स्वच्छ भारत
एक कदम स्वच्छता की ओर

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GODAWARI POWER & ISPAT

स्वच्छ भारत
एक कदम स्वच्छता की ओर

REF: GPIL/NSE & BSE/2020/4150

Date: 14.07.2020

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,
   BSE Limited Mumbai,
   1st Floor, Rotunda Building,
   Dalal Street, MUMBAI – 400 001
   BSE Security Code: 532734

Dear Sirs/Madam,

Sub: Submission of Transcript of Conference Call held on 29.06.2020

This has reference to conference call held on 29.06.2020 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

Y. C. Rao

Company Secretary

Encl : As Above

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

TRANSCRIPT

Godawari Power and Ispat Q4FY20 conference call

Event Date / Time : 29th June 2020, 14.30 HRS IST

Event Duration : 51 mins 13 secs

Presentation Session

Bharati: Good afternoon, ladies and gentlemen. I am Bharati, moderator for the conference call. Welcome to Godawari Power and ISPAT Limited Q4 and FY20 earnings conference call. At this moment, all participants are in listen only mode. Later we will conduct a question and answer session. At that time if you have a question, please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Mr Ankit Toshniwal, Go India Advisors. Thank you and over to you sir.

Mr Ankit Toshniwal: Thank you Bharati. Good afternoon everybody and welcome to Godawari Power and ISPAT Limited earnings call to discuss the Q4 and FY20 results. We have on the call Mr B L Agrawal, Managing Director, Mr Abhishek Agrawal, Executive Director, Mr Siddhant Agrawal, Non-executive Director, Sanjay Bothra, CFO and Mr Dinesh Gandhi, Director. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in consumption with the risk that the company faces. May I now request Mr Dinesh Gandhi to take us through the company's business outlook and financial highlights subsequent to which we will open the floor for Q&A. Thank you and over to you sir.

Mr Dinesh Gandhi: Okay, thank you Ankit. Good afternoon everyone. I am Dinesh Gandhi. I welcome you all to the conference call of Godawari Power and ESPAT Limited on behalf of myself and the management of the company to discuss the results for the Q4 and FY20. I trust that you have looked at the results and earnings presentation uploaded to the company website. We are talking to you amidst the global pandemic, the Corona-19 and do hope that you and your loved one are safe and healthy. This is an extremely challenging time for all of us and our thoughts are with you those most affected by Covid, particularly those at the frontline of this crisis. The pandemic has hit us also besides all of the companies and businesses, but we continue to make significant progress in our stated objective of deleveraging asset optimization. We have delivered a strong performance with higher capacity utilization across the value chain. This helped us mitigate the sharp decline in commodity prices, which declined approximately 7 to 15% YOY. The company has generated robust free cash flow, which we have utilized for repayment of the long-term debt. I will give you now few operational highlights for the quarter and the year. On the production side, we have achieved highest ever production in our palette sponge iron and steel billet segment in FY20 during the year. We commissioned our 200 thousand tons rolling mill and 0.1, you know, about, you know, one million ton of iron ore beneficiation plant. We are progressing well towards increasing production of our value added product offering to offset, we cut domestic demand, we have also started direct export of pellet, in fact, pellet is the, you know, product, you know, which is supporting us the most in this pandemic and we have increased the ore supply of pellet in the current year in the export market. Coming back to the FY20, our billet production was also increased through captive availability of power from Jagadamba. Some of the financial highlights for the quarter and the year are as given. I am happy to report that we have repaid approximately 213 crores towards the long-term debt more than twice the full amount of the scheduled repayment for the financial year 20. Consequently, our net debt to equity reduced from 3x in FY17 to 1.1x currently. Our interest cost reduced 16% YOY in FY20 in line with debt reduction. The fall in interest rate will further result in the refinance cost, reduction in refinance cost. Working capital reduced by about 25 crore on lower inventory. We have putting full focus on improving working capital efficiencies and ensuring that the, you know, overall fund deployment in working capital reduces as we go forward. You know, one more, you know, our solar power plant also has been working exceedingly well. thereby, has been working consistently over a period of last seven years and as we stand today, we have repaid our principal dues for FY21 in the solar power plant. We have seen in our investors meeting that investors have always expressed concern on the solar power plant and repayment of its debt, I would like to assure the whole plant is functioning in line with as you know, continues to repay debt out of its own and we are not required to fund any requirement of this company, the subsidiary through the, you know, parent company cash flow. So, I can reassure you that and the entire cash flow is utilized towards the repayment into lender after are meeting the normal operating cost. Going forward the company will continue its efforts towards the long-term value, some of the key initiatives which are, which I am highlighting here. We have announced merger of Jagadamba Power division with GPIL. This will further integrate the operational help, operating cost and simplifying our future. Jagadamba, regarding Jagadamba merger we have received the BSE and. Since its approval and now we are waiting for the filing of the application before the honorable tribunal, but ultimate we have not been able to file this application for last two and a half months. Hopefully, the LCLDs will start accepting all of the applications from 1st week of July and then we will be able to file them. We are focusing more on the export sales due to weaker domestic, we will be making adjustment in our to maximize the sales we will be using high grade pellet with 67% Fe content for export and making high quality in steel billet. Talking about the industry scenario, iron ore prices globally can continues to and have 12 months high in the recent past and even when everybody expected it to will down under Covid pressure in fact because of the short supply of iron ore from Brazil, prices have, you know, reached to hundred dollar or so. China demand has been particularly strong and the fear of supply disruption, you know, from Brazil, corona, pellet prices have been touching the global iron ore prices and have immensely strong or closer to about 117-dollar CNF China. The companies has secured export contracts till July 2020 on domestic fund, iron ore cost is likely to move up,bit premium for the recently auctioned Odisha Mining in the range of 90 to 150% and this is likely to cushion the, you know, raw material prices fall even in domestic market and GPIL being, you know, captive producer of iron ore, requirement is likely to benefit from this going forward as well. The business environment highly remains uncertain at this point of time. The performance will be driven by the economic performance during the pandemic, however, given the strategic advantage of low-cost iron ore product, which we are confident of achieving higher than our stated sustainable level of about 500 crore in EBITDA. With this I will finish my opening remark. We will be happy to answer the investors questions and now I am opening the floor for the Q&A. Thank you very much.

