स्वच्छ भारत
एक कदम स्वच्छता की ओर

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GODAWARI POWER & ISPAT

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एक कदम स्वच्छता की ओर

REF: GPIL/NSE&BSE/2020/4087

Date: 19.02.2020

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,
   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.

This has reference to conference call held on 13.02.2020 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

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

Encl : As Above

Transcript

Godawari Ispat Q3 FY20 Conference call

Event Date / Time	**:**	**13th February 2020, 11:30 AM IST**
Event Duration	**:**	**58 min 35 seconds**

Bharati: Good morning ladies and gentlemen! I am Bharati, Moderator for the conference call. Welcome to Godawari Ispat Q3 FY 20 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 1 on your telephone key-pad. Please note, this conference is recorded. I would now like to handover the floor to Mr. Ankit Toshniwal from Go India Advisors. Thank you and over to you sir.

Ankit Toshniwal: Thank you Bharati! Good morning everybody! And welcome to Godawari Power & Ispat earnings call to discuss the Q3 and 9 months FY 20 results. We have on the call Mr. B L Agarwal - Managing Director, Mr. Abhishek Agarwal - Executive Director, Mr. Siddharth Agarwal - Non-executive Director, Mr. Sanjay Bothra – Chief Financial Officer 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 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 Ankit! Good morning everyone! I welcome you all to this conference call of Godawari Power and Ispat Ltd. to discuss the result on quarter ended on 31st December 2019, and the future outlook of the company. I have with me Mr. B. L. Agarwal – Managing Director of the company, Mr. Siddharth Agarwal – Managing Director, Godawari Green Energy, Mr. Abhishek Agarwal – Executive Director, and Mr. Sanjay Bothra – CFO of the company. I trust that you have had a look at the earning results and quarterly presentation uploaded on the exchange and the company's website. We are pleased to inform you that we have delivered a strong operating performance during the quarter under review. With higher capacity utilization across the value chain despite, you know, head winds in the market. This has helped us partially mitigate the sharp decline in the commodity prices, which declined approximately 15 to 20% Y-o-Y across the product range. The company has generated robust free cash-flow which has been mainly utilized towards long term debt repayment. We continue to make significant progress in our stated objective of deleveraging and asset optimization. Some of the key highlight of the quarter were. To start with, I am happy to report we have achieved 100% captive utilization of iron ore for our Chhattisgarh operations. The iron ore production was higher 16% Y-o-Y and overall there was 10 to 15% increase in production across the value chain. This has resulted into the higher profitability. During the quarter we have received environmental clearance for commencement of production in rolling mill and 1-million-ton capacity of iron ore beneficiation plant which will help us produce the high-grade pellet and other high value-added products like you know, wire-rods, etc. We are progressing well towards increasing proportion of value-added products. During the current quarter, our rolling mill was commissioned and subsequently the trial production has started. We expect to commence the commercial production within next couple of days. On the deleveraging front, I am happy to report that in the Q-3 we have repaid long-term debt of close to 60 crores taking the total long-term repayment debt to about 1.6 billion during 9 months period ended December 2019. This is you know, against our scheduled repayment debt of 1.03 billion. Consequently, our net debt to equity now has reduced to 1.1 times against 3 times at the close of FY 17 when the company's debt was re-structured. Going forward, the company will continue its efforts towards the long-term value creation. Some of the key initiatives which the company is working towards are, as you know, we have announced merger of Jagdamba Power. This will help us integrate our operations and rationalize our operating cost – mainly the power cost. We are aiming towards the 100% utilization of sponge iron for increased production of the steel billets going forward and produce further value-added wire-rods. Accordingly, we expect to save about 1000 rupees a ton incremental production of rolled product once the commercial production is started. We will have an update on the high-grade pellet strategy which company has been discussing over the last couple of months, in coming few months once we are able to finalize the sales contract with the consumer in the middle-east and other markets. Talking about the industry scenario, steel prices had corrected sharply in Q-3 and over a period of last, say about 12 months to a low of US dollar 420, which recovered sharply by end of December. And it has closed almost to about 540 dollars in industrial markets. The short-term price outlook will be determined on how China reacts on the opening up of the market. Any sharp increase in the export will cause steel prices to come under pressure. The short-term prices will further be determined by the outbreak of the Corona virus. And, you know, the near-term prices will definitely be determined by that. As regards the iron ore mining, we expect the domestic prices to remain firm in view of the closure of substantial mining leases in March 20 with a production of close to about, you know, 40% of Odisha's production which is close to about 40-50 million ton. The auction has started, and this has witnessed a very aggressive pricing. The bidding price ranges between 85 to 145 over the IBM determined price. Despite the downturn in the industry, we will be well above our sustainable EBIDTA guidance given the aggressive bidding witnessed in auction of our Odisha Iron ore. We expect the near-term iron ore prices to remain at an elevated level. Long-term prices will definitely be determined by the domestic and international demand-supply scenario and the prices prevailing in the domestic and international market. Going forward, we are confident of delivering strong operating numbers backed by our integrated operations and captive iron ore mines. We are now open for the Q & A session.

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 1 on your telephone key-pad 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 1 again. Ladies and gentlemen, if you have a question, please press STAR and 1 on your telephone key-pad. The first question comes from Parthiv Shah from Trakon Pvt. Ltd. Please go ahead.

