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GODAWARI POWER & ISPAT

Great Place To Work. Certified DEC 2021-DEC 2022 INDIA

REF: GPIL/NSE&BSE/2022/4881 Date: 16.11.2022

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 11th November, 2022.

This has reference to conference call held on 11th November, 2022 for Analyst/Institutional Investors/Fund House/Investors etc., please find attached herwith the Tranascript of Conference Call.

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

Thanking you,

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

Y.C. RAO
COMPANY SECRETARY

Encl : As Above

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

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Digitally signed by CHANDRA RAO YARRA
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"Godawari Power & ISPAT Limited Q2 & H1FY 23 Earnings Conference Call"

November 11, 2022

MANAGEMENT:	**MR. ABHISHEK AGRAWAL - EXECUTIVE DIRECTOR** **MR. SANJAY BOTHRA - CHIEF FINANCIAL OFFICER** **MR. DINESH GANDHI - EXECUTIVE DIRECTOR.**
MODERATOR:	**MS. SANA KAPOOR FROM GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY23 Earnings Call for Godawari Power & Ispat Limited, hosted by Go India Advisors. As a reminder, all participant lines will be in 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 operator by pressing "*" then "0" on your touch-tone phone. Please note, that this conference is being recorded.

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

Sana Kapoor: Thank you, Aman. Good morning, everybody and welcome to Godawari Power & Ispat Limited Earnings Call to discuss the Q2 and H1 FY23 results. We have on the call, Mr. Abhishek Agrawal, Executive Director; Mr. Sanjay Bothra, Chief Financial Officer, and Mr. Dinesh Gandhi, Executive Director. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

May I now request Mr. Dinesh Gandhi to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

Dinesh Gandhi: Thank you, Sana. Good morning, ladies and gentlemen, and thank you for joining with us on the earning calls today for Godawari Power & Ispat Limited. I trust you all had a look at the revised earnings presented uploaded on the stock exchange and the company website. The presentation was required to be revised primarily on account of two errors in the presentation. One is relating to the H1 average selling price of the pellet sold, which has been revised. And number two is, the capacity of another solar power project which is under construction, which was only mentioned as 38 megawatts against 25 megawatts. So, capacity continues to remain at 25 megawatts.

I will briefly discuss the result and then we can have the Q&A session after this. Before I discuss the quarterly performance and H1 performance in detail, I would like to discuss on the few strategic updates. As you are all aware of the state pollution control authorities have granted us the consent to operate for the enhanced pellet capacity from 2.4 million tonnes to 2.7 million tonnes. We are revising our guidance for production of iron ore pellets from 2.4 million tonnes to 2.6 million tonnes in FY23. For the H1 FY23 GPIL is already 50% of the revised targeted capacity and producing about 1.31 million tonnes of pellets.

Our CapEx guidance continues to remain at about INR500 crore for the current year. We have already incurred INR179 crore in the first half of '23. The guidance continues to remain the same, despite imposition of export duty and this projects are primarily related to the cost saving and efficiency improvement related. The solar power project will help us improve our cost of power, grid power which is more than INR5.50 per unit. Against that, our generation cost will be hardly at operating level at about 30 basis point, 35 basis points. Similarly, the displacement of turbine will improve the power generation at the same operating cost. And the CapEx at the mining will help us to beneficiate the overhead mining and reduce the cost of production for the company.

The only project which we have kept on hold is the Steel Melting Shop where we are still working on the revised capacity and the products to be manufactured and after that we will make a suitable announcement in due course of time.

Regarding the Greenfield Steel project, which the company had announced earlier, the status is, it continues to be, we have not yet been able to acquire the land and the land acquisition is getting delayed. And we have filed for the environmental approval for the project which is under consideration of the central ministry. Once the land acquisition is done and environmental approval is received, we will be able to freeze our investment plan and we will guide the market accordingly in due course of time.

Coming on the performance, the market price of iron ore for Q2 FY23 is INR4,500 per ton, whereas our captive blended iron ore cost is about INR3,000 a ton. This shows the competitive advantage of the captive iron ore that GPIL has. In Q2 FY23 GPIL iron ore mining and pellet production has increased by 34% and 17% on a y-o-y basis. Production was HB Wires, Sponge Iron, and Fabricated products has also increased on y-o-y basis. However, production of Ferro Alloy has reduced primarily because the market for the Ferro Alloy prices have gone down and we took this opportunity to do a maintenance shutdown of the Ferro Alloy plants, HIRA Ferro Alloy and Alok Ferro Alloy.

Similarly, you would have observed our pellet realization has gone down by almost INR3,500 a ton as compared to the pellet realization in the Q1 FY23. And if you look at our numbers, the fall in profitability is mainly on account of fall of pellet realization because our cost of production remains same overall account of the captive iron ore mining. And if you take the impact of the reduction in pellet selling price from what INR11,500 to INR8000 something, INR3,500 into 550,000 tons of pellet, comes to about INR200 crore and to the extent that there is fall in EBITDA of the Company and the fall in pellet realization, as you are all aware, is on account of imposition of export duty. And simultaneously, reduction in the international selling price of iron ore prices.

Now, coming on the financial performance for Q2. Consolidate revenue increased to INR1,307 crore up 3% y-o-y basis but decreased 22% quarter-on-quarter basis. The main reason for decrease is majorly because in the realization of the iron ore pellets. The total expenses looks to be increased by 28% y-o-y but actually the expenses are looking higher on account of reduction in the selling price. So top line is higher, expenses have not increased substantially. Expenses continues to remain at the same level, except the prices of coking coal and y-o-y basis.

