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GODAWARI POWER & ISPAT

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REF: GPIL/NSE&BSE/2024/5663

Date: 04.11.2024

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

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

Dear Sirs,

Sub: Submission of Transcript of Conference Call held on 28th October, 2024 regarding Q2 & FY25 Results.

This has reference to conference call held on 28th October, 2024 to discuss the results and performance of Q2 & FY25 for Analyst/Institutional Investors/Fund House/Investors etc.

Please find attached herewith the Transcript of Conference Call held on 28th October, 2024.

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

Thanking you,

Yours faithfully,

For **Godawari Power And Ispat Limited**

Y.C. Rao
Company Secretary

Encl : As Above

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

Yarra Chandra Rao

Digitally signed by Yarra Chandra Rao
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Date: 2024.11.04 17:26:19 +05'30'

"Godawari Power and Ispat Limited

Q2 FY '25 Results Conference Call"

October 28, 2024

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. AKHILESH KUMAR – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '25 Results Conference Call of Godawari Power & Ispat Limited, hosted by Emkay Global Financial Services. 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 then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Akhilesh Kumar, Emkay Global Financial Services. Thank you, and over to you.

Akhilesh Kumar: Thank you. Good afternoon, everyone. Thank you for joining in the Q2 FY '25 Earnings Call of Godawari Power & Ispat. We have with us today Mr. Abhishek Agrawal, Mr. Dinesh Gandhi and Mr. Sanjay Bothra, I now hand over the call to the management for opening remarks. Over to you, Mr. Gandhi.

Dinesh Gandhi: Thank you, Akhilesh. Good morning, everyone. Thank you for attending the conference call of Godawari Power & Ispat Limited to discuss Q2 and H1 FY '25 Earnings Results of the company. Our Financial Results, Press Release and earnings presentation is available on the website of stock exchanges and the company. I believe you have had a chance to review the same. I will take you through the results post which we can have a question-and-answer session.

At the outset, I'm extremely sorry for the delay at the start of the call. GPIL has demonstrated consistent performance in H1 FY '25, even during challenging times of lower realization of sponge iron steel prices although the quarterly performance was impacted by annual maintenance shutdown of pellets plants and fall in realization of sponge iron and billet steel products.

In this backdrop, company has achieved consolidated revenue, EBITDA and adjusted PAT, excluding exceptional item for the quarter and on Y-o-Y basis to INR1,268 crores. EBITDA of INR247 crores and PAT of INR158 crores. The impact of revenue, EBITDA and PAT was to the extent of INR65 crores on account of loss of pellet production due to shut down, the loss of production was to the extent of 150,000 tons to INR50 crores on account of lower realization of finished product in the sponge iron. INR25 crores on account of additional cost incurred on maintenance of the pellet plant during shutdown period.

On half yearly basis, the consolidated revenue from operations remained flat at INR2,600 crores approx compared to H1 FY '24. Revenue from a higher volume of value-added product was offset with lower realization in the value-added products like sponge iron, etcetera. And lower volume from the pellet plant. Consolidated EBITDA and PAT, excluding exceptional item dropped by 2% and 5%, respectively to INR654 crores and INR445 crores due to decrease in realization of the finished product.

Despite the challenges, EBITDA margin and PAT margin stood strong at 25% and 17%, respectively. Company has a healthy balance sheet with net cash of INR998 crores and strong cash flow from operations of INR564 crores during H1. The operational number for Q2 and H1 are already circulated in the investor presentation.

The brief highlights are the loss of pellet volume by about 150,000 tons due to shutdown of 0.9 million tons pellet plant, operating volume of value-added products like DRI finished steel Ferro Alloys increased substantially. Production of iron ore decreased on account of heavy rains during the quarter.

On half yearly basis, iron ore mining and pellet production remained flat. However, production of sponge iron, the steel billet, HB wires, Ferro Alloys, and captive power generation increased considerably. The sales volume for sponge iron, steel billet, HB wires, etcetera. Increased 56%, 20% and 39% respectively. Pellets realization increased by 5% to 10,569. Realization of other products dropped.

Update on our capex plan. As you are aware, we have an ambitious capex plan by nearly doubling our iron ore mining and pellet capacities by setting up an integrated steel plant with 4x capacities of the present capacity. In this backdrop -- in this regard, I would like to update that the approval for increase in iron ore mining and beneficiation capacity from 2.35 million tons to 6 million tons delayed for the business beyond the control of the company. We now expect the approval for increase in iron ore mining capacity by Q4 FY '25.

Once our environmental approval is received, the Crushing & Beneficiation plant is expected to be commissioned within a period of 6 months as we have already done some part of the work on these mines. In view of delaying approval of the mining and beneficiation capacity, the company has revised the guidance for iron ore production from 3 million tons to 2.35 million tons for FY '25.