Bharati: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. First question comes from Bhavesh Chawan from IDBI Capital. Please go ahead.

Mr Bhavesh Chawan: Hi sir. Just wanted to know your alternative plans in case, you know, the political situation aggravates between India and China, in case we are not able to export to China, what is our alternative solution to that sir?

Mr Dinesh Gandhi: I am handing over to Mr B L Agrawal, he will and I am requesting him to answer this question, hello….

Mr B L Agrawal Good morning everyone, you will see currently we are exporting only low-grade iron ore pellet containing, Fe content of 63.5. And that is why we are more focused on China because they generally buy only low-grade pellets. We have old stock of low-grade, which we are blending with the high grade being issued from the mines and hence after blending we are exporting to China, but after October our low grade stock will be over, only high grade material will be issued from the mines and we will be producing only 65 Fe plus. Now this material is not for the Chinese market, but this material is required by Korea, Japan, Indonesia, Taiwan, and Gulf countries. October onward our pellets won't be dependent on the demand from China, but will shift our sales to another countries other than China. That's all.

Mr Bhavesh Chawan: Okay sir, that's helpful. Sir secondly, in your presentation you have said that we will surpass our 500 crores of EBITDA so we remain confident, so if that is the case should we expect debt repayment of close to nearly 300 crores?

Mr B L Agrawal You know, debt repayment will definitely depend on one the maintenance Capex, which is likely to be, you know, in the range of 50 to 100 crore as usual and remaining amount, whatever is actual generation will go towards the debt repayment and that is what our stated objective is and that is what we have been doing.

Mr Bhavesh Chawan: Okay sir, thank you. That's all.

Mr B L Agrawal: Thank you.

Bharati: Thank you sir. Next question comes from Vikas Singh from Phillip Capital. Please go ahead.

Mr Vikas Singh: Good afternoon sir.

Mr Dinesh Gandhi: Good afternoon Vikas.

Mr Vikas Singh: Sir I just wanted to understand that a lot of mine which was recently auctioned in Odisha, what I have heard that lot of them has not yet started, so just wanted your views that how quickly do you think that those mines would come, would start and is there any possibility of some iron ore scarcity situation and how it will impact the prices in future, if you could give your views on that?