The consolidated EBITDA at INR231 crore, which is down 50% quarter-on-quarter and 47% y-o-y basis. The drop, I have already explained, the drop in EBITDA is mainly because of the fall in the price of the iron ore pellet. Also, consolidated PAT from continuing operations is attributed to down 48% sequentially to INR168 crore.

Now, coming on the market outlook. Starting with the international outlook. The iron ore prices have already fallen to about \$80 from \$158 as of 1st of April. The demand and consumption of steel and other commodities remain subdued in China due to COVID and real estate crisis, and in the rest of the world, due to interest rate hikes, and the energy crisis. Expectation is that, in H2 FY23, things will improve due to China's stimulus to support economic growth. However, uncertainty remains due to China's zero-COVID policy.

Iron ore prices post correction are expected to stay in the range of $80 to $120 for the rest of the year. Also, import of iron ore pellet of China is reduced by 33% in January to September 2022 compared to same period last year because of the sustained crude steel production cuts and weak domestic outlook.

Coming on the domestic outlook. Government has levied export duty on iron ore from 30% to 50%. On pellets from nil to 45% and steel from 0 to 15% in May 2022 This has led to sharp drop in the domestic iron ore prices. NMDC has cut iron prices by approximately INR2,000 per tonne. Iron ore production in FY23 is estimated to be lower. Pellet prices decreased from INR14,000 a ton in April'22 to INR7,450 per ton and is presently trading at INR8,000 a ton.

Domestic iron ore prices have likely bottomed out, at much higher level than historical levels. The support has come from the cost curve which has moved up by INR1000 per ton to INR1500 per ton post the auction of iron ore mines. At current iron ore prices many domestic mines have become unviable. Some support has also come from improvement in domestic demand of steel due to increased off take from Infra projects. Going forward improvements in the prices of iron ore and pellets will depend on the impact of the export duties. However, downside remains largely protected due to the cost curve of iron ore.

We can now open the floor for question-answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. And first question is in the line of Prashant Kumar Kota from Emkay Global Financial Services. Please go ahead.

Prashant Kumar: Hello, sir. Good afternoon and thanks for the opportunity. I really appreciate the very detailed presentation and the data pack that you gave. It is like one of the best in the sector. Sir, my question is regarding your view on iron ore pricing, generally internationally and in India and to that extent, pricing of pellets, assuming, if remove the government angle aside? Just based on the current dynamics, what is your view and how do we see this from here, sir?

Dinesh Gandhi: So, it looks like the international prices are at about $80 is almost bottomed out to some extent. If the demand and China stimulus comes through then the prices should improve from here on rather than going down from here. The $80 should be the lower prices of this iron ore international market.

Prashant Kumar: Got it. And sir, your view on the domestic side, pellet side? Can we largely say they have bottomed out after this government intervention? Steep fall.

Dinesh Gandhi: Steep fall has already happened in pellet prices. Rest of the steel prices, as you may be aware, in long product, the prices are more or less stable, maybe INR1,000 here and there, the prices are fluctuating, but mostly stable. Iron ore pellet prices have corrected only because of the imposition of export duty and of course, the reduction in demand in international market. So both have impacted the iron ore pellet prices and we believe that iron ore pellet prices at INR8,000 and 5% or 7% down from here should we stabilized.

Prashant Kumar: Understood, sir. Understood. Sir, my second question is more to do with the social angle, social aspect of or what you as a company do. So basically, apart from running a profitable business for the shareholders, we also understand from sources that you do a lot of CSR activities in the mining regions around your mines, sir. It's always very important to do that, given the local communities' development upliftment, etc. So, all those activities that you do are still continuing without any…Am I right?

Dinesh Gandhi: Yes. I think we had highlighted at some point in time we continue to transport our entire iron ores from mines to our plants by the road. We have an opportunity to reduce the cost by transporting by water. But in order to get the employment to the local population, who owning the trucks which are flying between Godawari Power Plant and the mines exclusively, they get employment and of course, that elevated our cost structure by INR300 per ton to INR400 per ton, but on account of development of region where our mines are located, we are continuing with road transport.

Similarly, we have done a lot of CSR activities. I think each and every village house is pakka now. There is school facility. There is hospital facilities, you know, all those facilities are available. The roads in the village are now pakka road. So, all those activities are being continuously done by the Company.

Prashant Kumar: Great, sir. Really great. Really glad to hear that and fantastic and wish you all the best.

Abhishek Agrawal: And as a company we also believe, we should give it back to our society. That is our responsibility.

Moderator: Thank you. Next question is from the line of Jyoti Singh from Novama. Please go ahead.

Jyoti Singh: Hello. Good morning, sir. I have three questions. One is, looking at your consol numbers, I guess there are losses in your Ferro Alloy business. In case how do you look at the demand and supply scenario of this segment, Ferro Allow in India? Shall I go ahead with the other question?

The second is, as you've mentioned, that you will be doing a CapEx as per the plan. Are you confident that you will be able to achieve the guidance of INR500 crore, because in H1, you have done around INR180 crore. Please let us know your plans regarding the Greenfield Steel Project. And third is on your coal sourcing mix. So how do you think the coal sourcing mix looks like and how much coal did you import in your second quarter and what is the inventory of coal as of date?