The project for increase in pellet capacity from 2.7 million tons to 4.7 million tons is running as per schedule and the same is expected to be commissioned by June, July 2005. In this regard, I would like to further inform you all that the orders for all equipment have already been placed. Construction activities to the extent of more than 50% has already been completed, and the shipment of equipments are going to start within a month from various vendors.

As regards greenfield integrated steel plant of 2 million tons, public hearing has been completed earlier. During the quarter, the presentation to the MOEF has been completed, and the approval is expected to be received by December 2024. The construction activity of the project shall start only after regulatory approvals are in place for mining and for integrated steel plant.

Coming on update on the solar project, a total of 165 megawatts solar power plant has been commissioned till date and now operational and are contributing to the cost savings. GPIL has planned an additional 70-megawatt solar power plant for which land acquisition is in process. This project is to meet the requirement for upcoming 2 million tons pellet plant, for which 70 megawatts solar power plant is proposed to be set up.

GPIL is focused on reducing carbon emission and has established a clear objective achieving Net Zero by 2050. Apart from setting solar power plants, the company initiated various energy efficient and decarbonization projects. The capital expenditure for the initiative first stage is INR75 crores, which will generate an additional 11 megawatt of power without any extra fuel. The payback period for the same is about 3 years.

Walking the talk on the same, GPIL is developing a waste heat recovery based power plant harnessing heat from the company's existing Ferro Alloys furnaces and pellet plant cooler exhaust to generate additional power of 7 megawatt of clean energy, which will reduce carbon emission by 50,000 tons annually. This has been done in collaboration with Siemens at a cost of INR73 crores to be funded from company's internal accruals.

This project is expected to be completed within a period of 18 months. The detail is further simplified the group structure. Consequent upon and buyback of shares conducted by Alok Ferro Alloys, Alok has become 100% subsidiary and the stake in HFAL has increased to 96%. The Chhattisgarh Captive Coal mining has also completed partial buyback of shares, and therefore, the stake in the company is reduced.

Coming on the market outlook on international front, global iron ore prices dropped below $90 from highs of $144 in January '24 on concerns of China slowdown. The recent excitement around China's stimulus pushed prices back to $115, but it was short lived. Prices are now back to below $100. The development of a large mine in Guinea will add to the supply from 2027 and might push prices down. However, in the interim, housing demand in China can expect it to recover and has potential to push the iron ore prices back to $110, $115.

On domestic fund, iron ore prices, NMDC has largely followed global trade, however auction prices of mines and the gradual reduction in supply from merchants has put the floor on domestic iron ore prices. India remains one of the brightest spot globally for steel demand. While the Steel Association has forecasted that steel demand to grow by 8% in FY '24 and 5% in calendar '25 to 143 million and 153 million tons, respectively.

To conclude, I would like to mention that as the transition into second half of FY '25, we are optimistic about getting our iron ore mining and pellet production and sales back on the track, our solid cash flow position, coupled with the strategic capex plan and significantly expanding our capacities in iron ore mining, pellet integrated steel sets a strong foundation for growth. Enhanced operational efficiencies and cost savings from our solar power plants will further enhance the profitability of the company. Additionally, the advantage of our captive iron ore mine and production of high-grade pellet along with unwavering support from a stakeholder position us for an exceptional performance in the years to come.

With this, I would now like to open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sahil Rohit Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Rohit Sanghvi: Thank you for the opportunity and best wishes for Diwali season. Also good to see Godawari maintaining its numbers despite the challenging situation. Firstly, I wanted to understand, sir, there were fall in pellet prices also during Q2. I believe that we have a 1, 2 months contract. So just wanted to understand how the prices have not corrected much and what will be the trajectory of pellet prices? Do we have -- will the corrected prices come with a lag in 3Q?

Management: For Q3, the fair price have resumed on a positive territory and their numbers are currently at about INR10,000...

Sahil Rohit Sanghvi: Yes. That's correct. I understand. But so are we looking at a lower number directionally for Q3? Or I just wanted to understand how the contracts are working out?

Abhishek Agrawal: No, for Q3, the number will be really on the higher side.

Sahil Rohit Sanghvi: Okay. That's very good to understand. Were there any kind of iron ore purchases done in Q2? Or were we largely able to manage from our own mines?

Management: No. So usually, we are buying about 25% of our iron ore from the market, and that will continue till our mining expansion happens. So we'll continue to buy the 10% of the iron ore from the market. And until we get that new EC for the mines and that is about continuing for another six months.