Mr Dinesh Gandhi: I am again requesting Mr B L Agrawal to address this question please. Hello. Hello.

Bharati: Yes sir, one minute. Agrawal sir please go ahead.

Mr B L Agrawal: Hello… Hello….

Mr Dinesh Gandhi: Hello, yes sir.

Mr B L Agrawal: Hello, can you please repeat the question?

Mr Vikas Singh: Sir I just wanted to understand a lot of mine, which we have auctioned in Odisha from February [00:13:38] onwards have not started, so given that monsoon is about to check in how do you see that these mines coming back to purchase and is there any possibility that because of delayed in this mining we would see increase in iron ore price and what's your view towards that, iron ore availability from Odisha and how the pricing would behave?

Mr B L Agrawal: Yeah, out of the 20 iron ore mines auction in Odisha, two iron ore which are not deposited amount required in time and those two iron ore mines are going to be cancelled and then after some time. Wherein another that deposited the money in time during the rainy season definitely there is a low production in mining area, maybe the coal mining or maybe iron ore mining anywhere and there have been logistic issue also, but I don't think disruption in production will be, will happen because of delay in mining operation by the new bidders. JSW, I am aware they are starting the mines from the first week of July itself and other bidders will start by the end of July. But the question is whether there will be demand supply disruption or not. I pursue there will be some short supply in the market that most of the captive mines owners won't supply the material in the market, especially when we talk about the lumps, lumps which has been by the blocks also so the mines owner may convert that into fine and they will utilize the fines for their own such as JSW. So, I feel that there may be some shortage in case of lumps, which will ultimately call for the additional demand from the pellet manufacturer segment. And of course, because two mines will remain un-operative, so there will be again some disruption between the demand and supply scenario, but the, it all depends on the time and how aggressive the new bidders start the mining operation, but as of date I do not see any major disruption in the mining operation.

Mr Vikas Singh: Understood, sir. Understood. Sir my second question pertains to our product mix. We have last year only commissioned the billet rolling mill. So now next year with, you know, utilization of that billet increasing and spread too, response to billet spread, you know, improving off late, so what kind of profitability increase you see that moving into the higher product categories and so?

Mr B L Agrawal: Dinesh should I answer this question?

Mr Dinesh Gandhi: you can answer in the sense like yeah it is an investor open call for everyone, so there is no issue about it.

Mr B L Agrawal: I would like to highlight two major achievements by the company. One on the front of manufacturing of the good quality of steel. Generally, manufacturers are having induction furnaces and the steel being produced by them is not as per the market demand as compared to the large players like TATA, JSW etc. So because of high Sulfur and high phosphorus all these segments were led behind 40, but Godawari Power after installing the beneficiation plant and started receiving the high grade iron ore from the mine, so currently our billet and the steel production the quality of the same is almost at par with the large players like JSW, TATA, SAIL, etc. We on one hand ensure our product is 100% without fetching much competition from the industry furnace owner. At the same time, I believe that additional realization of about 1500 to 2000 rupees in the in the next six months to one year, our value realization will go high on our steel side also. This is one achievement. Second is as I told you October onwards, we will be producing only high-grade pellet that is 65 Fe plus, so the current premium with international market is about 15-20 dollar depending on the time to time. But I believe that on the high-grade pellet our realization will further go by about minimum 1000 rupees to 1500 rupees a ton. Currently, we have two pellet plants, one is 1.5 million ton and second is 0.6 million ton. So, for our domestic consumption we are already producing high grade pellet and we are consuming ourselves and that is giving is additional cost advantage by almost of 1000 per ton in making the steel with better yield and lower power consumption. So, this quality of pellet and this quality of steel is already being produced at our, so I don't feel any challenge on this front.

Mr Vikas Singh: Thank you. Understood sir. Understood. And sir there is one last a small clarification. We said that we have booking for pellets since July, so could you just tell us the quantity and the price at which this booking has been done?

Mr B L Agrawal: Yeah, generally we book one cargo, 50,000 plus/minus 10% and we used export 55,000 ton generally in a cargo.

Mr Vikas Singh: Okay and… So currently one cargo is booked.