Abhishek Agrawal: Dineshji, let me take this question. Good morning, ma'am. So, on the first question of Ferro Alloy, see, we need to understand India is a big exporter of Ferro Alloy, whether it's zinc-manganese ferro or any kind of, right and primarily biggest market is Europe and you all understand because the energy crisis in Europe and Ferro being quite an energy intensive industry, so, a lot of capacities have gone in steelmaking. I was reading an article yesterday, so Arcellor Mittal itself, you know alone as a group has reduced their production by almost 10 million tonne across Europe, entire Europe. So, that is the reason that pellet prices has dropped significantly. That is one of the major reasons, and in India, there is an oversupply of Ferro Alloy. So, export is part of a good mix when you want to balance the entire demand and supply in India. So, at the moment I will see Pellets prices will be under pressure for sure. Going forward as well.

On the coal side, at the moment, I have told this earlier this as well, we are importing coal for our DRI operation. We've already doing that. And we still continue to import. We import from Africa. We import from Australia and currently, we imported from Russia as well. So, depending and as all are aware, currently, finally, the coal prices have started cooling down. They've almost cooled by $100 in last six weeks. So, we are trying to obtain minimum inventory so that we can take advantage of the lower price. And for the power plant we are sourcing domestic coal. We have linkage from Coal India, as well as we are buying from the domestic market.

Jyoti Singh: Okay. And what was your coal import in Q2?

Abhishek Agrawal: In terms of volume or in terms of number?

Jyoti Singh: Both.

Abhishek Agrawal: So, see, we usually import on monthly basis or 45 days basis because we want to go with the market because the market is very volatile. So, we imported about 1.5 lakh tonnes in Q2 and then the average price would be about INR18,000 landed to plant.

Jyoti Singh: Okay. And your CapEx guidance?

Dinesh Gandhi: CapEx is, as I said, we have done INR179 crore in the first half. The major work on the solar power plant where we only invest more money has started after the monsoon. So, except the CapEx on the Steel Billet side, everything else is expected to be completed in the current year itself, including the capacity for mining, both for the solar power plant 25 megawatts GPIL, 60 megawatt, HIRA Ferro Alloy and our replacement of turbine. So, these are main components of the CApEx, which is the remaining CapEx and likely to be completed in the current year itself. So, entire INR500 crore, including INR179 crore already done will be completed in the current year. And in some ways, it could be 5% or 7% of the CapEx here or there, but largely we are on line.

And one more point I want add about the loss in the Ferro Alloy business is, we are holding a lot of inventories of manganese ore, which we have procured at a higher prices and the same is getting consumed or consumed during the last quarter and continues to get consumed and therefore the impact of inventory loss is also there, as against the pellet inventory where we are not impacted because the our inventory of pellet was hardly seven, eight days and iron ore the cost is fixed because of the captive iron ore. So, the inventory loss is mainly there with us in the Ferro Alloy business.

Moderator: Thank you. Next question is from the line of Mitul Sha from Reliance Securities. Please go ahead.

Mitul Shah: Thank you for taking my question. Sir, compared to Q2 how has been the trend during this October, November in terms of the demand situation? And also, if you can give us some details on the thermal coal price trend in current quarter compared to Q2?

Abhishek Agrawal: Yes. So, demand in terms of key or overall demand on in terms of pellets?

Mitul Shah: Overall demand and specifically in terms of pellets are our pellet is relatively better quality compared to…

Abhishek Agrawal: Ok. Right. So, on the overall demand side, see that the demand has really little on the sluggish side because of the monsoon. Usually, steel industry, the demand is always on the sluggish side because of the monsoon season and thus there were a lot of correction because of the import and export duty. So, there were a lot of changes in the supplier and buyer side. Everybody was concerned about the prices further going down. So, buying was bit skeptical. And with monsoon over, so, November to April will be the peak period for the steel industry. So, it opened. The demand should come back soon.

On the pellet side, the demand is really good for us at least because of our entire production, we almost produce 65% of high-grade pellets. So, at the moment also we stand at order book of almost 45 days. So, we have order books till end of December. So, for us on a demand side of pellets, we have no concern at all. We are very much covered for next 45 days and the inventory is quite low in the part, for the pellet side.

Mitul Shah: Sir, just a clarification, in initial, you highlighted the demand was suppressed. That was for Q2 or for October, because my question was primarily on October side.

Abhishek Agrawal: Okay. So that was I think Dineshji mentioned, that was of Q2. On October side, again I am saying, the demand was still sluggish because of the festival season. As I said, the demand will pick up post Diwali, which is November season, but on the pellet side, pellet being another raw material, considered as raw material, so demand was still there back then and demand is still there right now also. And as I mentioned, right now, we have order book of 45 days. So, on the pellet side, we have no concern at all. Our order book is quite healthy.

Mitul Shah: And sir, during your discussion with your key major customers, wherein we are saying that's a definite slowdown on Europe side and China to some extent. So overall global demand is under pressure. So, what is indication coming from client, top client side during your discussion for next six months to one year point of view?