Parthiv Shah: Good morning everyone, and congratulations for a decent set of numbers. Sir, my question is, I was looking at your pellet production figures, both consolidated and stand-alone. And what I see is that stand-alone this particular quarter, if I annualize the numbers you have done at a capacity of 2.3 MTPA vis-à-vis our re-take capacity of 2.1. So, I was just trying to understand that is it possible that going ahead we can take some sort of clearances and achieve higher production rates from the existing plant without any Capex? Is that a possibility?

Dinesh Gandhi: Yeah, definitely there is a possibility towards that. We are working on an approval for a higher permission from the Environmental Ministry to produce the higher quantity of pellets looking at the stable level of operations and better capacity utilization without any substantial Capex in the existing pellet plant in Odisha as well as in Chhattisgarh. In fact, in Odisha we have already applied and the permission is awaited anytime within a couple of days. And Chhattisgarh also we expect to you know, get a production approval for a higher capacity. Abhishek, how much we are targeting?

Abhishek Agarwal: Yeah, that is 2.4 million.

Dinesh Gandhi: 2.4 million ton in Odisha and how soon you expect to achieve this target?

Abhishek Agarwal: So, in Odisha we will get an approval of 0.69 million ton against 0.6 million ton. And in Raipur we have applied for an additional capacity of 0.3 so, from current capacity of 2.1, the new capacity once the approval has been granted, will be 2.4.

Dinesh Gandhi: 2.4 million ton.

Abhishek Agarwal: Yes, and for this, there would be no Capex required. We will be achieving that capacity only by improving our operational efficiencies.

Dinesh Gandhi: Efficiencies?

Abhishek Agarwal: Yes.

Parthiv Shah: I was just coming to that like, a little positively surprised that this additional capacity comes from the same plant. So, is it like the better-quality ore or some coal adjustments that you are doing to de-bottleneck to help you achieve this?

Abhishek Agarwal: No… so yeah, the main reason is… I would say the main factor behind the additional capacity or you know the current enhancement in the production is mainly due to our own mining because being on the high base side there is (Inaudible 10.53) in improving on the production side you know, are reducing our cost. That is the main reason.

Parthiv Shah: Also, sir, wanted to understand, our credit rating despite of so much of debt repayment still lies at BBB+. So, what are the prospects of credit rating improvement and along with that reduction in our interest costs?

Dinesh Gandhi: You know, regarding interest costs, you know, we had already informed earlier also, that our long-term debt and working capital cost is expected to get reduced by you know, 1% by end of March on our stand-alone as well as our pellet plant operations. As regards Odisha, the cost has already been reduced by 1.35% in the current financial year starting from April. And which has quite reflected in our numbers also. Our interest cost is gradually you know going down. It is a combination of both the debt repayment as well as the reduction in overall pricing for the you know… debt we have been discussing with the lenders. We hope to achieve in our entire steel business debt, you know, by this March 2020. All the banks will approve and reduce the cost. So, April onwards it will start reflecting. As regards the credit ratings, we have been discussing with the rating agencies. But looking at the current industry scenario and a lot of volatilities, rating agencies are not very much enthused about further upgrading at this point of time. May be the review, the detailed review will take place after the, you know, 31st of March, you know, after the audited numbers. Then only we expect some improvement in our ratings going forward further.

Parthiv Shah: Sir, also wanted to understand our high grade pellets which you are planning to have long-term exports, just in case that gets delayed, is it a possibility that we can still produce these high grade pellets which could be fed captively into our blast furnace and thereby reducing our cost and improving efficiency? Is that also a possibility?

Dinesh Gandhi: Let me first clarify, we don't have the blast furnace. Our capacities are all DRI linked. Further, Abhishek, you will take up this question please?

Abhishek Agarwal: Yes. As Dinesh ji rightly pointed out, we don't have a blast furnace. So, all our steel making is through induction furnace route. And yes, there a definitely a possibility going forward where you know, we probably end up using the high-grade pellets and you know, improve our efficiencies on the steel making side and improve our costs when it comes to steel making. So, there is a possibility and we are already exploring on that front. But we have to probably do some more analysis to come to a final conclusion.

Parthiv Shah: Fair enough.

Dinesh Gandhi: In fact, I want to add further on this, once we start using these high grade pellet, you know, not only on the pellet side, on the sponge iron side also we have thought for an additional approval within the existing capacity, by about 90000 ton approximately of additional production over and above the you know, 495 thousand approved capacity currently. And steel billet capacity also, you know, we are taking the higher approval. So that, you know, later on we do not find any difficulty with regards to the capacity. And all this you know, will be done majorly through the operating efficiencies only.

Parthiv Shah: Fantastic. And sir, just final word on domestic as well as export demand scenario for pellets. I recollect, you had some export orders in pellets. But now after the Chinese scenario, with the Corona virus, how has the dynamics of the pellet industry changed?

Dinesh Gandhi: I would request the participants to limit their question. Let the other participants also be given an opportunity to them. As regards to exports, I would just like to say, you know, because of this Corona virus, the market condition currently is uncertain. There are definitely you know, delayed… request for the delayed shipment for the orders which have already been booked. And further orders are mostly on stand-still side. Only a limited number of orders are getting executed which are mainly you know, where the material is available on the port. So, we have to wait and watch for the further clarity on this when the market clearly opens in China.