Mr B L Agrawal: One cargo is booked and because you have already sold other cargo also and our old contract is going to be over by 10th of July, executive contract and we have booked additional one cargo for July. For that we are fully covered up to production of about 31st July. As far as price addition is concerned, we are getting some better realization as compared to the market by about 4-5 dollar because our product is already having low alumina. Prices are hovering between 115 USD per ton to 120 USD per ton depending on time to time. So, I think this realization we are comfortable and about, realization is turning out to be between 6500 to 6800 rupees a ton.

Mr Vikas Singh: Understood sir, understood and this sir in terms of the EBITDA percent, so the barring all the cost would it be at par or better than domestic so what we are getting in, chance is higher on the export side? So, what we export from Odisha, so that EBITDA pattern would be at par or would be at lower than the what you get in Chhattisgarh, if you could help me out with that.

Mr Dinesh Gandhi: Shall I address this question sir?

Mr Vikas Singh: Yeah, pellet sales in Chhattisgarh versus Odisha, so state wise Chhattisgarh we would be superior, right? in terms of strength EBITDA pattern.

Mr Dinesh Gandhi: Hello….

Mr B L Agrawal: Dinesh would you like to answer this question.

Mr Dinesh Gandhi: Yeah, yeah. Actually, Vikas what happens, you know, in Chhattisgarh the current realizations are closer to 6000 rupees a ton in local market, hello….

Mr Vikas Singh: Yes, sir

Mr Dinesh Gandhi: Okay, and we are getting about 6500 to 6700 rupees a ton in the export market. So definitely contribution from export market is better and we are totally focusing on export market currently rather than selling in the domestic market. We have supplied some old orders which we had taken prior to March lockdown and those have been supplied of course, but you know, there are, as I understand my realization is higher than 6000 rupees a ton.

Mr Vikas Singh: Okay sir, so sir what would be our export versus domestic sale, would be for

Mr Dinesh Gandhi: Currently, it is going about 100 thousand tons a month except the month of May I think we exported about three cargos because in the April we started production and that cargo was dispensed in the month of May, so in May about three cargos were there and after that 2 cargos per month. Rest of the production is consumed captively for making steel products.

Mr Vikas Singh: Understood sir. Thank you, thank you for all. That's all from my side. And all the best sir.

Mr Dinesh Gandhi: Yeah, thank you.

Bharati: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. I repeat, ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Next question comes from B R Nahar from Milli Consultant and investment Pvt Ltd, please go-ahead sir.

Mr B R Nahar: Yeah, good afternoon. Thank you for giving the opportunity and also congratulate the management team for excellent quarter 4 results. I have few questions or something it could be some type of suggestions. Whether company can source iron ores from NMDC, which currently sell at about 2200 rupees per ton lump grade or fine may be even better because this price is far better compared to the international price or the local price. Do we have that opportunity? The second question is regarding that we heard last time that you are going to get the approval for higher beneficiary capacity to 3.2 million ton whether that approval has come? And so, what is the plan for implementing that rather can we go and implement very fast and what could be the Capex for implementing this 2.2-million-ton high grade pellets? This is my second question. Third is when you are exporting kind of export incentive, the realization which you have been highlighting whether that includes the export incentive or that is in addition to the realization which you get and the last question is basically about your coal linkage that must have been done when the price of coal was ruling higher, so now going forward when the coal is being opened and currently coal prices are down so are we going to be affected materially or it is just a normal situation? And one more question I would just ask you...

Mr Dinesh Gandhi: Sir, let me intervene, I will lose the track of your questions, sir. If you ask me five questions in one row…

Mr B R Nahar: Okay.

Mr Dinesh Gandhi: And Sirji, I have already lost the, you know, track of the one question, question number 1.

Mr B R Nahar: I am sorry.

Mr Dinesh Gandhi: So kindly limit your questions to two, number one that is my request because other participants may not get…

Mr B R Nahar: The question number one is the NMDC ore, can the source NMDC ore, this is one of the best quality ore available in the country.

Mr Dinesh Gandhi: We will address this question. I have got your question. Hello B L sir… Hello B L sir

Mr B L Agrawal: Dinesh, I have added the question.

Mr Dinesh Gandhi: Yeah, yeah.

Mr B L Agrawal: Because now our mining capacity has already gone up and our requirement of iron ore is almost 100% from our own captive mines, so we do not need any sourcing from NMDC at all and in fact we are not sourcing any iron ore for last three-four years from NMDC.