Abhishek Agrawal: See, as we mentioned, I mean, it is very true. There is global meltdown in terms of steel production, because of the, one is the energy crisis and secondly, the inflation, especially, with countries like Europe. They are going through heavy inflation. See, as I mentioned earlier, many big steel companies are reaching their production as per the demand but eventually, it's how competitive you are. And with the iron ore mining, we see, if somebody has to die, we will be the last in the list. So, as I said, we are very much comfortable in terms of demand level, because our volumes are not so big and on pellet side, we have been able to tap three, four big buyers in India, which are regularly buying from us. So, I don't see any concern going forward as well.

Mitul Shah: Sir, in terms of thermal coal pricing trends compared to Q2, how has been the situation in October, November current quarter?

Abhishek Agrawal: See, usually what happens, we are usually covered for two months with the inventory that is in the plant, stock and the materials in transit. So, the entire stock, the prices which have started cooling down in coming Q4 of this financial year, but at the moment as I had mentioned in the last call also, the prices are standing at INR18,000 a ton for DRI and for domestic, the average mix of linkage and the domestic purchases is about INR5,500 per ton from our partner.

Mitul Shah: And sir, how has been the trend of the prices of this pellet price and steel prices in current quarter?

Abhishek Agrawal: Post Diwali, the prices have been quite stable.

Mitul Shah: Have they stabilized or still continue to decline in November also?

Abhishek Agrawal: No, no. So, pellet prices are hovering about INR8,000 ex-plant Raipur for the pellet which is being manufactured by others in India and on the steel side, the prices are about INR44,000 per fillet and Sponge is about INR30,000. So market has been quite stable post Diwali. There was a downfall pre-Diwali but post Diwali the market has been pretty stable. And we are hoping that as the demand comes back, the prices should go up further.

Mitul Shah: We expect prices upward revision in coming months and Q4 or it should stabilize?

Abhishek Agrawal: See, it is very difficult to ascertain what prices should go up but I think as Dineshji mentioned, we feel the prices have bottom out to certain extent. We don't see a downfall from here. Probably, 5%, 7% here and there, you can’t say but we assume this is a benchmark where prices should not go below this.

Mitul Shah: Sir, anything on the hedging as currency fluctuation is too much this time and we are doing sizable import of the coal and few other things?

Abhishek Agrawal: See, early earlier it was a natural hedge for us when we were exporting pellets. So, that was natural hedge but after the export has been stopped, we do a close monitoring on daily basis. Keep track of the dollar fluctuations and all the news evolving around it. For example, in last few days, dollar has come down from almost $82 level to $80.6 level. So, we keep a close track and depending on the market situation, we keep hedging our import, export exposure.

Mitul Shah: Sir, what would be the net exposure right now as a percentage of sales?

Dinesh Gandhi: Currency exposure?

Mitul Shah: In terms of import versus export earlier as sir, highlighted that we used to do sizable exports. So, it was a natural hedging. But now export has come down significantly and import would still remain same. So, then, what is the parity now net?

Dinesh Gandhi: Our overall exposure in the forex market at consol GPIL level will be close to about INR700 crore, total exposure.

Mitul Shah: INR700 crore for this FY23 or now?

Dinesh Gandhi: As of now, it is about close to INR700 crore exposure is there.

Mitul Shah: Sir, lastly on the CapEx side, as you highlighted, INR500 crore still we are maintaining and there in no sizable spillover to next year, how one should look at next year's CapEx or majority of CapEx is being done this year or it will continue to be similar range in the next year also?

Dinesh Ganhi: Next year CapEx we'll be able to guide it by end of the current quarter or maybe at the time of the Q1 call. We have to start work for our Greenfield Steel Project, but the land acquisition and the environmental approval both are delayed and it's taking time. So, once we get the approvals, then only we'll be able to guide how much the CapEx we can do it in the particular year, upon receipt of that approval. Otherwise, whatever this CapEx is currently what is likely to be completed by the end of the year. So, for next year CapEx, we will be able to guide in due course of time only.

Mitul Shah: But any indication, directionally would be higher or lower than this current year? May not be the number.

Dinesh Gandhi: Maybe similar kind of CapEx in the next year. Close to INR500 crore a year. It won't go much because when we get the approval, then we'll place the order for equipment etc. So, I don't think it's going to go beyond INR500 crore, INR700 crore and we will be able to meet the entire CapEx through our internal accrual.

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

Vikas Singh: Good afternoon, sir. Sir, I just wanted to understand that at the high inventory high cost inventory, the entire impact has already been taken by 2Q or some of the impact would flow into the 3Q and how the blended price you are expected to move in 3Q?

Dinesh Gandhi: So, most of the inventory related is already taken because we had an inventory loss on manganese ore prices only. Rest of the prices are mark-to-market and I don't think there's any major inventory loss is there in the company. So, it is mostly covered into Q2.

Vikas Singh: So the imported thermal coal, which would have come at a higher cost that is also mark-to-market by 2Q and 3Q we won't see any inflation because of that?

Abhishek Agrawal: No, we won't see that.

Vikas Singh: Understood sir. My second question pertains to net cash. So if I just do the math, we would have earned some cash during first half, but our net cash position kept on declining. So, barring INR179 crore of CapEx, where the rest of the capital cash has been deployed because I don't see much of the inventory creation for us during the first half?

Dinesh Gandhi: No, no, on net-net basis, the money has been deployed in CapEx, as well as in your current assets. If you see, my net current liabilities has gone down by INR300 crore and current asset has gone down by INR100 crore only. In addition to that there is a dividend payout of INR118 crore.