Parthiv Shah: Thank you so much sir. Thank you!

Bharati: Thank you sir! Next question comes from Nitin Dharmavat from RM Capital. Please go ahead.

Nitin Dharmavat: Yeah. Thank you for the opportunity. Sir, just wanted to know what is the total net consolidated debt and what is the guidance for debt for the next quarter and next year?

Dinesh Gandhi: You know, our consolidated debt… long-term debt is close to about 1600 crores on the entire consolidated balance sheet. And next quarter we aim to reduce… you know for the whole year our guidance was about 200 to 225 crores and we will definitely be you know, be able to you know, reach within that belt depending upon how the cash-flows are there during the current quarter.

Nitin Dharmavat: Ok. So, next quarter, how much will be the debt reduction? Overall how much we have reduced the debt for the last 3 quarter?

Dinesh Gandhi: No, last 3 quarters we have reduced about 1.7 billion… about 170 crores in the current year.

Nitin Dharmavat: Ok. So may be around 30 to 50 crores…

Dinesh Gandhi: Yes. Yeah. So, that 30 to 50 ratio will depend upon availability of the cash-flow and how the situation emerges going forward.

Nitin Dharmavat: Ok. The next question is, I think you have already said as part of the commentary, what is the (Inaudible 17.04) on iron ore prices?

Dinesh Gandhi: Can you please come again? I am not able to hear you properly.

Nitin Dharmavat: Ok. Am I audible now?

Dinesh Gandhi: Yes.

Nitin Dharmavat: Ok. So, my next question you partly answered in your commentary, is related to Odisha mining auction which is currently going on. Iron ore prices especially considering the fact that not only aggressive bidding is happening, but there is another scenario where mines are getting acquired for the captive use. (Inaudible 17.40) be available for merchant mining, so how will it impact the industry as well and the prices as such? And will there be any impact on (Inaudible 17.51) considering that there are 25% still there, you know, still procure from the market say. Just wanted to…

Dinesh Gandhi: Yeah… yeah. Sure. Like you know, as regards the Odisha, mining auction and near-term and long-term, you know, pricing outlook. Near-term will definitely be dependent on… say near-term meaning about close to next 6 months or so, will depend upon the current market conditions like looking at the current pricing which is about close to 2400 rupees per ton in Odisha for iron ore. And you know, that is the…. And over and above that there is transport cost, etc. And long-term prices will definitely be determined, you know, because of this premium, what is the long-term average selling price in the market, in the domestic market. Plus, you know, the IBM… royalty on IBM price, plus the premium on iron ore. So, we do expect that there will be a you know… you know… the prices will be you know higher, but it is very difficult to say because market participants may be have different view, the prices will eventually with the increase in the supply will go down. So, let's wait and watch for the market to determine as to how the pricing. But we still believe that prices are likely to be at a elevated level looking at the kind of premium which is being paid. And India's 40% or 50% production is from the small companies and all of which are not going to get, you know, mines in the auction. So, the major companies are participating aggressively and smaller companies will continue to depend upon, you know, on the merchant iron ore. So… and Chhattisgarh, now we have covered almost 100% captive requirement from our mines. Odisha will continue to depend on the merchant purchase, you know. But there we are very close to the OMC and you know, we are competitively placed as compared to the market with regard to our iron ore cost for

Odisha pellet plant. And if the iron ore prices increases, the pellet price is bound to increase. So, we will be able to pass on the increased iron ore prices, in case the prices increase further.

Nitin Dharmavat: Ok sir. Thank you!

Bharati: Thank you sir! Next question comes from Shrimant Dudhoriya from Unify Capitals. Please go ahead.

Shrimant Dudhoria: Yeah, good morning gentlemen, and firstly you know, on the high-grade pellets, you know, given that you know, long term contracts, should have been initiated starting the calendar year, and we are still working on that… What areas are there you know, further left you know, that the gap between you know, the conventional and high-grade pellets… that's why we are keeping on the cold. Any other areas, any other issues because of which we are not going ahead?

Dinesh Gandhi: I would request our M.D. Mr. B. L. Agarwal to take up the question about the high-grade pellet.
Hello?

B L Agarwal: Good morning everybody! Regarding high grade pellet, we received environmental clearance in respect of our beneficiation plant. In next couple of days, we will start functioning on high grade pellets. Initially we will consume the high-grade pellets in-house and may be after this financial year, starting April onwards, we will negotiate with the overseas buyers. Currently, in the next 6 months we will be producing about one third high grade pellet and two third normal grade pellet. But may be September or October next year… sorry, the current year we will shift entire production to high grade pellets only. The entire 2.1 million ton or may be 2.4 million ton. The differential in price between the low grade and high-grade pellets is generally ranging between 1000 rupees to 2000 rupees a ton. But we are already negotiating with the overseas buyers, we have already sent them samples for approval, sample has already been approved. Now we are waiting for the Vale to be defined under the annual pellet premium for the high grade. Once the Vale defines the annual premium, then we will finalize contract with the overseas buyers.

Shrimant Dudhoria: Ok… when does the Vale decides on the premium sir? Like when does it happen…

B L Agarwal: Generally, Vale decides every year in the month of January. But because of volatility in this market, the Vale has not declared the annual pricing. But they have declared the pricing only for the first quarter. I hope that by the March end or April, they will declare the annual price.