Sahil Rohit Sanghvi: Got it. And thirdly, I just wanted to understand with this new 7-megawatt waste heat recovery power plant. I mean, would that be excess power for us whenever it gets commissioned? Or would that be still a required thing for the self-sufficiency when it comes to power?

Abhishek Agrawal: No. As the generation increases, we will reduce our coal, fossil fuel burn, and we'll reduce the carbon emission. That's the whole idea.

Sahil Rohit Sanghvi: Okay. And this will be -- I mean, this will be more of -- it will be all self-consumed, right? I mean there'll be no required -- I mean, there will be no external sales?

Abhishek Agrawal: No. We still don't buy anything from the grid, and we don't import grid power and this will further strengthen our generation in terms of carbon emission.

Sahil Rohit Sanghvi: And just one last question. If you can comment on the overall demand. I mean, we've seen prices rebound post monsoon also, but the economic activity was also a little subdued in Q2. So how are you seeing demand on ground in Q3?

Abhishek Agrawal: Usually, Q2 is always a lean season for steel. Q3, post Diwali, we hope the demand to come back. And the prices to probably, I would say, the margin will come back and the prices should further go up. That's the whole idea.

Sahil Rohit Sanghvi: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Manav Gogia from YES Securities India Limited. Please go ahead.

Manav Gogia: Good afternoon. Thank you for the opportunity. So one question on the cost front. Could you let me know what was the blended landed coal cost for the quarter?

Abhishek Agrawal: See, we only import RB1 coal for our DRI and the blended cost for the coal was about INR12,000.

Manav Gogia: And last quarter, it was about INR11,500, right, if I'm not wrong?

Abhishek Agrawal: Yes, exactly.

Manav Gogia: Okay. And are we sourcing any raw coals domestically for our power plant requirements? Could you be able to give me a split between the coal source domestically versus the imports?

Abhishek Agrawal: We do source -- we have linkages from Coal India for the power plant and as well as gasifier. So Q2 was about INR4,000 and Q3, we maintained the same because domestic coal hasn't risen much due to good supply from Coal India and the linkages we have is for 5 years. So the price for the incoming coal for the power plant and for gasified is almost the same, this INR4,000.

Manav Gogia: Okay. Sure. So just following up on the question asked by the previous participant. Are you saying that pellet prices for Q3 are expected to be a little up as compared to Q2? Could you like be able to qualify the same?

Abhishek Agrawal: Q2, the average price is about INR10,000 and the prices which come down at the end of Q2, but then due to sudden rise in the iron ore fines price in the OMC auction, so Q3 should be at the same level as compared to Q2, it's about INR10,000 average.

Manav Gogia: Okay. Sure. Sir, just if I could squeeze one more question in terms of the EP getting delayed for the iron ore mining expansion, I wanted to know since now the ECs are expected to be received in the last quarter, by when are mines expected to be operational? I think in your opening remarks, it was 6 months from Q4. Is that right?

Management: Yes.

Dinesh Gandhi: No, 6 months is for Beneficiation plant commissioning.

Manav Gogia: Okay. So mines will be starting from Q4 itself by the end of Q4? Is that a realistic target?

Dinesh Gandhi: You can assume from Q1 FY '26.

Manav Gogia: Okay. So right when the pellet plant comes into the picture.

Dinesh Gandhi: Yes.

Manav Gogia: And how much of a benefit do we see on the landed cost per ton? Or should we expect it to remain in the same trajectory of INR2,800 to INR2,900 a ton?

Abhishek Agrawal: See, mining cost would be more like the same, probably in INR100, INR200 here and there. But actually, if you compare to the current market, we are buying about 20% from the market, which is about INR3,500. If you split that with iron ore mining, which is a substantial looking's.

Manav Gogia: Thank you so much for the answer, sir. All the very best.

Moderator: Thank you. The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: Yes, good afternoon. Thanks for the opportunity, sir. Just a clarification from Manav's question previously. So what I understand is that this pellet plant crushing and beneficiation and iron ore mining all will start in tandem from Q1 FY '26, right?

Management: Yes.

Aditya Welekar: Okay. And is there any ramp-up time for that means how much incremental volumes can we expect from FY '26?

Abhishek Agrawal: See, once we get the approval, we'll start ramping on the mining production and hopefully by, I think, end of Q1 or Q2, we should be able to mine the desire thing and done. That's the whole idea.

Aditya Welekar: Okay. Full 6 million.

Abhishek Agrawal: Yes.

Aditya Welekar: Okay. Sir, next question is on iron ore. I mean on one of the Slides, there is one of the mines in Africa is coming online in Guinea. And because of that iron ore prices may fall in future. So what will be its impact on our pellet prices or our pellet prices will remain largely stable, given the domestic situation. I want to understand what are the factors which decides pellet price volatility?

