price go down, so it is very complicated but the patience is the only thing I can say right now. It is too early to say anything right now.

Prashanth Kota: Got your point. Just input from the steel, steel always trade at import price in the domestic market, so some efforts from our side also, if we are not there, what is the other alternative even iron ore if Indian miners do not supply, they have to import then what is the import tariff, so somewhere..?

Abhishek Agrawal: Eventually prices will correct definitely, this is about matter of time, nobody would like to for example miners, they would never want to do mining and do not sell in the market, right, even they are into the merchant mining, so eventually they will sell, they will scale the prices but everything will be driven by demand in supply and things will take time for a certain level of correction or certain level of stabilization, this was announced last week only, this is the second week, so let be patience and see how market corrects itself.

Prashanth Kota: Understood Sir. Thank you for your time and wish you all the best.

Moderator: Thank you. Our next question is from the line of Vikas Singh with Phillip Capital. Please go ahead.

Vikas Singh: Good morning, Sir, while the prices would obviously take some time to readjust to the new reality, I just wanted to understand in last one week, how has the prices for our product segment has changed basically?

Dinesh Gandhi: See, there are no more major transactions in the pellet as of now in the local market, everybody is busy and waiting and watching, so we are also supplying whatever ordered quantities are there, so the business continues as it is and everybody is in wait and watch mode, steel the prices have gone down to some extent I think sponge iron prices have gone down to about 32,000, billets have come to the level of 45,000, so prices have started falling in the finished market at some point of time, the prices will come down in the pellet as well but we have to wait and watch.

Vikas Singh: Understood Sir and my second question pertains to our Q4 volumes have been lower because of the mill was under shutdown, so have you been able to complete the maintenance and now it is up and running up full utilization or still 1Q would also be impacted to certain extent?

Dinesh Gandhi: No, I will tell you, in fact Q4 our production volume in sponge iron and billet as I said in my opening remarks were lower because of we reaching the EC limit, production capacity for sponge iron is 500,000 tons and we reached that limit so we cannot produce more than that and our application for enhancement in the capacity, environmental approval is still pending with the State Government, so we had no choice but to shut down and if I shutdown the sponge iron then the power generation will be lower at recovery and I cannot produce the billet at low price and sell it because it will not be economically viable and buying a sponge iron from the market, so we discontinued the production in steel billets as well and we took this opportunity for the maintenance of the plant, so maintenance were completed and now plants have started functioning as normal.

Vikas Singh: Understood, Sir what is the export prices of high-grade pellet, if you can tell us?

Abhishek Agrawal: See the last order we did was roughly about Rs.12500 ex plant realization because we were suppose to deliver in June.

Vikas Singh: Okay and whatever the orders we had, we do not have to pay duty on that, right so that is the basic understanding or there is still some confusion?

Abhishek Agrawal: No, there is no confusion, unfortunately whatever orders are pending for exports, you have to pay the duty, there is no recession by the government, so if we happen to export our pending order which is supposed to be in June then we have to absorb 45% duty and sell the shipment, so that is why I said we are talking to the buyer we have a long term relationship with the buyer, we have been doing business with them almost three years now, so even they understand the situation, so we are trying to find a solution where both are happy.

Vikas Singh: Understood and Sir this Jagdamba Power purchase we are paying that money for 66% of the pending stake, right?

Dinesh Gandhi: No Vikas, we are buying the plant on slump sale basis, so we will pay 70 Crores to the Jagdamba Power and going forward we will either tender the share in the buyback to be announced by Jagdamba whatever shares we have and let me tell you and clarify Jagdamba had given us this 26% shareholding at a price of Rs.10 per share in 2013 when we wanted to supply under the captive route, so we are trying to find out a mechanism for that to tender the share to them.

Vikas Singh: So, are we saying that our effective price at the end of the day because we have to tend a certain sales would be less than 70 Crores, is that correct?

Dinesh Gandhi: Slightly less than because we had not paid the fair value at the time of taking this 26% shareholding at Rs.10 per share rate?

Vikas Singh: We would be tendering also at a very low price?

Dinesh Gandhi: Yes, definitely I am the tender because this is an arrangement mutually beneficial arrangement was there, we did not wanted to invest money in 2013-2014 when the, you know market conditions were there at that point of time.

