GODAWARI POWER & ISPAT

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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 1st August, 2022.

This has reference to conference call held on 1st August, 2022 for Analyst/Institutional Investors/Fund House/Investors etc., please find attached herewith the Transcript of Conference Call.

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

Thanking you,

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

Yarra
Chandra Rao

Digitally signed by Yarra Chandra Rao
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Y.C. RAO
COMPANY SECRETARY

Encl: As Above

"Godawari Power and Ispat Limited
Q1 FY2023 Earnings Conference Call"
August 01, 2022

ANALYST:	**MS. SANA KAPOOR – GO INDIA ADVISORS**
MANAGEMENT:	**MR. ABHISHEK AGRAWAL – EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT LIMITED** **MR. SIDDHARTH AGARWAL - EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT LIMITED** **MR. SANJAY BOTHRA – CHIEF FINANCIAL OFFICER – GODAWARI POWER & ISPAT LIMITED** **MR. DINESH GANDHI – EXECUTIVE DIRECTOR – GODAWARI POWER & ISPAT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Godawari Power and Ispat Limited Q1 FY2022 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sana Kapoor from GO India Advisors. Thank you and over to you miss Kapoor.

Sana Kapoor: Thank you Nirav. Good morning everybody and welcome to Godawari Power and Ispat Limited Earnings Call to discuss the Q1 FY2023 results. We have on the call, Mr. Abhishek Agrawal, Executive Director, Mr. Siddharth Agarwal, Executive Director, Mr. Sanjay Bothra CFO and Mr. Dinesh Gandhi, Executive Director. We must remind you that the discussion on today's call may include certain forward looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Dinesh Gandhi to takes us through the company's business outlook and financial highlights subsequent to which we will open the floor for Q&A. Thank you and over to you Sir.

Dinesh Gandhi: Thank you Sana and good morning everyone. I welcome you all to this conference call of Godawari Power and Ispat Limited to discuss the Q1 FY2023 results and the way forward. I am sure that you must have looked at the result and presentation uploaded on the exchanges and the company website. I will briefly discuss the results and then we can have the Q&A and some of the developments taken place during the quarter. We had a good start of the financial year 2023. Then I will discuss the quarterly performance in detail and before that there are few recent developments and strategic initiatives, which the company has taken. I am just updating about that.

Just commented in last call GPIL is constantly working towards simplification of goodwill structure and we have already increased our stake in HFAL on 75.64% to 91.82%. We have also acquired 78.96 in Hira Ferro Alloys. We have acquired the Jagdamba power plant through a slump sale route during the quarter and the Jagdamba 25 megawatt power plant asset has become the asset of the Godawari Power and Ispat and Godawari is running that unit from the date of acquisition that is June 07, 2022.

This entire power of 25 megawatt will be consumed captively in house. Simultaneously with acquisition of 25 megawatt power in the subsidiary route we have tendered the 26% share GPIL was holding in Jagdamba for the purpose of qualifying for the captive user which is no more required so we have surrendered under the buyback scheme launched by the company.

As regards to the capex, we have already announced that capex which are ongoing and close to 500 Crores of capex is planned in the current financial year out of which we have done 150 Crores in the first quarter. Despite imposition of duty and other development in the marketplace, we are committed to commission this capex of 500 Crores during the current financial year which mainly includes setting up of 155 megawatt of solar power out of that 70 megawatt power plant has already been almost commissioned it is just awaiting synchronization of the grid and remaining capacities for small part of the land acquisition is still pending and once that is done we will start the construction process and we are quite hopeful that within FY2023 we will be able to complete the entire 155 megawatt solar capex and the entire power will be for the captive requirement which will be mainly reflecting the grid power.

Due to some static reasons we have are changed certain business plans and therefore we have kept expansion steel billets project from 0.4 million to 6 million tonne on hold. We are working on a revised scheme and as and when that is finalized that time this expansion of capacity will be taken on due course and will be updated to the investors accordingly.