Vikas Singh: Understood, sir. And sir, during my first question, I also asked that how the average prices movement we are expecting in 3Q versus 2Q in our major products, such as pellet and sponge billet? If you could give us some insight into it.

Abhishek Agrawal: Can you come again, please?

Vikas Singh: So, current prices versus your 2Q average? How they have moved as of now?

Abhishek Agrawal: Okay. So, on the pellet side, the Q2 average was about INR8150 and it's currently we stand at about INR8200. So, it's almost at the same level. On the Sponge side, the Q2 average was about INR33,000 per ton. Currently, the prices stand about INR30,500. So, there's been a drop of about INR2500. On the billet side, was about INR47,000 per ton. Currently, the prices are at INR44,000 per ton. So, there is a drop about 8% on sponge and billet side. Pellets remained the same.

Vikas Singh: Understood, sir. So, one more question regarding the international scrap prices which have been on a declining trajectory. So, does that impact our sponge and billet prices domestically or we remain fairly insulated? So, what's your take on that?

Abhishek Agrawal: See, when it comes to domestic industry, scrap prices do not effect so much. But what has happened lately because of the domestic side, the scrap being bit high, a lot of people have imported bulk metals into India for their own consumption as in trading. For example, even Godawari, we import about 1500 scrap on annual basis. For the first time we imported a bulk of scrap which is going to arrive in December because if you compare, you're melting cost of sponge, so scrap melting is much more viable at the current level. So, depending on the market situation, it does impact here and there. The impact is not very big, but it is there. You cannot ignore it.

Vikas Singh: Understood, sir. Sir, just one last question regarding our solar power plants. So right now, if you could give us some idea about the cost savings per unit, which we're having on that and how does that move in a couple of quarters down the line?

Dinesh Gandhi: See, GPIL, 70 megawatt has already been commissioned and we have started using the power in our steel smelting plant, integrated plant in Siltara. There, we are buying power from the grid for INR5.5 per unti. Now, so against this, our cost will be less than INR1.75 including the grid charges, the power banking charges. So, net-net there will be more than INR3.5 per unit saving. The 25 megawatt power plant, where the effective power generation would be about 4.5 megawatt, we will be using in our mines. So, mines, we're buying power at about INR12 per unit. The grid tariff for mines is higher. So there will be replaced with the power cost of INR1.75 from the solar. So, the entire saving will progress to the profitability. So, against INR12, you take INR2 cost, so INR10 saving is expected there. Similarly, HIRA Ferro Alloys, we because of the very high cost of coal, we are using the power from the grid rather than running the coal-based power plant and same will also get replaced with the solar power by the end of the current financial year. So, net-net, our steel melting and Ferro Alloy business, we expect the saving of about INR3.5 per unit and in our mines, our savings will be close to INR10 per unit.

Moderator: Thank you. Next question is from the line of Jatin from Invest Savvy. Please go ahead.

Jatin: Thanks for taking the question on the call. On the power saving, you said 70 megawatts and the other 25 megawatt plant, there will be 4.5 megawatt which will effectively be produced. So, this is, while in megawatts terms, it is fine, but how many megawatts were actually produced? Megawatt hours were actually produced? For solar power, in a month, how many hours and how many days is it operational?

Abhishek Agrawal: No, no. So, just to clarify, it will be difficult to answer that directly. You can consider a17% PLF on annual basis. For example, if it's a 70-megawatt solar power, so, 70 megawatt into 117, so 12 megawatts will be your generation throughout the year.

Jatin: So, 12 megawatts into 365 into 24?

Abhishek Agrawal: Exactly. Into 1000. So, basically, it is 12 into 24 into 365 into 1000 means about 10 crore unit annually. 10.5 crore unit annually. That is how the calculation is done.

Jatin: So, basically you are saving, INR3.5 to INR10 depending, and this 4.5 megawatts is already taking that 25 into 0.15 and converting to 4.5?

Abhishek Agrawal: Yes, yes. Exactly.

Jatin: So, this will show off in your cost savings or this will show off in your…?

Dinesh Gandhi: Cost savings.

Abhishek Agrawal: Cost savings, So, as Dineshji mentioned, in mines, we are currently importing power from the grid and then the average bill is about INR11.5 per unit, which will come down to about INR2. So, saving about INR9 to INR10 there. And on the plant side, the INR5.5 generation cost on coal side, we will save about INR3.5. So that was what Dineshji mentioned previously.

Dinesh Gandhi: Even the grid power, we are buying small quantity of power from the grid.

Jatin: So, if I do a rough math, there is a saving of about INR75 crore a year based on what you have said. So, that is obviously a very heavy number. If we look at the impact of dollar movement on your business, is there a connection between the dollar, overseas price you're saying $80 to one $120 is what you expect it to trade at. Dollar has moved up, then does that mean that your realization will be better in India?

Dinesh Gandhi: Export is not allowed, my dear friend. Export is not allowed.

Jatin: Is relationship between the domestic price and global price?

Dinesh Gandhi: There is no relationship because in India pellets are not getting imported.

Abhishek Agrawal: What he means is, dollar is moving up, does the domestic prices also start moving up? So, I would say not relatively. For some people it might change, that might have an impact depending on the product cycle. For example, people who do engineering or depending on imports, but relatively, on a larger scale, it doesn't impact so much. And right now, the global prices of all the commodities or all the steel, I would say production, pellets and all, long product, prices are much, much, much less compared to the Indian domestic market. For example, billets, right now if you see that, it is about $490, which is INR40,000 and in Raipur, we are selling billet at about INR44,000. So, it's already 10% higher. So, rise on impact is not very relative to compared the dollar movement.