Vikas Singh: Understood and Sir just one last question, in terms of our high grade pellet versus normal grade pellet, if we had to shift this entire quantity to the domestic market, just wanted to understand is the propensity in the domestic market is more towards the cost and they would take a lower grade pellet and then we have to steep our production or it is a vice-a-versa that high grade pellet would continue to dominate the market and we would be just slightly better of them rest of the players in the pellet price in the market, just wanted ….?

Abhishek Agrawal: I would go with the situation two, so firstly the domestic market of pellet which is based out of 63 Fe the commercial market which is driven by demand and supply, high grade pellet because we are the only company in India who is making high grade pellet, so the target customers are totally different which are biggest steel mills like Tata, JSP and all these guys and they prefer, they give priority because of the coking coal prices because of the better quality, the coke coal consumption in the blast furnace goes down so it given them added advantage in steel production in terms of the cost as well as the production level, so both the market is totally different and we will continue to produce at a desired level, will not reducing any kind of production, that is for sure. We are confident we can sell whatever we produce.

Vikas Singh: Understood Sir. Thank you. Thank you for taking my question and all the best for future.

Moderator: Thank you. Our next question is from the line of Sachin Kasera with SVAN Investment. Please go ahead.

Sachin Kasera: Good morning. Congrats for a good set of numbers. Regarding this high-grade pellet, could you just give some break up is it that the last year the entire production and sale were high grade pellet or was there some breakup?

Abhishek Agrawal: To be honest it is difficult to give you an exact number but I can say with the current production volume, about 60%-65% is in the high grade pellets and about 30%-35% is low grade pellet, so 65% pellet are totally sold out in the domestic market, for the high grade pellet part of it is consuming in steel making and part of it remaining is showing machine market being export now it is going to be totally domestic till the duty material is around.

Sachin Kasera: Sure, and for our captive consumption we have flexibility on both high grade and fine grade pellet, so…?

Abhishek Agrawal: We have set within both depending on the current seen market in the prices which is changing the combination, ultimately it is about I think it should be on the higher side.

Sachin Kasera: Sure, and you mentioned that from what I could gather that you get around Rs.1500 per tonne premium and you sell high grade pellets, correct?

Abhishek Agrawal: No, that was the earlier case, so when we started doing that but now since we have a brand in the domestic as well as export market now we are getting close to Rs.2000 to Rs.2500 a tonne.

Sachin Kasera: And in case your target for the next year, in case you want to produce the entire quantity as high-grade pellets, is that possible for us?

Abhishek Agrawal: Yes, going forward that is possible, for that we need to ramp up a mining production for which we had taken certain measures, so this year it is going to happen but end of this financial year when the mining production starts ramped up, we can shift towards 100% high grade but not at the moment, it will take time.

Sachin Kasera: Sure, and what is the difference in cost of production between the normal grade as well as high grade pellet?

Abhishek Agrawal: Zero, absolutely zero.

Sachin Kasera: So that incremental to Rs.2500 you are getting gets added to the EBIT?

Abhishek Agrawal: Exactly, yes.

Sachin Kasera: Okay, just one more thing that you mentioned that the high-grade pellets are getting premium and first will be preferred by the buyer because of the high coking coal rate, now going forward assuming for whatever reason the coking coal prices were to correct how would this impact the scenario for the high-grade pellets?

Abhishek Agrawal: I think it is a very superficial thing at the moment because I do not think the reason where you know the thermal coal prices and the coking coal prices are going to come down, if that there will be correction of course, it may go 600 it will come back to 400 again but what I know in international market is coking coal prices are here to stay for at least some more time, it will not happen overnight for sure and similarly the case with the thermal coal as well.

Sachin Kasera: Sure, but just if I am understanding this premium that we get of Rs.2000 to Rs.2500, can that come down suppose for whatever reason, I understand you said the outlook is very strong and that is what we are also expecting…?

Abhishek Agrawal: If coking coal goes from probably 400 to 200 then definitely the premium will come down, that is direct relation with the coking coal so if the coking coal price goes down then the premium should go down.