Mr B R Nahar: No but in case if it is available, opportunity is available, say for fine this might be less than 2000 rupees would you like to consider?

Mr B L Agrawal: I would like to tell that cost of our iron ore mines is much cheaper as compared to the NMDC because the freight element for NMDC to our plant is not less than 1500 rupees a ton.

Mr B R Nahar: Oh! Oh! Both are in Chhattisgarh and so much high. That I was not aware of this. Okay, I am sorry about that.

Mr B L Agrawal: What was your next question sir?

Mr B R Nahar: About the increment in the environment approval for your pellet plants from 1 million to 3.2 million ton, if it is received then what is likely the capex for implementing this and what is the plan further?

Mr B L Agrawal: No, we haven't received the approval yet.

Mr B R Nahar: Okay, okay.

Mr B L Agrawal: I would like to highlight that we have filed application one for verification plan from 1 million to 3.2 million. Secondly, the portion of steel from existing 4 lakh ton, exactly number I do not remember, but I think it is about 6.4 lakh ton and third is pellet capacity enhancement from 2.1 million to 2.4 million. Without this verification because our ore is magnetite so this additional beneficiation investment may not be more than 10 crores. So, in regards the additional percent from our existing pellet plant because we are continuously enhancing efficiency in our pellet plant reducing our downtime, we believe that after one year with the same plant and equipment without any modification, without any other capital investment we will be able to produce instead of 2.1, we will be able to produce 2.4 million ton and that's the reason we made additional application for enhancement of 0.3 million in additional. As far as the steel is concerned, we have already made our application for enhancing in our sponge iron capacity from existing 4.9 to 5.95 lakh ton. The environmental clearance has already been, for the same and we made application to the state government and we believe the state government will also consider our request and they will give us consent to operate.

Mr B R Nahar: Yes sir.

Mr B L Agrawal: We are enhancing our capacity to utilization in our sponge iron plant also, you see last year instead of six days, seven days closure we received almost our 100% capacity utilization in the sponge iron division. After utilization of high-grade pellet and blending up for imported coal we are sure with the, same plant machinery without any further capex we will be able to produce above 20% higher as compared to earlier production of 4.95 we can achieve 5.95. And we want to consume 100% sponge iron in our own steel plant and hence we made additional application for about 2.5 lakh ton in respecting the steel production, there we initiated capex of about, total capex of about 30 crores, but will depend when we had to go for this capex whether it is necessary to, or not. That we have not decided. What we have decided is just to invest 10 crores additional for additional beneficiation facility. That's all.

Mr B R Nahar: So, am I understood correctly that the, capacity increase will cost only 10 crores rupees sir?

Mr B L Agrawal: Yes, yes.

Mr B R Nahar: Oh, that's a great news actually.

Bharati: Thank you sir. Next question comes from Giriraj Daga from KM Visaria. Please go ahead.

Mr Giriraj Daga: Yeah, hello sir. Sir couple of questions sir. What is the iron production we are looking in FY21? And I believe our peak number is like one to two million tons, so what is the production we are looking in this year?

Mr B L Agrawal: Yeah, FY21 we expect to receive about 1.6 million ton from the mines and because we had, you know, plants and that will be consumed within this year from the mines.

Bharati: Sorry to interrupt sir. Can you please adjust your background from voice? There is a lot of background noise coming.

Mr B L Agrawal: Just hold on. Is it okay now?

Bharati: Yes sir, please go-ahead sir.

Mr Dinesh Gandhi: yeah, yeah. So FY20-21 confirmed there is even if 1.6 million ton it won't have any problem regarding the, because of our old stock. Regards 21-22 we expect

1.8 million ton from the mines and for which we have already submitted our application to Ministry of Forest and Environment and we expect to receive the consent, say may be by December or say March 21. So for next year also we will not have any problem with respect to our iron ore requirement because what we are doing to enhance the quality of our iron ore, especially the Fe, we started blending about 10% of mill scale so that will fulfill our requirement of iron ore mines.

Mr Giriraj Daga: Understood. Next question is like you gave the number of 6000 rupees realization on Chhattisgarh and about 6500 to 6700 on Ardent Steel, what I was just wanted to confirm if there is a like to like number in four quarter was 7500 and 5600 is this the right way, we are looking at it?