Abhishek Agrawal: To be honest, with the current increase in production in India for steel, the iron ore prices have been strong. And irrespective of how the international prices play, the pellet price should be in the same levels. So we don't expect any change in the domestic pricing when it comes to iron ore.

Aditya Welekar: Okay, thanks, that's all from my side.

Abhishek Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Akhilesh Kumar from Emkay Global Financial Services.

Akhilesh Kumar: Good afternoon everyone. Thanks for the opportunity. I have a couple of questions. So first, coming on the capex intensity. So sir, for solar plant generally, it takes 50 million to 55 million per megawatt to set up 1 megawatt of solar capacity. However, GPIL is targeting to achieve 70 megawatts of solar capacity with an investment of around 35 million to 36 million per megawatt. So could you please walk me through the difference why is it lower for GPIL?

Abhishek Agrawal: See the module prices have drastically reduced compared to previous years. Earlier, the module prices were about INR2 crores, INR2.5 crores per megawatt. But today, the prices are about INR1.5 crores per megawatt. So this is that we have already finalized the EPC connector. So for our 70 megawatt, we are confident about INR200 crores, INR225 crores should be enough -- for setting up 70 megawatts.

Akhilesh Kumar: Okay, thank you for that sir. And second question is on the guidance. So you have trimmed iron ore guidance for FY '25. So is there a possibility that there could be a scale back in the targeted capacity to reach 6 MTPA in FY '26?

Abhishek Agrawal: No. Hopefully, we should be able to get the approval. And once we get the approval, there should not be any issue in reaching the real capacity.

Akhilesh Kumar: Okay. And if I can pitch in one more question. So you have about INR1,000 crores capex -- of balance capex to be incurred apart from steel. So could you please guide us how much of it will be done in the FY '25 and in FY '26?

Abhishek Agrawal: See all of it will be done in FY '25 and '26 because the construction is set for the new pellet plant. And once we receive the mining approval, we will start the construction of the beneficiation plant. So all of it will be consumed and to be incurred in '25 and '26.

Akhilesh Kumar: So can we assume like 50-50 split between the 2 years?

Abhishek Agrawal: See, major is the pellet plant. Pellet plant will be -- is already consuming and once we get the mining approval, so remaining will be done in FY '26.

Akhilesh Kumar: Okay, make sense. Thank you so much.

Abhishek Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Jatin Damania from Swan Investments. Please go ahead.

Jatin Damania: Good afternoon, sir. Thank you for the opportunity. Sir, I just want to understand because last time when we indicated that there was a decline in the pellet prices compared to the first quarter. But now when we look at our realization, we have seen a sequential improvement. So can you help us and understand the total grade of the product -- grade mix in the pellet that we have sold during the quarter?

Abhishek Agrawal: See, we have been maintaining -- so it's 50% of high-grade, which is 56% and 50% of normal commercial grade 63 and that will continue to happen.

Jatin Damania: So that will continue to remain at 50-50 only, right?

Management: Yes. Until a new pellet plant is commissioned.

Jatin Damania: Yes. And that the new pellet plant has probably come in the first quarter of FY '26, if I'm not wrong?

Management: Correct. Very correct.

Dinesh Gandhi: Production will come in Q2.

Jatin Damania: Production will come in Q2, right?

Dinesh Gandhi: Q2, yes.

Management: Yes.

Jatin Damania: In the opening remarks that you indicated that there's a delay in getting an approval from the mining and the State Government for the expansion in the mining activities. So suppose if we don't get an approval in month since until December of Q4 FY '25, so is it safe to assume that the -- currently, what we are buying 20%, 25% iron ore from the market, that proportion will go to almost 30%, 35% since our pellet will come into operation?

Abhishek Agrawal: See, if you don't make approval that will surely happen. But we are confident that we will get the approval before we start the pellet plant.

Jatin Damania: And I mean is there anything which is an issue why we are -- why there's a delay in terms of getting an approval or sort of things?

Abhishek Agrawal: It's not an issue, but the facility is such, so it will really take times, but with the state government taking little more time, and we are confident we should get the approval before the new pellet plant starts.

Jatin Damania: Okay. And in terms of our beneficiation now since you've already started the activity on the ground, so what is the capex that you have already spent for the beneficiation?

Dinesh Gandhi: Those are given in the presentation, Jatin. The numbers are there.

Jatin Damania: Okay. And in terms of the numbers, definitely, we have seen the downward revision in the overall iron ore mining guidance. So now for the month of October, is our pellet plant fully operational?

Abhishek Agrawal: Yes, pellet plant is fully operational. There was a shutdown -- iron ore shutdown for the smaller one. But since September, both the pellet plants are fully operational and we are confident we'll achieve the guidance given by us at the start of the year.