Jatin: Historically to domestic prices trade, when exports were allowed was exports price at a discount to the global price, or was it par to the global price or is it below the global price?

Abhishek Agrawal: **It** all dependent demand supply, there'll be times that domestic prices are much lower compared to global size. So, people start exporting more and then the dimensions are stronger than the global then people start buying domestic more and use their export volume. So every company depending on the market scenario keeps changing the you know, the supply mix in the domestic and export market. It is a very volatile market right now. So you know there isn't a lot of reasons behind it. So it's difficult who you know, give us we know one particular answer.

Jatin: Okay, what percentage of your cost is coking coal?

Abhishek Agrawal: We don't use coking coal, because we don't have a blast furnace. We are into DRI route. So we have pellets, coal based sponge yarn and then making production and so we only import thermal coal we don't import coking coal.

Jatin: Okay, and thermal coal is what percentage of your cost?

Abhishek Agrawal: So 50% of total import. So the total coal I consume in entire operation. Import is 50%.

Jatin: 50% is important and the rest is?

Abhishek Agrawal: Domestic

Dinesh Gandhi: Total raw material cost is closer to about 10%.

Jatin: So total cost of coal used is 10% overall cost or 10% of the overall revenue?

Dinesh Gandhi: Overall costs cost. Not the revenue Okay.

Jatin: Thank you, in terms of your operating margins, as we can see that you know, because of the factors that you have been mentioning, we have seen a big drop in realization and hence the EBITDA is dropped. From 35% It came down to almost 17% for the quarter, so 28% to 17%. Do you think it bounces back from here or stays here or goes lower.

Dinesh Gandhi: That depends on the opening of the market for export and what is the international scenario. Otherwise the long term margins are closer to 20%. But if an extraordinary situation arises like you know, last financial year, then the margin can go up to 35%, 40%. Last year we did

42% in H1 FY '22. So that depends on the demand supply purely and commodity, so fluctuations are very wide.

Jatin: Okay, so if you were to, like assuming exports not open the next two quarters, this quarter and the next quarter. Then given all that's happening. You expect it to be around what it is or go up marginally or go down marginaly.

Dinesh Gandhi: We expected what it is, 1-2% here and there but mostly in this range. What we did in Q2.

Jatin: Won't your power benefit actually kick into this?

Dinesh Gandhi: Not in current year, major benefit will kick in the next financial year when the project gets commissioned. Some of the some benefit will come from the project we did already commission but then to 2% - 3% here and there could always be fluctuation in the margin and to this extend it will get covered within that.

Jatin: You said that was commissioned in June, became operational in June or it became operational later.

Dinesh Gandhi: No, it has already become operational, the impact of which will be felt from Q3, because in Q2 we had been banked entire power. So, it is alluded cost only. So, Q2 there will be some impact, but then you also see some prices have gone down. In Sponge iron there are some prices are going down in billet. So, that impact will also grow up. So, on an average it will be closer to 19% 20% margin

Jatin: And the 70 megawatt plant which was, I think there from August is that been commissioned or is it going to commission.

Dinesh Gandhi: No, no, no, it is commissioned and we started utilizing power from October onwards for two months the power was banked with the state grid.

Jatin: Okay. So, for basically both the plants, Q3 onwards full benefit will come in.

Dinesh Gandhi: Yes, for 70 megawatts Q3 onwards will come and for the rest of the project which are under construction, the benefit of which will come in Q1, FY '24.

Moderator: We have the next question from the line of Chintan Mehta from Lloyd llp. Please go ahead.

Chintan Mehta: It's regarding the cost of iron ore in a presentation your maintenance INR 2900 quarter on quarter. So I want to understand that this is including royalty, the cost should have gone down quarter and quarter considering the fall in the market price of iron ore. And royalty is a function of to a certain extent, the prices of the iron ore, don't you think that cost would have fallen by INR 200 INR 300.

Abhishek Agrawal: This is just to just to clarify, you know what happened at we are supposed to pay royalty basis guided which have been published. So right now IBM has printed the price of month of July. So there's usually a backlog of three months. So right now the royalties been paid, which is the IBM price for the month of July, we are seeing in October. So we expect as we move forward and the prices come down so that there will be saving on account of royaly.

Chintan Mehta: And what kind of reductions do you foresee in that? Because that will convert -- they're converted into our EBITDA in one way or another.

Abhishek Agrawal: See the system right now which IBM follows is, you know, they calculate the average of the volume sold in particular state basis, the top five miners, in Chhattisgarh there's only one miner which is selling to NMDC. So that is the impact of royalty on account of the mechanisms IBM is adopting right now, the impact won't be very, very significant. If it had been Orissa, because there are a lot of commercial mining happening then impact will be much more severe. But in Chhattisgarh, the impact will be very minimal, say probably in the range of INR 100-INR 150.

Chintan Mehta: And that impacts us more confidence that the price has bottomed out because NMDC seems kind of you know, to royalty structure in from the mine of Karnataka as well. It has to pay premium royalty on overall basis. So you think that NMDC passage of some more bottom than that will be scope, you know, in Raipur as well, or no scope of reduction. That's your thinking.