Mr Dinesh Gandhi: No, no, no, no, you know, this is ex-plant Mr Agrawal mentioned or I mentioned in earlier question and including, you know, the Q4 my pellet export realization was about 8400 rupees a ton. Okay that includes the export expenses, you know, freight from plant to the port, loading expenses and you know, the freight for China, sea freight. So, what we are talking is ex-plant, other than those expenditure.

Mr Giriraj Daga: So

Mr Dinesh Gandhi: Sorry, let me complete. For the purpose of sales, booking in the books of account it will be, you know, albeit gross price including the export expenses and export expenses are reflecting is the part of that expenditure.

Mr Giriraj Daga: Okay.

Mr Dinesh Gandhi: and if you see my export, you know, expenditure, other expenditure will be reflecting higher in the, you know, current year because of this export related expenditure.

Mr Giriraj Daga: You know, understood sir. But can you to like number like 7500 realization, what would you like to say 1Q realization for the pellet now and compared to 5600, what would be the 1Q realization now for Ardent Steel?

Mr Dinesh Gandhi: No, Ardent Steel, number one I would like to correct, this Ardent Steel is not 6700, it is 6700 in the export market and 6000 rupees I told you is the domestic market price. Ardent Steel explant prices are closer to about 5300-5400 rupees a ton.

Mr Giriraj Daga: Okay.

Mr Dinesh Gandhi: and that is more or less in line with last quarter.

Mr Giriraj Daga: Okay.

Mr Dinesh Gandhi: and, you know, you wanted, what was your other question is?

Mr Giriraj Daga: Sir, 7500 we had fourth quarter realization, which we record in the presentation.

Mr Dinesh Gandhi: See the fourth quarter realization includes the domestic sale as well as export sales and blended, you know, 7000 something.

Mr Giriraj Daga: Correct, so what would be the let's say like to like number in the first quarter now? Are we closer to 7000 now?

Mr Dinesh Gandhi: you know, I can tell you, you know, that includes the freight component also and then we will have to have the breakup of that export sale and domestic sale. So, net-net basis you know, that includes the export freight and the price which we have told you is the explant prices. That does not include the export related expenditure.

Mr Giriraj Daga: Okay, okay. Understood.

Mr Dinesh Gandhi: So, sales will be higher in the extent of export related expenses and the expenses will also be higher in the books of accounts.

Mr Giriraj Daga: Okay. My idea was to get if the like export prices are higher in international market, at the same time we are having the lowest prices of iron ore from NMDC as of now. I was just comparing the price for the calculation of pellet price purpose, so are we getting like more money in the quarter 1 in export market compared to quarter 4?

Mr B L Agrawal: Yes?

Mr Giriraj Daga: How much? 500-700 rupees higher per ton as of now?

Mr B L Agrawal: About 600-700 rupees higher currently.

Mr Giriraj Daga: Okay, now domestic would be what?

Mr Dinesh Gandhi: It is mainly because last quarter also the export realization was closer to 115 dollar. The only difference which has now come is the currency difference.

Mr Giriraj Daga: Okay and the domestic realization is what compared to what we were making last quarter?

Mr Dinesh Gandhi: As I told you know about 600 rupees higher approximately in export market. Domestic market the prices are more or less closer to the March quarter or slightly lower than that.

Mr Giriraj Daga: Okay, okay. In terms of the what we have seen in auction side of it, do you think that like we spoke about that it will be beneficiary and the cost curve will be going up, but at the same time we might have some demand worries also because the supply in the market will ultimately go up, so if you talk about like looking at the market NMDC has to offer low prices because of the low demands, so what is your take on the demand that, how, assuming that…..

Mr Dinesh Gandhi: I think Mr Agarwal has already, you know, addressed this question as part of the earlier question, so I don't think anything, you know, it's a pandemic year. You don't know how the situation is going to emerge out over a period of next one year or so. The number of cases in India and abroad are increasing day by day, so we have to keep our finger crossed on demand…

Mr Giriraj Daga: Sir I am… If I can interrupt… I am not looking for this year per say, what I am looking at next year auctioning, two-three years it will.

Mr Dinesh Gandhi: No, what you need to understand is what is the current price and how much is the, you know, premium in the bidding, the additional premium which the, you know, over the market price which the bidders will have to give and given the scenario what is, you know, our understanding is that prices are, you know, slightly likely to be higher for the merchant exporter and for the captive consumer it may go down because they will not be paying the premium on iron ore prices, for the captive, you know, companies who would be producing the iron ore put their captive requirement. So, logistics and all other costs remain same.