Jatin Damania: Thank you Abhishek. Best wishes for the festive season.

Abhishek Agrawal: Thank you.

Moderator: Thank you. The next question is from the line Rakesh Roy from Boring AMC Omkara Capital. Please go ahead.

Rakesh Roy: My first question is regarding some margin part. The margin has declined definitely from compared to last year in quarter from 28% to 20%. Any reason except from the rain or pellet?

Abhishek Agrawal: No, the major reason was the pellet plant, it was on a shutdown -- annual shutdown for almost 50 days because of which we lost the major volume. Apart from that, no other reason.

Rakesh Roy: Okay. So sir, this plant shutdown 50 days. So every year this was there -- this year is it exceptional?

Abhishek Agrawal: No. Last time we did the annual shutdown was almost 10 years back. So that is how the plant works. So going forward, it doesn't happen every year.

Rakesh Roy: Okay. So this is impact on this one, margin front now. So we hopefully from Q3 margins will be normalized?

Abhishek Agrawal: From Q3 onwards, the production guidance will be normalized. And depending on the market, the margins will be remained intact.

Rakesh Roy: Okay. My next question, sir, if you look at your sponge iron realization, there's recently 1 company declared results. Their sponge realization is higher or is lower. Any reason behind that, sir?

Abhishek Agrawal: No. Actually, in Q2, what has happened is we have produced sponge iron as per the capacity and there was surplus that we sold in the market. But going forward, we will only sell sponge iron based on our internal requirement. We only sell surplus -- command to our steel production.

Rakesh Roy: Okay. So in Q3 sponge iron ore realization will increase compared to Q2, if I remember?

Abhishek Agrawal: In Q3, the sponge iron sales will be less compared to Q2.

Rakesh Roy: Okay. Right, okay. Sir, and last question, sir, your coal cost, you are saying 12,000 per ton.

Abhishek Agrawal: Yes, for DRI. Yes. Correct.

Rakesh Roy: So sir, generally for DRI, we import the coal?

Abhishek Agrawal: We import coal for DRI.

Rakesh Roy: Okay, thank you, sir.

Abhishek Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: Good afternoon, sir, and thank you for the opportunity. Sir, I just wanted to understand one thing since the iron ore prices have again started to inch up. Have we given any thought about the restarting of the Boria Tibu Mine, because that low grade was previously not feasible at a low price?

Abhishek Agrawal: See, for Boria Tibu, we have started filing the papers for beneficiation. So Boria Tibu Mine will only start once we saw the beneficiation plant, because the grid is on the lower side, and it's only feasible in the long term once we start benefiting and then bring the high grade in the market -- to the plant. So Boria Tibu will come online only up to, say, 2 to 3 years, not before that.

Vikash Singh: Sir, just a follow-up, what is the average rate, what you think the Boria Tibu will give you right now? And post beneficiation, what is the grade you are looking at?

Abhishek Agrawal: See the average is about 50, 52 and post beneficiation in about 63, 65. So we have started working on the filing the EC for Boria Tibu and once we get the EC, desired approvals, we'll install the plant and we'll only shut the mines when the plant -- the beneficiation plant is started.

Vikash Singh: Understood. Sir, my second question pertains to our private exports market. Usually, we have seen in the past that the closure to October and on November, since China sintering starts gradually depleting, there's a lot of booking happens from India. So have you seen some inquiries and at current prices, is it feasible for us to export? So just wanted your views on that.

Abhishek Agrawal: See, the average we're exporting for almost last 10 months, and we don't think our exports will happen at least for Godawari because the domestic demand is quite strong, and the prices in the domestic are much better than the export prices. Though pellet plants in India, which are port-based in Odisha or say in Vizag, they are exporting some volumes. But apart from that, not much export is happening from India. Domestic demand is quite strong.

Vikash Singh: Understood. But even then that helps us, right, some domestic materials will go out in the export...

Abhishek Agrawal: Of course, of course, because in India, the pellet production is on the higher side competitive demand. So any volume will going India heads to balance the demand and supply.

Vikash Singh: Understood. And sir, just one last question. I'm sorry if this would have been asked previously because my call dropped. I see the average utilization for the pellet has improved even on sequential basis, sir, while the iron ore prices have been lower. So I just wanted to understand whether the larger part of this dip now we will experience in 3Q? Or on a blended basis, our 3Q would still be higher than the 2Q which is there.

Abhishek Agrawal: Yes, did you checked the prices? Yes, it should be better, correct.

Vikash Singh: Sorry, sir, I missed your comment.

Abhishek Agrawal: Q3 should be better than Q2 in terms of pellet realization.