Shrimant Dudhoria: Sure. So, globally when the shipments are you know, happening, in the first few months in the calendar year 20, they are happening at the previous year's premium or any changes have happened?

B L Agarwal: No… Pellet premium… In fact, in last one-month pellet premium has also gone up. The (Inaudible 23.36) has also gone up. So, international prices for pellets are going up day by day. But ultimately everybody is awaiting for this effect of this Corona virus which controls may be say, next couple of weeks. And if the market is stabilized once again, (Inaudible 23.58) of Corona virus on China.

Shrimant Dudhoria: Sure sir. Thank you for the explanation. My second question was on you know, our export opportunity. In the recent past, you know, we have benefited a lot because of high grade you know, pellets that we export you know, to the Chinese market. So, in terms of shipments, you know, currently are they still happening or some hold or are we looking to divert them into domestic markets? How is the scenario now?

B L Agarwal: Currently the ongoing shipments the buyers have requested for delay of about 10 to 15 days. (Inaudible 24.51). The future contract is still awaited. And that will happene only after this holiday is over in China. That will be by may be about a week's time, may be two weeks. But everything depends on the Corona virus condition in China.

Shrimant Dudhoria: Sure. And how is the situation in the domestic market sir? Is there enough demand for the off take of the latest products that we make?

B L Agarwal: Yeah. We generally keep at least one week… one month's domestic orders in hand. And currently we are maintaining the same. We don't feel the any demand going down in the domestic market. Because production in the secondary sector is going up. The capacity utilization of industries in the country is going up. So, the demand for pellets is also going up. With this Odisha auction, how much we supply in the commercial market, will determine the future pellet (inaudible 26.06) in the company. That number of mines have been won by the bidders (inaudible 26.12) consumers. There is a possibility that the commercial market there may be a little bit of disruption of iron ore. If that happens pellet price will go up drastically.

Shrimant Dudhoria: Sure sir. Just want to know a little more on this point on Odisha auction, you know, there are multiple points that are kind of to be considered here. One is of course you know, the higher premium that we are seeing in the auction. Secondly, you know, Mr. Gandhi also mentioned, you know, about the higher supply that could come and that could bring down the price. And with the government saying that they do not want you know, any disruption to happen so there could be I think, at least easy transfer is likely to happen on a smoother basis. But what is your feeling sir? Does, you know, the… base case should the prices go up in the domestic market because of you know, much higher premium being paid for you know, such a large capacity that are being auctioned? Should permanently you know, the base price move up in the domestic market, sir? Should one look in that manner or are there any other points to be considered?

B L Agarwal: So, total out of 80-million-ton iron ore mines are going to be auctioned (inaudible 27.43) have already been auctioned. Looking at the premium, the (inaudible 27.47) 95% to (inaudible) also. (Inaudible) premium is about 150 – 120%. The most of the quantity has been bought by one – JSW and two Essar Steel.

Shrimant Dudhoria: Correct.

B L Agarwal: (Inaudible 28.17) the remote steel is located iron making facilities as far as largest facility in Gujarat and (Inaudible) facility in Maharashtra and of course in Karnataka. So, they have to shift the iron ore from the Odisha to the port and from the port via sea they will reach to the destination. Going… Putting this higher premium, one reason can simply be Essar has already got this (inaudible) pipeline already laid in Odisha. So would save nearly 1000 rupees a ton on transportation of iron ore. And part of that we are ready to compensation for the higher premium, may be 300-400 rupees, still save about say, 600 rupees a ton on account of transportation of iron ore through (inaudible) pipeline. Same thing will happen with JSW also, they will take 2-3 years to lay down (inaudible) pipeline and I am sure…. Their though process would have been the same. (Inaudible 0.05) transportation cost to the port and they may compensate the higher premium being quoted by them.

Shrimant Dudhoria: Ok.

B L Agrawal: Then that means that we got any long-term player like Essar and JSW (Inaudible 0.21) 10 million ton. JSW has already got capacity of 18 million ton and going forward the declared capacity of 30 million ton in total. They will try to secure their raw material for future. Though they have the permission to sell 25% in the open market, but they may not do so. And in this case, there may be scarcity with respect to availability of commercial iron ore. Coupled with that, there is going to be a little disruption in respect of the smooth transfer of the environment clearance and the forest clearance. And it will take minimum 6 months to … minimum 3 months to 6 months. Now, this 3-month disruption in mining in Odisha, will disrupt nearly 20 million ton of iron ore. I don't know where from this 20 million (inaudible 1.19) for initial 3 months is going to be met. (Inaudible) anything but there is likely to be a slight disruption in the initial phase. And in the long-term, will depend on how the demand in the domestic market and how the demand in China market is there.

Shrimant Dudhoria: Hmmm. Right. Ok. Sir, but for little disruption that you are envisaging, isn't that there is enough inventory in the system that people are keeping to account for this?

B L Agrawal: In India, the high-grade iron ore is being used. Mainly +62 Fe. The inventory of +62 Fe in (inaudible 2.15) market is very little. May to 3 to 4 million ton only. The major inventories lies in the mine fields low grade, which is currently not being used in the country and is mainly exported. If you see the current year till now, we have already exported about 20 million ton to China. And that is all low grade. (Inaudible 2.41) iron ore in the country, there is no technology available.