Mr Giriraj Daga: Okay, okay. Last thing, on the solar plant side we have booked a 10 crore of exceptional loss.

Mr Dinesh Gandhi: Yes…

Mr Giriraj Daga: So first what is that and second is that we had also thought of like first increasing our, put the application of, putting a higher realization any progress over there so far?

Mr Dinesh Gandhi: Higher realization in?

Mr Giriraj Daga: The day light availability, day light availability is lower, that's old case, but I remember. The day light availability was low so we had put a petition that we want to have, since our PLF is lower we can ask for the higher tariff.

Mr Dinesh Gandhi: No, you know, that matter is not yet settled. It is currently in the appellate tribunal so you know this matter will take time before it is finally concluded. With regards the exceptional cost, I think we have well explained is the part of the notes to be results, I would just repeat it once again. Out of the 10-crore expenditure about 7.5 crore approximately is for contesting a litigation initiated, by the EPC contractor of our solar project. We had, you know, claimed about 92 crore of amount from the company which in our opinion was not payable so we contested the matter in the arbitral tribunal. Arbitral tribunal, you know, during the proceedings itself the EPC contractor had, you know, withdrawn their claim for cost over and some other expenses etc. during the proceeding itself and we have invoked one, of the EPC contractor and the claim against that which was demanded by the EPC contractor has been dismissed by the honorable high court so our liability is extinguished, but, you know, and against that, you know, in the contesting the case we have incurred about 7.5 crore, so that has been charged exceptional. This is not an operating expenditure for solar power plant.

Mr Giriraj Daga: Okay.

Mr Dinesh Gandhi: And another 3 crore we have incurred for, you know, we have a water pipeline for Indira Gandhi Nahar to our plant which is about 18 km or so and you know, because of widening of the road the line, the water line was going parallel to the road which was in the state road earlier that has been declared as national highway and therefore, we were, you know, told to shift our water pipe line, so we had to incur that additional cost and shift our water pipeline beyond the boundaries of the national highway and therefore, and that part has been completed of course and there also an additional cost has been incurred about 3 crores or so.

Mr Giriraj Daga: Okay. Okay. Thank you.

Bharati: Thank you sir. Next question comes from Parthiv Shah from Tracom Stock Brokers. Please go ahead.

Mr Parthiv Shah: Thank you for the opportunity. Firstly, congratulations for very decent set of numbers. Sir I just have one question. One is in our strategy to optimize the what is the scope going ahead as B L sir also mentioned that you can tend to get more orders of exports for high grade pellet? How about we can have the entire pellet capacity being produced to be exported and for our domestic captive use, because there is a price delta between the domestic prices and the export prices, can we buy it from locally and use it for our captive use? How much we can optimize the product mix by doing something like this?

Mr Dinesh Gandhi: Okay sir, okay, okay.

Mr B L Agrawal: Yeah, see that is not practically possible because whatever is available domestically that is again a low-grade pellets or iron ore from Odisha, so that will have impact on my steel production in quality as our MD sir mentioned sometime back, you know, they have been producing high, you know, high quality steel that is only because of the phosphorus content being low because of our own iron ore mine, so it is not practically possible going forward we will be exporting the entire production and we will be looking to source pellet or iron ore for our local consumption, inhouse consumption, so that possibility should be ruled out. It is not possible.

Mr Parthiv Shah: Okay. Thank you so much.

Mr B L Agrawal: Thank you.

Bharati: Thank you sir. Next question comes from Preet Nadar Seth from Wealth Financial Advisors. Please go ahead.

Preet Nadar Seth: Yeah, my question is I want to better understand what benefits the company will get because of the merger with Jagadamba company, so say from an EBITDA point of view how much additional EBITDA would the company approve, because of the merger?