Sachin Kasera: Sure and now that the company has become debt free, is there any thought process to improve the overall payout ratio either by buyback or via dividend so I think we are giving 10% to 12% last two years but now you have become completely debt free, do you think it make sense that we should look now at much higher percentage say 22% to 30% of the cash flows to be paid out to shareholders, any thoughts on that?

Dinesh Gandhi: Sachin, this will be determined going forward based on what kind of profitability is there in the current financial year, number one; number two, our capex plan is to how much is the capex plan we already have about 500 Crores kind of capex in hand, we have some cash reserves as well, so that will get completed and then based on that we will reduce and if there is a surplus case we would be happy to distribute it to the shareholders.

Sachin Kasera: No Sir, the point is that earlier we had lot debt and it was very much understandable that we kept payout ratio little low, regarding capex, it is very capital intensive industry, so it is in our hand, we can do final course of capex also and there will be process which we can look at 2000 to 3000 every year also?

Dinesh Gandhi: No, we have to make a balance between the growth and the distribution, that is how it should be.

Sachin Kasera: My request is that we should look at…

Dinesh Gandhi: No, I understand, I totally agree with you that payout should increase if the profitability increases but if you see FY2021, I think we had a debt and utilized 100% of the money for debt repayment, we did not do even much capex now capex is something for debottlenecking even solar etc., which is critical in cost saving, we have taken up in the last year and in Q1 we became the debt free in the standalone prices, of course with the disinvestment of solar project, we have become now net cash positive as well as debt free on a consolidated basis, so definitely I agree with you the payout should increase and then we will definitely aim to increase the payout going forward and that will definitely depend on whatever is the investment we had and the surplus will definitely get distributed.

Sachin Kasera: I would also request that we should consider buy back consider the correction in stock price and the type of cash flows you are looking even at the post the correction in the pellet prices I think both should seriously evaluate a buy back.

Dinesh Gandhi: Definitely, the point is taken, we will definitely take it forward in our board and ~~as per~~ accept the situation led the market pull down first because of this entire and therefore I am not able to comment anything at this point of time.

Sachin Kasera: Sure. Thank you. I have more questions; I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Aman Madrecha with Augmenta Research Private Limited. Please go ahead.

Aman Madrecha: Thanks for the opportunity. Given that you said that currently over the last two quarters, we have not imported pellet, so I just wanted to know what was the peak export number in pellet in any previous year if you could help me with that?

Dinesh Gandhi: Abhishek you go ahead.

Abhishek Agrawal: No, he is saying about the price, not the volume. So, the peak price… sorry?

Aman Madrecha: I am talking about the volume like what percentage of the pellets is exported being the peak period?

Abhishek Agrawal: Okay, when corona has just come in, so the steel production in India was quite down and the ~~convention and domestic~~ construction in India was down, so we were ~~expecting~~ exporting about 1 lakh- two shipment every month over one lakh a month.

Aman Madrecha: Okay, so currently it is zero, right?

Abhishek Agrawal: It was down to 50%. We were doing one shipment a month and going forward it will be completely zero till the duty matter is resolved.

Aman Madrecha: And given that like is the export opportunity for billets like is there an export market for billets given that there is no export done in billets?

Abhishek Agrawal: Yes so we have exported some billets in the last couple of years and we are always in touch with our esteemed buyers so there is an opportunity for exports and if ~~we think that~~ realization in international is better than domestic market we will export. We have done that before as well and we will continue to do so.

Aman Madrecha: Like out of the total billets like full volume is exported or it depends on the markets?

Abhishek Agrawal: The volumes are very, very limited because we had a very good ~~international~~ domestic market. The reason being since the pellets are high Fe, the phosphorus contained in quite low so we get a ~~signal~~ premium in the domestic market because of quality so for steel making you use the same pellet and the same billet that is sold in the market so we have a very good market for that so as such we have no issues in terms of our sales in the domestic market.

Aman Madrecha: Okay thank you.

Moderator: Thank you. Our next question is from the line of Raj Shah from Statheros Capital LLP. Please go ahead.

Raj Shah: Congratulations on a good show. I had some book keeping questions? I understand that the realization for the ardent steel is fairly less for pellet if you could just throw some light on the same?