Shrimant Dudhoria: Sure sir. Thank you for the detailed explanation. I will get back in the queue. All the best!

Bharati: Thank you sir! Next question comes from Govind Sahoo from India Nivesh PMS. Please go ahead.

Govind Sahoo: Good morning sir. A couple of questions. One is regarding your Jagdamba Power merger. So, what kind of cost saving should we expect from this merger?

Dinesh Gandhi: Jagdamba has a capacity of 20 MW power… 25 MW power generation. And this should you know, result in, you know if I compare with the grid pricing, which is currently at about 6.5 rupees per unit. And as compared to the cost in Jagdamba, which is close to about you know, between 3.75 per unit including operating and fuel cost to 4 rupee per unit. There is a substantial saving which is envisaged. But over and above that there are other strategic reasons for the merger of Jagdamba. One, you know, we want to increase the production of steel billet and other value-added products, we need additional power. And at the location of our power plant in Chhattisgarh, the further permission to set up a coal-based power plant is not available. And therefore, this was the alternative then to you know, source power from a long –term consistent source which is you know at a much economic price. So that you can arrive the other additional benefits. Like, you know, the rolling mill which we are commissioning. This cannot be run without, you know, additional power. Rolling mill itself is going to save us not less than you know, 1000 rupees in you know per ton of production of my rolled product. Over and above this is helping me in you know, operating efficiencies. And overall cost reduction in steel billet. If I am producing 200 thousand tons of billet, and if I am producing 400 thousand billets in a year, my operating efficiencies leads to substantial reduction in cost. So, there are also, you know, there other operating benefit of integrating Jagdamba with Godawari Power & Ispat. And remind you, this company has been connected with this Godawari after an effort of almost 5 to 6 years. We had taken an initial 26% stake in the company in 2013 with an aim to connect the power plant to ours and the State took 6 years in permitting. And we only got this approval last year in October. So, this is a long-term strategic step for Godawari Power & Ispat. And you know, I am not only looking at this from power cost saving for the company. I am looking at a substantive value adding opportunity because of you know, this availability of plant in vicinity of our own plant you know, in that industrial area.

Govind Sahoo: Understood. Understood. So, the only limited question was that the power which we are going to consume from Jagdamba, will it replace the grid power or…?

Dinesh Gandhi: It will. We have been buying limited amount of power from grid, about 4 MW or so. Over and about this, our requirement has decreased. Because we have increased the production in billet by additional, you know, 200 thousand tons annually. We were earlier, you know, hardly producing 50 thousand tons a quarter. We have now started producing nearly 90 thousand tons a quarter. Rolling mill needs I think additional 7 or 8 MW power. We are increasing the production in pellet plant; we are increasing production in steel. So, everywhere there is an additional power requirement.

Govind Sahoo: Ok. So, currently we were not buying any power from Jagdamba?

Dinesh Gandhi: No, we are buying from since last… ever since this plant has been connected. But there is a profit element which is given to Jagdamba. Currently that is a short term PPA till the merger is completed. Then I will have some saving in the fuel cost, GST on fuel cost. GST in fuel cost in an independent power plant is not allowed as an input cost. You know, there is no tax on you know, output or product. As once it is integrated with GPIL, the taxation saving will also emerge because of this.

Govind Sahoo: Ok. Ok. Sir, my next question is regarding the new approvals which we have got. We got environmental approval which we have got. So, what would be the… what would be the rolling mill which we have got?

Dinesh Gandhi: It is 400 thousand tons. 400 thousand tons.

Govind Sahoo: So, earlier it was 200 thousand, now it is 400 thousand.

Dinesh Gandhi: Yeah, this was the… earlier we had 200 thousand tons depending upon 2 shifts of operations but if you run this plant on continuously on 3 shift basis and with slight modification in the equipment, We finally decided to go for a 400 thousand tons capacity and it has already been commissioned. And there is no additional Capex because of this. We have completed this project within our guided Capex of about 60 crores.

Govind Sahoo: No sir, is it additional 400 thousand?

Dinesh Gandhi: No. no. 200 thousand tons we have at a different location currently, which is you know about 10 km from our plant. In that we transfer the billets from our plant in Siltara to say plant in Urla about 10 km away. But this rolling mill will be a hot charged rolling mill. Our billets directly from the steel melting shop after casting will straight go to the, you know, rolling mill producing the rolled product. So, there will be energy saving cost on this.

Govind Sahoo: No, so the question still remains that additional approval of 200 thousand or 400…

Dinesh Gandhi: No… we have a separate approval for our 200 thousand ton rolling mill. This is additional 400 thousand tons.

Govind Sahoo: Oh… Thank you sir, thank you so much! And for beneficiation, what is the capacity we have?

Dinesh Gandhi: 1 million ton.

Govind Sahoo: 1 million ton. Ok. So, we will have to enhance this capacity if we have to achieve the 100% high grade pellet plan of which we want to execute later in the year.

Abhishek Agarwal: We have already applied for the additional capacity. Yes. Yes. We have already applied for.

Dinesh Gandhi: Yes, Abhishek, please reply.