Mr Dinesh Shah: Hello…

Preet Nadar Seth: Hello…

Mr Dinesh Shah: Yeah, see you know, the merger of Jagadamba is helping us in two three ways in fact. Number one, the most important point is that we do not have any permission from the regulatory authorities for setting up a new power plant at our location, at the plant location where we need this plant. This is, that is number one and number two, if you have to again, if you have to import the power from the grid then the grid prices are, you know, in excess of about 6 rupees 50 paisa per unit as against the, you know, cost of power at current, prices is closer to about 4 rupees in Jagadamba that is another advantage and if we don't have that power then our entire value addition business, you know, obviously impacted because of this like, you know, making it still the higher amount of steel billet, the value added product because we need the higher amount of electricity for our captive requirement. So, you know, putting all these things to an EBITDA number, it would be very difficult because it is contributing from various factors.

Preet Nadar Seth: Okay. Right. The other thing I want to understand was on the debt side. So, your net debt is around 67 odd number, right?

Mr Dinesh Shah: Yeah.

Preet Nadar Seth: On the closer of this year. Now given that say next year you are anticipating at least a minimum EBITDA of 500 crores; do you think you would be on track to pay debt of 200 crores?

Mr Dinesh Shah: I think we will aim for that. I think I have already answered this question, but yes for the sake for your understanding we can do that. I would like to, you know, again mention that, you know, when the entire lockdown was announced and in order to conserve the liquidity, we had arranged the, you know, moratorium deferment allowed by the banks as directed by the Reserve Bank of India, but for your information we have repaid the deferred amount and we are not seeking any further deferment on this. This is number one. Number two, I have already said in my opening remark that we have already repaid the entire debt of our solar power plant for the current financial year that is FY21, which is amounting to 30 crores. So, my say, our regular debt repayment is close to about 115-120 crore, so 150 is already done and then that regular debt in any case is being repaid to the bank. So, I think we can do easily the 200 crores kind of number. I don't foresee any problem in achieving that number.

Preet Nadar Seth: Oaky, wonderful. Thank you.

Mr Dinesh Shah: Yeah. Thank you.

Bharati: Thank you sir. Next question comes from Adysha Bhanja from Axis Bank. Please go ahead.

Adysha Bhanja: Hello. Yeah so my question pertains to the receivables and inventory position that you have currently because I understand at the beginning by the end of March because of lockdown and all your receivables were stretched and you had higher inventory so just wanted to know, what is the situation now and depending on the working capital position how is your limits unitization?

Mr Dinesh Shah: See our working capital limits utility is underutilized if you see my results, my working capital would have been utilized close to about 150 crore, again close to about more than 200 crore of limits, number one. Our current working capital realization also remains lower and for your information Axis Bank is my, our banker also. So, they have all the updates about the company is the thing. So, our working capital limits have been underutilized to the extent of 50-60% on an average and we keep 50-60% as the cushion for our operations.

Adysha Bhanja: Okay. Sir actually I know that we have limits, you have limits from our bank, just wanted to know from compared to March end how is the movement in the receivable position now? Because we have always…

Mr Dinesh Shah: No, our receivable, you will see, you know, I will just reply to this as well. Our receivable level is well under control. Even during March, it didn't increase substantially. There was some amount of accumulation for the last few days, but the, recovery is normal and now we are, you know, in any case our focus on the export has increased, so there also the money is realized, upfront.

Adysha Bhanja: Okay.

Mr Dinesh Shah: through the LCA.

Adysha Bhanja: Okay.

Mr Dinesh Shah: and at level you will observe, you know, we have reduced our working capital by 100 crore, net working capital by 100 crore in the last financial year.

Adysha Bhanja: Okay. Fine. So, thank you.

Mr Dinesh Shah: So, our working capital remains it in the, overall working capital within the control.

Adysha Bhanja: Okay. Got it.

Bharati: Thank you ma'am.

Mr B L Agrawal: Hello.

Bharati: Yes sir. That was the last question for the day. Now I handover the floor to Mr Dinesh Gandhi for closing comments.

Mr Dinesh Gandhi: On behalf of the management of Godawari Power and ISPAT Limited, I thank you very much for participating in, you know, in this call. If you have any more questions, you know, you can always reach us. Our investor relation as well as IR contact is already there in our, you know, So, we would always be happy and open to answer the investor's query anytime in the future as well. Thank you very much. Thank you all.

Mr B L Agrawal: Thank you. Thank you very much.

Bharati: Thank you sir.

Mr B L Agrawal: Thank you Bharati.

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

Mr B L Agrawal: Thank you Bharati, thank you.

Bharati: Thank you sir.

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