Abhishek Agrawal: I think the realization is not quite low so we have been in the Odisha market where we are making the steel pellets which is the benchmark in India and as I said earlier everything is the demand and supply and we understand sometimes there is a transitional phase where the market for us on the finished side but the fines does not correct at the same time so there is always a transition period. Probably that is the reason why probably hardened pellet is little on the lower side compared to previous quarters otherwise there is no other reason. It is a market correction nothing else.

Raj Shah: Okay and then we have shut down three power projects the solar power projects what will be the entire cost of the same and if you could just quantify the cost savings?

Dinesh Gandhi: Rs.3.5 Crores per megawatt. I think complete detail is available in our investor presentation how much we have invested, how much is the total cost and what is the balance to be invested in the current year.

Raj Shah: And it will be operational by the entire project?

Dinesh Gandhi: One project 70 megawatt is expected very soon I would say. It is just awaiting the synchronization with grid and the rest two are under construction so by Q3 end it will get commissioned.

Raj Shah: Sir last thing I would concur with what you said on the buyback with the sudden drop in the share price it really helped the minority shareholder as well?

Dinesh Gandhi: Sure definitely. We have noted that point and we will take it forward.

Raj Shah: Thanks a lot and all the best.

Moderator: Thank you. Our next question is from the line of Siddharth Agrawal from Prudent Value

Partners. Please go ahead.

Siddharth Agrawal: Good afternoon Sir. Sir my first question is regarding our iron ore so the reserves have gone up to almost 165 million tonnes now so would you just let us know is there any expected increase in cost of extraction from this reserve. It depends on how these reserves are again located so in this quarter our cost of production was roughly Rs.2800 so how do you expect this to pan out for the new reserve that we have identified?

Abhishek Agrawal: I go your point. Rather with the increase in the volume in the mining the cost should proportionately because of the operating leverage cost should go down. The cost is also at elevated level because with the royalty on India, IBM price and because of whatever announcement in terms of export the government has done which will reduce the iron ore prices and therefore IBM prices will fall so that will also result into some fall in the royalty payment which we are paying on our iron ore mining and of course some reduction has been given in the petrol and diesel prices which should have some minor impact on our transportation cost as well.

Siddharth Agrawal: Okay and Sir could you also speak a little bit about what is our cost of led production today per tonne and how are we placed vis-à-vis our competitors?

Abhishek Agrawal: So since we have the iron ore coming from a mine so there are two costs. One cost is the iron ore cost which is quite low compared to our peers because of our captive iron ore mining. On the operating cost side currently our cost is about Rs.1500 a tonne. The total cost from iron ore plus Rs.1600 Crores.

Siddharth Agrawal: So from iron ore mining till you can get pellet production ours is similar about Rs.5500 per tonne?

Abhishek Agrawal: So Rs.6000 Crores you can say on the higher side. It will go down because as Dinesh just said so the royalty portion which are going on in the future there is a reduction in the diesel prices so both that will be intact to an certain extent so going forward the cost will come down.

Siddharth Agrawal: Great thank you.

Moderator: Thank you. Our next question is from the line of Saravanan Balakrishnan from Sarva Captial. Please go ahead.

Saravanan Balakrishnan: Thank you for giving me the opportunity. I just wanted to understand about the new steel capacity capex that has been going of 2 million tonnes? Could you give an elaborate answer on that like in terms of like when do we expect to sort light taking the current scenario and the second one is preferably on the one query that the earlier participant also asked like in terms of category pay outs like any reason like we will expect to sort of again improve on that like sort of again 30% to 33% of PAT?

Dinesh Gandhi: Abhishek you will take this.

Abhishek Agrawal: On a dividend payout Dinesh already mentioned we need to strike a balance between the free cash plus the capex and industry will also grow so your point is well taken and we will definitely discuss among our peers and amongst the management and the board and we will take a call accordingly. From the steel side the future expansion has been kept on hold for two primary reasons. One is we are waiting for the sponge iron EC to get clearance because a lot depends on the sponge iron EC because if you expand the capacity and we do not get the permission for sponge iron then we will not have the raw material to feed to the steel making capacity so there will be a big bottle neck. We are hopeful that we will get a consent of sponge iron in this financial year so once that is cleared we will move ahead with our steel expansion and the second one was we have taken a buying project where we have also mentioned it in our presentation. We are replacing the whole mine with a new efficient one of 40 megawatt which will give us additional power of about 10% to 12% with the same steel generation so when these two things are clear then we will go ahead with the expansion of steel because without these two we will not be able to feed the furnaces to produce more steel.