Abhishek Agarwal: So, for beneficiation thing, we currently have an approval of 1 million ton annually and we have already applied for enhancing the capacity to 3.2 million tons.

Govind Sahoo: Yes, yes. Then only we will be able to convert the…

Abhishek Agarwal: Yes, exactly. So, we have already applied to enhancing our capacity to 3.2 million tons. (Inaudible 9.51)

Govind Sahoo: Ok. Ok. I will come back in the queue sir.

Dinesh Gandhi: Yes. Thank you!

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

Vikas Singh: Good afternoon sir! Sir, I just want to understand that despite our iron ore capacity being over 2 million ton, why we have not been able to achieve that run rate yet?

Dinesh Gandhi: How much you have… you know, 400 and something thousand tons. We are gradually increasing the production in the mine.

(Inaudible 10.32)

Vikas Singh: … has been achieved full or… The problem is with Aridongri or Boria Tibu?

Dinesh Gandhi: No, production is low in Boria Tibu. Aridongri is operating at full capacity.

Vikas Singh: Ok. So, by when we expect Boria Tibu to also ramp up to its full capacity?

Dinesh Gandhi: Boria Tibu will take time.

Vikas Singh: Ok sir. And this 2.4 in Raipur which you have proposed to increase, so that 0.3 additional we would continue to buy iron ore from outside. Is that correct assumption?

Dinesh Gandhi: You know, hopefully by the time we should be able to integrate with existing production, you know, in fact we are taking the additional permission for our Aridongri mine also and this question was addressed by Mr. B L Agarwal in the last con-call also in detail.

Vikas Singh: Ok. Sir, in case of these high-grade pellets, you have told us about the premium differential. But how much in the cost side increase we can expect?

Dinesh Gandhi: You know, that is what the market will determine. Because the mining cost will not be more than… may be 200 – 300 rupees a ton. And other things plus logistics and royalty plus premium
(Inaudible 11.54)

Abhishek. Agarwal: No, no. Just to interrupt. I would see that question. On the high-grade pellets, I received, you know, we start offering in the market with the middle-east, so, on the input side there would be hardly an increase of 7 to 8 dollars. That's it.

Vikas Singh: Ok. 7 to 8 dollars (inaudible 12.09). That is largely on the additional beneficiation, right?

Abhishek. Agarwal: Exactly, the cost would be on through additional beneficiation. That's it.

Dinesh Gandhi: (Inaudible)… auction, no?

Vikas Singh: No. No. It is not for auction. I will come to the auction right now. Sir, just wanted to understand one thing, we have seen the premium going past over 100% even for the merchant guys also. So, just wanted to understand this above 100% over the selling price, then how the premium is being calculated? Is it… how would they make money?

Dinesh Gandhi: IBM price. And IBM price is nothing but selling price.

Abhishek Agarwal: So, I will give you an example.

Vikas Singh: Sir, that price would be ex of royalty and transportation, right?

Abhishek Agarwal: See, I will give you an example. The current IBM price in Odisha for a 62+ Fe is 1970 rupees. For example, say 2000 rupees. So, for example, say a merchant r has given a premium of say 110%. So, he has to pay the government 110% of 1970 which is approximately 2170 rupees, plus 20% royalty, which is again around 400 rupees, so he has to pay government around 2500 rupees for any dispatch from the mines when it comes to 62 + Fe iron ore. Going forward.

Vikas Singh: Ok. And this again, IBM pattern, what was the selling price like?

Abhishek. Agarwal: See, the selling price keeps moving depending upon demand supply. For example, the selling price in the month of October was around 1800 rupees ex-mines. But currently it is around 2500 rupees ex-mines. So, depending upon demand and supply, (Inaudible 14.04) keeps changing the price on month to month basis. So, difficult to comment on a fixed price at the moment, right.

Vikas Singh: Understood. Understood. And sir, I just missed out on the debt numbers if you have already said. Because, initially my call was dropped. So, what were our current debt number?

Dinesh Gandhi: Close to 1600 crores.

Vikas Singh: And, repayments?

Dinesh Gandhi: Repayment, in the current year we have done about 170 crores. In the last quarter we have done 60 crores.
Vikas Singh: Fine sir. That's all from my side. Thank you for taking my questions sir.

Bharati: Thank you sir! Next question comes from Yogansh Jaiswal from Mittal Analytics. Please go ahead.

Yogansh Jaiswal: Hi sir! Thanks for the opportunity. Most of the points have been answered, but just a follow up on your export markets. So, other than China, which are the other markets that you are catering to? Can you share?

Dinesh Gandhi: No, currently we are exporting only to the China. These high-grade pellets which we have been exploring to the middle-east markets and may be the Japanese companies, the Japanese market.

Yogansh Jaiswal: Ok. And a previous participant has asked this question but my call got dropped. So, this premium export pellet that we are trying to do, now that is not going through because of the China issue. So, do we see the volumes getting affected in this quarter? Or are we able to make for it in the domestic market?

Dinesh Gandhi: No, see, because of this Corona virus, market participation is not currently able to, you know, take call on to the pricing side. So, you know, we have to wait and watch, you know, before the, you know, medium-term pricing is determined in the market.

Yogansh Jaiswal: Right, but I am trying to understand, what are the volumes side? So, will we be able to maintain our volume for pellet in this quarter or do we expect a…

Dinesh Gandhi: We will be able to maintain the volumes in the current quarter.