Abhishek Agrawal: So I did read the article, which has been respected the Chairman of NMDC and he said the price have bottomed out, and we don't see any further correction. So basis this statement I'm assuming, and NMDC will not get hike the prices further. So we don't expect much correction in royalty going forward as well.

Moderator: Thank you. The next question that's on the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Thanks for the opportunity. Just one question on your restructuring that we were doing so we had bought in the assets from Alok Ferro Alloys and HIRA Ferro alloys. So just going to your group structure. So in Alok Ferro Alloys we own around 79% And then another 8% 9% is owned by HIRA Ferro Alloys.And 12% 13% Ardent Steel.HIRA Ferro Alloys is a subsidiary and Ardent is an associate. So are we further looking to simplify the structure and bringing the remaining stake from Ardent and HIRA also into GPIL directly.

Dinesh Gandhi: Hira will remain as it is, we don't intend to buy that in GPIL. And, Ardent yes, we intend to buy it at some point of time, we'll do the transfer. But we're not in a hurry that is within the group only.

Yogansh Jeswani: Got it. Also Ardent Steel will continue to maintain this 37% 38% Do we intend to sell this.

Dinesh Gandhi: No we intend to maintain the stake. We will continue with it.

Yogansh Jeswani: One clarification, a lot of has been discussed over your power investment. Yes, I think a lot has been discussed on your power investments and all the cost savings effort that you're taking. So just one clarification, suppose these solar power plants coming on stream we'll be roughly to 50 Plus megawatt power capacity. So we'll be self-sufficient or will we have some access to selling the market as well.

Dinesh Gandhi: We will be self-sufficient for our existing operations. Including whatever is capacity under conditioning, there is a self-sufficient. For new projects, we will have to look for fresh power projects. But for requirement we don't need any additional power from here on.

Yogansh Jeswani: New product in the greenfield right?

Dinesh Gandhi: Yes. For existing requirements, the power will be self-sufficient.

Yogansh Jeswani: Got it. So once all these power plants are commissioned, so by next year, we can say on an average your per unit power cost will be below INR 2.5 per unit.

Dinesh Gandhi: On an average yes.

Abhishek Agrawal: 2.5 to 3, depending on the prices of coal.

Yogansh Jeswani: Yes, so overall, simplistically, in terms of margins. I mean, you guys must have done this working. So just to simplify for us. Last year, full year, we had spent something around INR 200 crore to INR 220 crore on power, so that should come down to less than INR 100 crore right

Dinesh Gandhi: No, the number which you are looking in balance sheet, includes the fuel consumed in the pellet plant. So that will not be the correct working because we are already running the power plant effectively, and the fuel for the power plant is clubbed into the raw material cost. So whatever power you're buying from the grid is classified into the powering fuel coal plus the coal charged into the pellet plant. Coal justification is charged into the power and fuel costs. But yes, our current cost of power is close to about INR 4 per unit which will come down to go INR 2 to INR 2.25 going forward

Yogansh Jeswani: Okay, and what is our entire power consumption says in terms of units for the entire operations, the increased operations that that will be doing in FY ’23 or ’24.

Dinesh Gandhi: At full capacity on any given day, the consumption will be about 95 Megawatts.

Yogansh Jeswani: So, one last question on the Ferro Alloy, you said you are taking a maintenance shutdown. So, in Q3, we will see some impacts of it or in Q3, we'll be back to normal?

Dinesh Gandhi: Q3, we should be back to normal, but normal is now not like last year, because the prices have already fallen from INR130,000 to about INR80,000. So, production volume will be normal, but the realization and profitability will definitely be as, compared to last year it will be lower.

Abhishek Agrawal: So, just to add to what Dinesh is saying, of course, prices are taken care of, but on the volume side, Hira ferro alloy will be absolutely back to normal but Alok Ferro there will be some impact, because still the modification revamping is going up and that the revamping will take into effect the end of November. So there will be a reduced volume from Alok this quarter Q3 as well, from Q4 we will be back to normal in terms of volume. Thank you.

Moderator: We have the next question from the line of Aman Madrecha from Augmenta Research Private Limited. Please go ahead.

Aman Madrecha: Thanks for the opportunity, can you please throw some light on the domestic market, like post imposition of the export duty, the pellets are being sold in the domestic market. And generally you're highlighted in your previous calls also that higher grade pellets of 63% to 62% don't have much takers in the Indian market. So, what has changed and like how are the pellets being consumed by the domestic market or the domestic takers some highlight on this?

Abhishek Agrawal: On a pellet side what has happened is as you must be aware, as we go ahead, the quality of iron ore India is going down, Orissa being one of the major surprises of iron ore which is the basic raw material for pellet, earlier the benchmark was 63. Now, the benchmark is 62. So, now the pellets produced on average basis all over India is about 62.5, which is a high you know, alumina silica content, and which is the mass production. In case of Godawari,. the advantage we have is one is the high grade pellets, where the x is about 65 and we produce about 65% in the entire charge mix. So, buyers are totally different, you know, players like Tata, JSPL, who are running the blast furnaces, the reason behind using our pellet and paying a premium is because the high coking coal costs, the cocking coal by the way deliver to India are bove 300 which gives them an advantage to use the pellets in the charges. So there is a prime reason we're still getting a decent premium over and above the other players in the market because of lower middle and higher FP that is one thing and on the on the strategic side, the second advantage we have is you know, our phosphorus is quite low. Because of own iron ore mining, because of which there are few players in the domestic market who specifically wants a palette because of the steelmaking because like no, you know, everybody in India is moving towards making quality steel so phosphorus does play an important role. And the average phosphorus, all over India, it's quite high. So that is the reason you know, I keep mentioning again, again, when it comes to pellet for Godawari, we don't have any selling, rather we get a premium in the market. For example, our Orissa plant in Ardent, which is based in Orissa, the average selling is about INR6500 whereas Godawari is about INR8000., so straightaway EDITDA in addition of 1500 per tont, which is huge in the volume game.