Vikash Singh: Okay. So somehow, this sharp fall has been managed into 2Q because we were expecting some fall in the 2Q realization as well.

Abhishek Agrawal: See, the volumes were lower. So we were able to maintain the pricing in Q2. But Q3, given the demand and supply, it should be better than -- Q3 should better than Q2.

Vikash Singh: Sir, if I may ask how the spot prices in Q3 as of now?

Abhishek Agrawal: See, for the normal grade, it's about INR10,000 and for high grade, it's about INR11,500 at the moment.

Vikash Singh: Understood sir. That's all from my side and all the best for future and Happy Diwali to you.

Abhishek Agrawal: Happy Diwali, thank you.

Moderator: Thank you. The next question is from the line of Aman from Augmenta Asset Manager LLP. Please go ahead.

Aman: Hi Abhishek, thank you for the opportunity. I just had a basic question. So correct me if I'm wrong. So for time being for FY '25 as a whole, you'd be buying close to 60,000 tons of iron ore from outside, right, for our internal operations?

Abhishek Agrawal: Yes. We buy about 1,500 tons of iron ore from the market at the moment.

Aman: Okay. And also, can you highlight a bit on the iron ore because, for example, over the last 20 days, NMDC has increased prices by 2x by approximately INR1,000 per ton and then we listened to the management commentary on the same. So the company is expecting a robust iron ore market and is also going to be good. So what's your sense on the domestic iron ore market as a whole if you could highlight?

Abhishek Agrawal: See, domestic iron ore market is quite strong. Recently conducted from ONGC auction, the prices are up almost INR1,000. Basically, increase the prices. So going forward, with the global steel demand with the monsoon over, we expect iron ore prices should be at the elevated levels.

Aman: Okay. Okay. And also, if you could throw some sense on the ferro alloys market, what is happening currently?

Abhishek Agrawal: See, ferro alloys market is quite stagnant. The good thing is the raw material prices have come down in the national market. Whatever increase happened in Q2 because of certain production being out in the national market and the China's big demand. The manganese price has come down. And the current silico manganese prices in the domestic market is more or less stable.

Aman: Okay. That's all. Thank you.

Abhishek Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Tushar Chaudhari from Prabhudas Lilladher Private Limited. Please go ahead.

Tushar Chaudhari: Thanks a lot for the opportunity. Sir, I just wanted to understand regarding the current demand situation for Galvanized Fabricated products over the last 2 quarters, the run rate is falling. Is it -- I mean -- but we -- I think we plan to increase the capacity also over year over the period. So can you throw some light? Also, the margin is under pressure because of higher zinc prices? Or how is it going as of now?

Abhishek Agrawal: In Q2, the volumes were lower because zinc bath was under maintenance. There was a major repair happened in the zinc bath. That is where the volume is lower. But in terms of demand, the demand is quite strong. We have also commissioned a new rolling mill. So that will support the profitability. So in Q3 and Q4, we hope the demand remain intact, and you can see the better volumes in Q3 and Q4 going forward.

Tushar Chaudhari: Because 1Q also, that volumes were lower, actually?

Abhishek Agrawal: Q1 is still okay, but Q2, there was a major repair in the zinc bath. But Q3 and Q4 onwards, you can see a major uptick in the volumes.

Tushar Chaudhari: Okay. And margins?

Abhishek Agrawal: Margins will remain intact because this is more of a PSU work with transmission towers, railways, and all that. So demand is quite robust, and we are quite confident once we achieve the desired volumes, the profitability will remain in intact.

Tushar Chaudhari: Okay. Thanks a lot and Happy Diwali.

Abhishek Agrawal: Thank you and Happy Diwali.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Yes. Good afternoon and thank you for the opportunity. So my first question is regarding the buyback of Alok Ferro Alloys. What was the consideration at which we bought back the share from our promoters?

Dinesh Gandhi: See, buyback was done at about INR10 per share.

Pradeep Rawat: Yes. And both of our ferro alloy subsidiary are doing quite badly. So can you throw some light on that? Why are they doing so badly in operations?

Dinesh Gandhi: So you see the numbers for Q2, and they are doing much better than the same quarter last year.

Pradeep Rawat: Yes. So I was much more asking about yearly performance.

Dinesh Gandhi: No, last year, performance was slightly subdued because there was a modification in one of the plants. There was a shutdown in the power plant in Alok Ferro Alloys. Both these plants are operating fully and volumes have considerably increased during the current financial year and operating metrics have increased. This is expected to sustain over the period of time.

Pradeep Rawat: Yes. So what kind of EBITDA margins are we expecting from ferro alloy division?