Yogansh Jaiswal: Understood. Thank you!

Dinesh Gandhi: Because we are already booked till 15th of March.

Yogansh Jaiswal: Right, right. And Abhishek sir, you were mentioning about the IBM pricing. Just some more clarity on that. So, you said, if suppose 2000 is the IBM price, and premium say for example 110%, so what was that break-up after that including royalty? I missed on that please.

(Inaudible) 16.45

Dinesh Gandhi: You know Abhishek, I will answer that question. Say, IBM price is about 1970. Ok. So, premium suppose say, some company will be paying 90%, some company will be paying 140%, some 120%. Say, average 120%. So, over and about this, you know, this 2000, say premium of 120% will be 2400 rupees per ton, plus say 2000 rupees is the IBM price. 20% royalty – 400 rupees royalty. So, 2400 plus, 400, 2800 is what the ex-chequer revenue is. Plus, mining cost, you know, for the mining company. And, if the price is… that is what the ex-mine price is. The cost is there for the company. Now they will determine how the market price is determined on that.

Yogansh Jaiswal: Ok…

Bharati: Thank you sir! Next question comes from Mitesh Shah from OHM Group. Please go ahead.

Mitesh Shah: Just want to get a sense on what is the consolidated debt for the company as a whole.

Dinesh Gandhi: I just mentioned, about 1600 crores.

Mitesh Shah: Including short-term also?

Dinesh Gandhi: Short-term… may not be… Will be less than 100 crores.

Mitesh Shah: Ok. And just to understand, on the other debts, any specific group level debts or promoter level of other companies? (Inaudible 18.26)

Dinesh Gandhi: Sorry?

Mitesh Shah: Any specific promoter level debt?

Dinesh Gandhi: No, no. Promoters do not have any debts in their individual accounts. And most of the you know, other smaller companies in the group are long-term debt free. They are all taking the working capital loans only.

Mitesh Shah: Ok. And structure which we are shown will further be compressed or probably the other companies also would be merged like Jagdamba? Any sense on that?

Dinesh Gandhi: Jagdamba merger we discussed already.

Mitesh Shah: Yeah, that you are doing it. But like other companies like Hira Alloys…

Dinesh Gandhi: Hira Alloys will continue to remain as a subsidiary.

Mitesh Shah: Ok. And any take on the Chhattisgarh Ispat?

Dinesh Gandhi: No. Chhattisgarh Ispat Bhumi is an industrial development area. It is a company which is belonging to the State Government.

Mitesh Shah: Ok. So, operational company would be here and Ardent.

Dinesh Gandhi: Yeah. Operational company will continue to be Godawari Power and Ispat as an stand-alone balance sheet. Hira Ferro Alloys, the Ferro Alloys operations for captive power, Ardent steel Odisha plant and Godawari Green Energy which is 50MW solar power plant. These as of now will continue to remain independent entities. GPIL will hold the majority stake in all those companies.

Mitesh Shah: Any take on as you mentioned divestment of (Inaudible 20.00) coal business? So, Godawari Green and Godawari Energy. Any take on divestment of that, or…

Dinesh Gandhi: Umm…. We are still exploring, there is no, you know, opportunity, you know, which you know, can lead to closure of these transactions within a short period of time.

Mitesh Shah: And no specific debt at the promoter level. Just to …

Dinesh Gandhi: Yeah. No specific debt at the promoter level. Yes.

Mitesh Shah: Thanks a lot.

Dinesh Gandhi: And even entire pledge, let me clarify. The promoters have pledged the shares to the lenders. This we have clarified earlier also. There is no personal debt which has been raised by the promoters. The shares have been placed only for the benefit of the company as a collateral security to the lenders. And this is not a mark to mark kind of condition, where the margin call could be there.

Mitesh Shah: (Inaudible 20.58) just a clarification that irrespective of that we are not getting any benefit on even after providing collateral for working capital. So, are we getting benefit in terms of lower interest cost? Or no? Then what is the point of providing the collateral?

Dinesh Gandhi: You know, it is the lender’s comfort. You have to give comfort to the lender.

Mitesh Shah: Ok sir. Thanks a lot. Thank you!

Bharati: Thank you sir! Next question comes from Ishan Kavish, an individual investor. Please go ahead.

Ishan Kavish: Thank you for the opportunity. Just a small question. What is the total iron ore reserves in our captive mine s and how much do they contribute to our total requirement?

Dinesh Gandhi: Abhishek? Hello…

Abhishek Agrawal: I would like (Inaudible 21.47) to take call please.

(Inaudible)

B. L. Agrawal: … our Aridongri… Hello…

Ishan Kavish: Yes sir. Please go ahead.

B. L. Agrawal: (Inaudible) in Aridongri is about 24 million ton.

Up to a depth of 200 meters. Below 200 meters we have not explored. But, may be after 5 years, we will further… possibility of further improving the reserves, we will further go down. As regards to the Boria Tibu, the high-grade iron ore reserves is about 8 million ton. The mines have been fully explored. And the low-grade iron ore, is more than 50 million ton in Boria Tibu which needs to be beneficiated. That we will do so. And we are planning a benefication plant in Boria Tibu itself which might start in a couple of years.