Moderator: Thank you. Next question is from line of Satyan Wadhwa from Profusion Investment Advisors. Please go ahead.

Satyan Wadhw: Just one question in the breakup of power, how many units of power do you use in the mining operation for which you pay you know, INR 11.5 and INR 12 just trying to get a sense of what the theory on the mining side will be.

Dinesh Gandhi: About 5MW.

Moderator: Thank you. The next question is from the line of DB Jana from KLT Securities. Please go ahead.

DB Jana: Yes, looking to the course saving and better realization of our product pellet and all that, can we safely assume that in quarter three and four the profitability will be better than Q2?

Dinesh Gandhi: It is very difficult to predict the profitability, but yes, the range would be you know, somewhere closer to this, but there could be some variation here and there.

DB Jana: If the situation maintained the same that about export and all?

Dinesh Gandhi: But some or the other input costs keep fluctuating, so, it may not be exactly same, but the range will be closer to here, at this level.

Moderator: Thank you. Next question is from the line of Wayne Demello as an individual investor. Please go ahead.

Wayne Demello: So, congrats on a good set of results, given the circumstances, and thanks for taking my question. So my first question is in the previous quarter, you know, since the imposition of the export duties, the fall in realizations for pellets was a lot more than that of sponge iron. So, management had guided that we would try to sort of push more volumes on the sponge iron front rather than pellets but I have seen that we've sold a lot more pellets whereas sponge iron volumes have slightly come down. So, could you throw some light on that?

Dinesh Gandhi: No, no, no, no, we have a pellet capacity of 2.7 million ton and sponge iron capacity of 0.5 million only. So, we cannot change the mix lightly, you know, you can do some arbitrage, but you know, whatever responder and we are purchasing we are operating plant at 100%. So beyond that we cannot increase or the pellet sales will continue, to the extent of 500,000 tons per month per quarter that will continue.

Wayne Demello: Okay, thank you. My second question is, so, you know, on the pellet front, we're doing you know, 65% of high grade pellets, and we're selling to bigger players like Tata, JSPL like you mentioned. So you guys must be aware that Tata Steel has in in this quarter in Q3, they have pellet plant in Kalinga Nagar, 6 million tons, I think. So, given that scenario. I mean, do you have any outlook on, you know, the demand for our pallets?

Abhishek Agrawal: Yes, I'm totally aware about the Tata steel commissioning a new pellet plant. But as I mentioned earlier, the volume which we produce, you know, and volume, which bigger players require, for example, Tata or JSPL. So I don't see any change in that, I think we will continue to do business with all these guys. Because only the reason is coking coal prices are, using our palette will always be beneficial for their total cost.

Wayne Demello: Okay, thank you. And one final question is, is there any update on we're auctioning? We were bidding for some coal.

Abhishek Agrawal: So we are we are still trying. Now Government has come up with six plants of coal we are evaluating all the options , and as we said earlier, we are still looking to acquire a coal mine. And we will keep continue to work. We'll work on that.

Moderator: Thank you. The next question is from the line of Ganesh as an individual investor, please go ahead.

Ganesh: Thank you for the opportunity. So I'm looking at the corresponding quarter two years back to Q2 FY '21 We made a similar EBITDA at that time also with the same similar amount of pallet sales. But the gap between our iron ore costs and the pallet cost then compared to now we have 1000 rupees more per tonne. So what I'm trying to understand is the profitability though the gap is 1000 rupees more is the profitability the same or similar because of higher inputs. And what are the input costs just want to understand that?

Dinesh Gandhi: You have to reframe your question you're trying to ask because our profitability has gone down in the quarter it is not same as last quarter or the same quarter of last year.

Ganesh: Same quarter two years back I'm just trying to think if the input cost is -- input costs have rose?

Abhishek Agrawal: I got your question. I will tell you why. Although we are 1000 per ton, but in addition on the energy side because of you know higher input prices for a DRI and about the thermal prices for power plant, the input cost side had gone up so that has utilize the saving which is on the pallet on the iron ore side.

Dinesh Gandhi: So do we see the theme continuing also because I see the thermal coal prices are still fluctuating in the same way

Abhishek Agrawal: They have started cooling down. But in the current market scenario, I think it will continue to do so, because still the prices are quite on the higher side. So I think going forward, also the looking, globally stabilized in terms of energy, I think we will be impacted by the current market scenario on the energy side.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now have the conference back to the management for the closing remarks. Thank you and over to you.

Dinesh Gandhi: Ladies and gentlemen, thank you for joining the conference call of Godawari Power & Ispat to discuss Q2 results. We have tried to answer all your questions but if anything is remaining or somebody has anything, you can approach our IR for further clarification if required. Thank you very much.

Moderator: Ladies and gentlemen on behalf of GoIndia Advisors that concludes this conference. Thank you all for joining us and you may now disconnect your lines. Thank you.