Dinesh Gandhi: See, it is about INR8,000 to INR10,000 a ton on an average. Consolidated EBITDA, I think for ferro alloys business is closer to about INR40 crores, INR45 crores.

Pradeep Rawat: Okay. And my last question is regarding the cost per ton for converting mined iron ore into iron ore pellets.

Dinesh Gandhi: It is about INR1,800 per ton.

Pradeep Rawat: Sorry what was the number?

Dinesh Gandhi: INR1,800 per ton.

Pradeep Rawat: So cost of mining iron ore is close INR3,000 per ton and from mining to pellet, it's INR1,800.

Dinesh Gandhi: Yes.

Moderator: Thank you. The next question is from the line of Wayne D'Mello from Badrinath Holding.

Wayne D'Mello: Hi, thanks for taking my question. So I recently saw Abhishek your interview with Nikhil on CNBC. So I don't want to get these numbers confirm. So of the 2 million tons in new pellet capacity in FY '26. Am I right in understanding that in the first year, that is FY '26, we'll be doing like a 50%. So 1 million tons will be added to our current production in FY '26.

Abhishek Agrawal: Correct.

Wayne D'Mello: And then the other 1 million ton -- we can expect like the whole 2 million tons, we can expect in FY '27?

Abhishek Agrawal: Right?

Wayne D'Mello: And our captive consumption of our pellets will remain at 0.9%. So in FY '27, when our sales volumes will go up directly by the whole 2 million tons, right?

Abhishek Agrawal: So again, FY '26, the volume should go up by 1 million and FY '27, over volume of 2 million should go up. Yes.

Wayne D'Mello: Yes. But our captive consumption of the pellets will remain the same throughout?

Abhishek Agrawal: Exactly. So right now, it's also 0.9 million tons. And going forward, as we start increasing production, the sales volume will go up.

Wayne D'Mello: Okay. Great. And last -- and the iron ore, we don't plan on selling it even once the mining -- because of the additional royalties that we have to pay, even once the mining ramps up, there'll be no situation where we'll be selling our iron ore to the market, right?

Abhishek Agrawal: No. We have no intention selling that on the market. So whatever we mine will be consumed in the trade plant.

Wayne D'Mello: Okay. And the last question is, where do you see the high-grade mix for our pellets between Fe 63 and 66 in FY '27? Will it be 1/3 of low grade and 2/3 of high grade?

Abhishek Agrawal: See, currently 50:50 and once we start the new pellet plant, they'll also be producing high grade. So yes, you are very correct. Once we start the new pellet production, hybrid will be 2/3 and the normal grade will be 1/3.

Wayne D'Mello: Okay, thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Vaibhav Dubey from BigMint Technologies Private Limited. Please go ahead.

Vaibhav Dubey: Good afternoon everyone. I wanted to ask how has been the share of domestic versus exports in last quarter? And what is your outlook for quarter 3?

Abhishek Agrawal: See, we haven't been exporting any pellet from last 10 months. We have been selling everything domestically. And looking at the current domestic demand and the prices, we will continue to serve in domestic, export will be in view. Even for Q3 and with current prices, hopefully, Q4 should also be 0. So we will keep selling everything domestically.

Vaibhav Dubey: Okay. Noted, sir. Sir, my second question is on CCU unit, which you have mentioned in your press release, investor presentation. What are your plans on achieving this net zero emissions if you can share more details?

Abhishek Agrawal: See, we have gained a target of 2050. We are working with IIT Bombay on the CCU, they have developed a pilot scale in the lab and a bigger version will be installed in Godawari. And once everything is successful in terms of operational and in terms of capturing carbon, we'll go to bigger model. It's a very R&D stage. And hopefully, everything works out, we can start investing on a bigger model. That's the whole idea.

Vaibhav Dubey: Okay sir. Thank you so much and Happy Diwali sir.

Abhishek Agrawal: Happy Diwali.

Moderator: Thank you. The next question is from the Sahil Rohit Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Rohit Sanghvi: Sir, I just wanted to understand, so there is this gap between the net cash number that you calculate in what is directly available on face of the balance sheet. I think you account for the loans and the net cash number -- so just wanted to understand the loans are to whom and at what interest rate?

Dinesh Gandhi: Sorry, Sahil come again, please?.

Sahil Rohit Sanghvi: Sir, I mean you have a net cash number of roughly INR970 crores, INR990 crores in your presentation. So there is, roughly, I think, INR170 crores, INR180 crores of loans that you're probably accounting as cash and cash equivalent. So just if you can explain -- who are these loans given to and what interest rate? And if you can give some details on that.

Dinesh Gandhi: Bothra ji, you will take this question?

Sanjay Bothra Yes. The interest is largely between 12% to 16% and these loans are repayable on demand. That's why it is taken as cash and cash equivalent.