Saravanan Balakrishnan: So what is the IRR and cost of capital for the steel expansion?

Dinesh Gandhi: The iron ore is now with the entire scenario is changing what Abhishek is talking about whatever is the debottlenecking capex which we are doing it in the existing plant so far and I think you the question was with regard to the investment in the Greenfield project. We want to do when we start with the investment but for that we have filed an environmental approval. We are still awaiting the approval for the land acquisition from the government and once these two things are decided and then we will do a viability work out based on the prevailing scenario. Till then that large project is kind of old. FY2023 there is no investment is going to go in that project except some money is required for the land acquisition and the project will be reviewed in due course of time.

Saravanan Balakrishnan: Got it so one last question Sir so like once the new plant goes live so what will be the average time it will take for the new capacity to go about 80% to 83% utilization?

Dinesh Gandhi: Of the existing plant.

Saravanan Balakrishnan: No the new plant?

Dinesh Gandhi: The new plant is we will give you more details when we are closer to the investment schedule. As of now it is in approval stage, etc., etc., so we will give you the guidance on that but in FY2023 except land acquisition if it is approved then that will be there. No more capex on the new Greenfield investment in FY2023.

Saravanan Balakrishnan: Alright thank you so much Sir and good luck.

Moderator: Thank you. Our next question is from the line of Viraj Nahar from Mili Consultant. Please go ahead.

Viraj Nahar: Thank you very much and congratulations on excellent results. One particular point that you mentioned about the coking coal we will come down because of use of high grade and efficiency of the blast furnace will also go up so the parentage of iron in your pellet is already higher by 2% to 4% compared to the normal grade so does it mean that you get roughly about Rs.2000 per tonne advantage on getting the higher yield and the 5% cooking coal cost come down that is what SAIL and other people have been talking about it so there is huge advantage of using the high grade pallet so can you throw more light on that cost saving on that part and how much can it be sustainable on a longer terms basis, the extra realization we are getting.

Abhishek Agrawal: Yes government of India has reduced the import duty on cooking coal by 5%. For example if cooking coal prices are hovering around $500 by $25 their import cost will go down which is about you can say about Rs.2000 a ton which is little contribution on cost savings for the import players like the bigger steel mills. On our side we get a better realization because the import in system is less which is basically silicon and with lower alumina the coke rate in the blast furnace goes down so whatever discussion we had in out interim discussion the numbers we have got with our pellet they are saving about Rs.4000 a ton in the blast furnace in terms of the input cost which is primarily the reason of cooking coal going down and the slag volume also goes down so these two prices they are saving about Rs.4000 a ton so that is why they are able to pass on a margin of say $30 to us so it is beneficial to both the parties.

Viraj Nahar: Okay Sir thank you. One more question is we are buying coal from Coal India or are we buying on the auction and what is the impact actually now if you are buying from the auction because prices have gone up very high in the auction also.

Abhishek Agrawal: Unfortunately because of the Russian war I think globally there had been impact on a huge size and we are impacted in India as well so we have linkages from Coal India. There has been a slight delay in terms of the delivery but they are trying to cover up the gap to certain extent and for sponge iron as you said earlier we are totally using the imported thermal coal. We do not buy from the open market and for the coal India linkages it is mainly going to our power plant so the impact on the domestic supply is not very high when it comes with us.

Viraj Nahar: Regarding the bio fuel based power plant. There also the cost has gone up for purchasing the bio fuel in your area.

Abhishek Agrawal: See bio fuel is mostly a seasonal commodity. Post Diwali the average prices till now would be around Rs.3000 which is quite reasonable compared to the coal prices which are in the market right now and there is sufficient supply of bio fuel in the market that is one thing we are doing to stabilize compared to the coal.

Viraj Nahar: Okay Sir. Thank you all the best Sir.

Moderator: Thank you. Our next question is from the line of Vikash Singh with Phillip Capital. Please go ahead.

Vikash Singh: Thank you for giving me opportunity again. Sir just wanted to know with Jagdamba Power merger with ourself do we invoice any cost savings also or it would not be coming.