Ishan Kavish: Ok. And how much do they contribute to the overall requirement? (Inaudible).

B. L. Agarwal: Currently we are say sub (Inaudible) our Chhattisgarh operations are concerned, our stock in-hand plus the mining capacity, which is currently going on, we are fully dependent on our captive mining itself. We do not need to buy. (Inaudible) from the market.

Ishan Kavish: Ok. Thank you, sir.

Bharati: Thank you sir! Next question comes from Harshit Gupta from Vinayak Equity Brokers. Please go ahead.

Harshit Gupta: Hello sir. Sir, I missed out on the rolling mill. Its 4000 tone already telling that it is additional, so including 2000 ton earlier also?

Dinesh Gandhi: Sorry, sorry… Come again…

Harshit Gupta: Sir, for rolling mill, you told about 4000 ton, right?

Dinesh Gandhi: Yes, 400 thousand tons.

(Inaudible)

Harshit Gupta: Yeah. So, it includes the 200 thousand tons. Earlier…
So, the last 2000 ton was included in this one?

Dinesh Gandhi: No. No.

Harshit Gupta: Additional 4000?

Dinesh Gandhi: Additional 400 thousand.

Harshit Gupta: 400 thousand ton. Ok. Ok. And sir, what about, a clarification, I missed out, 1 million ton to 3.2 million ton like for approval of something. Abhishek sir is telling some other…

Abhishek Agarwal: But that is for iron ore benefication. Currently they have approval of 1 million ton. We have applied for extension to 3.2 million ton which is addition of 2.2 million ton. Additional. New capacity of benefication.

Harshit Gupta: Is this for iron pellets?

Abhishek Agarwal: Yes. This is for beneficiating our iron ore coming from the mines to make high grade going forward in the future.

Harshit Gupta: Ok. Thank you, sir. Thank you!

Dinesh Gandhi: Bharati, we will close at 12.30, we will take 2 more questions.

Bharati: Sure sir. Next question comes from Monica Bajaj from Steel Mint. Please go ahead.

Monica Bajaj: Thank you for the opportunity and good afternoon everyone! Sir, I just wanted to ask about the high-grade pellet. Like, which all markets we are like going to explore for the high-grade pellets?

(Inaudible)

Dinesh Gandhi: Abhishek, continue.

Abhishek Agarwal: Monica, we are in, we are in talking terms with the middle-east and the Japanese market currently.

Monica Bajaj: Ok. And sir, also I remember, towards the last quarter you had shared that the price differentials would be around 30 dollars or so. However, right now Abhishek sir addressed this and said the price differential would be around 7 to 8 dollars. Sir, could you please clarify…

Abhishek Agarwal: No. no... 7 to 8 dollars is going to be my input cost. Increase in my input cost and the price differential will be between 15 to 25 dollars depending upon the market condition. Because you also know, iron ore being a commodity, Vale being the largest player, the prices keep fluctuating depending upon the demand and supply. So, the input cost would go about 5 to 7 dollars but on the output side, the finished side, there will be an increment of close to 20 dollars from compared to the normal pellets. This is the condition right now.

Monica Bajaj: Ok. Sir and also after the (inaudible 26.31) new year holiday just to start with Corona virus came up. So how far has the pellet export been affected from the company like to normal grade pellet?

Abhishek Agarwal: There is no disturbance in the export market currently. Our largest buyers have just delayed the shipments by couple of weeks. So, there is no disturbance in the export markets. We are still moving pellets to the ports for further shipments. There is no disturbance as of now.

Monica Bajaj: Ok. Ok. Alright sir. Thank you so much!

Abhishek Agarwal: Thank you!

Bharati: Thank you sir! Ladies and gentlemen, due to shortage of time, the last question of the day comes from Mr. Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Sir, my question is on the steel market side. After 15th January we have seen this Corona virus getting impacting the global market. So, how have steel prices moved since then?

Dinesh Gandhi: Slight reduction is there, by 1000 rupees a ton. Like sponge iron from 19500 to 18700 or so. So, slight reduction is there in the prices in the domestic market currently.

Bhavesh Chauhan: But, after the lows of October, price would be higher by…

Dinesh Gandhi: No, prices are still higher. After lows of October, prices are still higher by 2 to 3 thousand rupees a ton.

Bhavesh Chauhan: Ok. And one more question was on the Capex side. Next 2-3 years what is our Capex plans?

Dinesh Gandhi: We do not have any substantial Capex other than the normal maintenance Capex and some small small amounts in operating efficiencies, etc. But we do not have any major Capex items going forward.

Bhavesh Chauhan: (Inaudible 28.15) Ok. And what would be your maintenance Capex?

Dinesh Gandhi: Sorry?

Bhavesh Chauhan: Maintenance Capex, what would be that amount?

Dinesh Gandhi: Close to about 25 to 50 crore depending upon the need.

Bhavesh Chauhan: Ok. That's it.

Dinesh Gandhi: Thank you!

Bharati: Thank you sir!

Dinesh Gandhi: Thank you every one for attending the conference call of Godawari Power and Ispat Limited. We will always be available, you know, give answers to the questions to the investors and you may approach us separately any time in future, depending upon, if you see any query on the company's performance, etc. Thank you very much!

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

Dinesh Gandhi: Thank you ma'am!

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