Abhishek Agrawal: But whom are this given to?

Sanjay Bothra The GMR is 1 party and there are some other corporates also.

Abhishek Agrawal: GMR.

Sanjay Bothra GMR Enterprises.

Moderator: Thank you. The next question is from the line of Manav Gogia from YES Securities India Limited. Please go ahead.

Manav Gogia: Thank you sir again for the opportunity. So in the last call, we had guided that the capex for this particular year would be in the range of about INR800 crores and next year should be about INR1,000 crores. Are the numbers still intact?

Abhishek Agrawal: Yes, it is intact.

Manav Gogia: And could you give me the total capex spend up till the first half of this financial year?

Dinesh Gandhi: The numbers are there in the presentation.

Manav Gogia: Okay. Okay. I might have missed it. Sir, second question coming up on the other expenses, which have jumped roughly 14% on the quarter-on-quarter basis. Could you just underline the factors that contributed to the sales.

Dinesh Gandhi: No. As I said in my opening remarks, INR25 crores is a onetime cost, especially for the shutdown of the pellet plant and the cost incurred for debt. So that INR25 crores is additional costs incurred in this quarter. It will not be repeated.

Manav Gogia: Sure, sure, sure. Thank you so much for the clarification sir. That's all from my side. Wish you all a very Happy Diwali. Thank you.

Dinesh Gandhi: Happy Diwali.

Moderator: Thank you. The next question is from the line of Jinesh Shah from HNI Investments. Please go ahead.

Jinesh Shah: Thank you for the opportunity. My question is in last Q1 PPT, you mentioned that the iron ore beneficiation plant will take 15 months from the date of environment clearance or environment approval. In this Q2 presentation, we are mentioning 6 months from the environmental grants. So what has happened in the last 3 months that the timeline has been changed.

Abhishek Agrawal: We've already got approval for 0.6 million tons. So majority of work has been completed. And once we get the mining approval for 6 million tons, we will spend and create additional volume and start beneficiation -- that's about 15 months and we have come up to 6 months, but major work has already happened. Once we get the mining approval for the 6 million tons, we will expend additional amount on the beneficiation and we start the beneficiation. That's the whole idea.

Jinesh Shah: Okay. And the -- our mining application with environment clearance is continuously getting delayed. I mean while we have initiated this project in terms of iron ore expansion -- mining expansion as well as the pellet production. The idea was the mining capacity will be available well in advance. But now since we are talking in this call that if environment clearance is getting delayed, then we may have to procure the iron ore from outside to maintain our pellet plant capacity, which we are commissioning in Q1 next year. So why the management and our environment team is not putting adequate effort to ensure that the environment clearance should not get delayed further.

Abhishek Agrawal: No, no. So I would say the environment team is putting the required effort. It would be wrong to say they're not doing any effort -- process is taking much more time than we expected. But we are confidently by end of the financial year, we should be able to get the mining permission.

Jinesh Shah: Okay. And you also mentioned that some state government approval is pending other than these environmental clearance for this new iron ore -- for the expansion of iron ore plant. So which are those states government approval is still pending other than the environment clearance for this?

Abhishek Agrawal: No, see, for the current mining expansion as per the law and MMDR Act we are supposed to get approval from state government. So whatever approvals required, it's with the state government, not with the central government so it's taking time. We do understand, but then things are in place and hopefully by the end of financial year, we should get the approval.

Jinesh Shah: So what I understood from the PPT, we have mentioned the revised ToR right? So when we are going to submit the response against the ToR?

Abhishek Agrawal: We have already submitted response against the ToR and now public hearing has to happen and further will so. So things are in process but that is taking little time but we are confident by end of this year, we should get the approval.

Jinesh Shah: So the public hearing is applicable for our iron ore expansion project?

Abhishek Agrawal: Yes, it is applicable, but it actually happens with state government level, not with the central government level.

Jinesh Shah: And by when this public hearing is going to happen because if the public hearing is still pending, then I'm really -- I'm not sure how we will be getting all the approval in the next 6 months' time?

Abhishek Agrawal: We are at the last stage of getting the approval and in the permission of route. So once that stage is achieved, public hearing will happen. So fully by November end, we should get the approval and then in December, we are confident that the public hearing will happen.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Dinesh Gandhi: We, once again sincerely thank you all for your participation and unwavering support. We are confident that we have adequately addressed all your queries. Wishing you all seasons greeting and Happy Diwali to you and all your families. Should you have any further questions or need any additional information, please do let get in touch with our Investor Relations team at Go India Advisors. Thank you very much. Thank you all.

Abhishek Agrawal: Thank you.

Moderator: Thank you, sir. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.