Dinesh Gandhi: Because you know the power which we are getting from Jagdamba currently is cost plus certain margin to Jagdamba so whatever is cost we will continue to get incurred but if I compare this with my grid prices then it is two and half rupee cheaper price on a production volume of about 15 Crores unit annually.

Abhishek Agrawal: And then Vikas Ji the Indian Government rules states that if it is an ITP so then you would not get a credit of GST or the input correct but when you merge with Godawari, Godawari, being the manufacturing so we will save on 5% GST on the input coal side and 18% GST side so there will be additional 6 to 6.5% savings on the operating side well because of the merger with Godawari. To save as to about 35 paise on annualized basis per unit.

Vikash Singh: And Sir one last question our blending coal cost how it is moving in 1Q over 4Q what kind of the cost inflation we can expect.

Abhishek Agrawal: You are talking about Q1 versus Q4.

Abhishek Agrawal: Q1 FY2023 Vikas right.

Vikash Singh: Yes Sir.

Abhishek Agrawal: See going forward we do not see substantial difference in terms of pricing because we had hedged our cargos at a very reasonable level so my Q4 cost average cost of thermal coal and

Q1 there will be difference or probably 10 to 15% maximum so we are not very much impacted by this coal prices.

Vikash Singh: But then your cargo would have hedged up to certain point right beyond that if coal cost remains higher than that cost would hit us because we use imported coal for sponge. This higher cost when it is going to hit us. This higher cost of our production.

Abhishek Agrawal: At the moment we are very covered till next three months which is June, July August so September we still are uncovered but I think September is too far away to think right now. When the market is very volatile the prices are going up almost by 20% to 25% on week on week basis so for the next three months we are very well covered which I think is a good decent level, so Q2 will not have a very substantial impact on the coal prices.

Vikash Singh: Understood. Thank you for taking my questions again.

Moderator: Our next question is from the line of Jathin with Invest Savvy. Please go ahead.

Jathin: Congratulations for a good set of number. Sir my first question is that if you can share some revenue breakup of domestic and export in general percent wise.

Abhishek Agrawal: Dinesh Ji he wants to know the revenue of export versus the domestic supply.

Dinesh Gandhi: I do not have frankly the numbers readily available but export close to about 600,000 tons of pellet at an average price of Rs. 12,000 a ton.

Jathin: Sir you do not have percentage wise break up right now**.**

Dinesh Gandhi: Right now we do not have the percentage. I can tell you after or you can get in touch with our investor relations. We will provide the data and she will give it to you.

Jathin: Sir my second question in Q4 there is some exceptional gain of 134. Sir can you throw some more light on that.

Dinesh Gandhi: It is 98 Crores not 134 Crores. That as I said in my opening remarks and earlier announced we have gained this amount on the sale of our stake in 50 megawatt solar power IPP that is Godawari Green energy. We have divested 100% stake in the company.

Jathin: Thank you Sir.

Moderator: Our next question is from the line of Shamanth Bhardwaj an investor. Please go ahead.

Shamanth Bhardwaj: Congratulations on a great set of numbers. I just wanted to ask there is around 270 Crores of loan on the balance sheet who is it given to and is it related party transaction.

Dinesh Gandhi: No it is not related party transaction. Some short term advances have been to certain party and this is on demand.

Shamanth Bhardwaj: Is it secured.

Dinesh Gandhi: Secured in the sense it is unsecured but we have high confidence on the party.

Shamanth Bhardwaj: While calculating working capital changes you have included other noncurrent assets and liabilities why is that. In the cash flow statement while calculating working capital changes you have included other non current assets and liabilities.

Dinesh Gandhi: Frankly I have to recheck and then can you tell me or can I separately give you the clarification on this. You know Sana will get in touch with you.

Moderator: Ladies and gentlemen due to lack of time we will end the question and answer session and I would now like to hand the conference over to Mr. Dinesh Gandhi for closing comments.

Dinesh Gandhi: Once again thank you very much on behalf of the management of Godawari Power for joining the Q4 FY2022 earnings call. We will continue to be happy to answer all your queries. You can get in touch with us our investor relations agency for further clarification if any you need on the result or the operations of the company. Thank you and thank you all.

Moderator: Thank you very much. On behalf of Go India Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.