As you are all aware we are also focusing on reducing the carbon footprint that I have already discussed three projects with a total capacity of 155 megawatt. This 155 megawatt capacity plus 42 megawatt of waste heat recovery plus 8.5 megawatt of biomass power plant in Hira Ferro and 1.5 megawatt of windmill with all this commission our existing capacity we will have achieved the carbon neutrality so far as the existing plant is concerned.

As regards to the update of the Greenfield power project, we had announced certain plan for expansion of the capacity in the Greenfield project. We are still in the evolution process and finalized the design, size, capacity technology etc. This investment will be taken up in due course of time once all these processes are completed including environmental approval and land acquisition and the exact investment will be announced that will be purely based on the evolving market conditions and the future cash flow of the company. We will further keep you updated on this.

I would like to mention that to with the export duty on pellet we have increased the sale of sponge iron, steel billets, ferroalloys the company has a competitive advantage as it produces high grade pellet, and we are confident of achieving the targeted volume for the current year.

Coming to the operational performance, I am happy to share that GPIL has achieved record high quarterly term of iron ore mining, iron ore pellet production, sponge iron production all of them are 36%, 11% and 12% respectively on Y-o-Y basis, 13%, 9%, 100% respectively on Q-o-Q basis. The sale of iron ore pellet, sponge iron, and steel billets emissions were up during the quarter by 6%, 835%, 29% and 22% whereas sale of H.B. Wire has reduced to 51%.

As regards to H.B. Wire, H.B. Wire as you may be aware during the last financial year we were not making substantial quantity of H.B. Wire because we were mainly exporting wire in the international market. With the imposition of export duty now logical process is to convert the wire rod into wire partially to the extent of capacity available and then sell it in the market and regularly the H.B. Wire utilization will increase going forward.

Similar volumes in all three plants that is GPIL, HFAL, Alok Ferro have shown increasing trend during the quarter on quarter basis. This new acquisitions has definitely added to the conformability as well as the phase turnover of the company. On a quarter on quarter basis you might have noticed that drop of 19% in sale of iron ore pellet this drop is because of increased captive use of pellet for sponge iron.

Last quarter the sponge iron production was very low and therefore pellet sale was higher. Now we have converted pellet into sponge iron and sold and therefore the drop in 19% in the sale of iron ore pellet. Realization of sponge iron has dropped slightly by 3 and 1% quarter on quarter basis this is actually because of fall in the market rate after imposition of export duty. Realization of other products like steel billets, MS rounds, H.B. Wire and other increased sequentially by 12, 13, and 17% respectively.

In-house the current prices of the long product and the current prices for the same product, is now coming closer. The gain was substantially higher during the last financial year. Now gradually the prices are coming in line with low product price, of course some amount of gap will continue to be there in the market. The total expenses increased during the quarter which is mainly attributable to the increase in coal cost. We are required to import the coal for sponge iron plant at a substantially higher price and to some extent on the inflationary pressure on the procurement on the other raw material consumption item.

The consolidated EBITDA is 465 Crores which is 16% quarter on quarter and down 20% year on year. The reason for drop on Y-o-Y basis is increase in the cost of fuel transportation, the increase in royalty as well as both these items have resulted into higher cost of production.

The consolidated pay adjusted for expositional item is up 5% sequentially and 327 Crores. As we already know GPIL balance sheet is fully repaid and debt has been fully repaid, long term debt. We continue to have some working capital limit barring the utilization of certain limit we have a net cash position of 560 Crores as of now.

Coming on the market position starting with international market outlook first. The iron ore prices from 150 dollars tonne on April 1, the iron ore prices have fallen to 100 dollars has recession we need to take hold of demand and consumption of steel and other commodity is reduced to China due to COVID and real estate crisis in China and in the rest of the world interest rates are hike. Expectation is that as to FY2023 things will improve due to China stimulus and import from the globe; however, uncertainty may be due to zero COVID policy by China.

As regards to the iron ore pellet already announced cut down in the production guidance Russia and Ukraine iron ore supplies are already reduced. With this the iron prices in our opinion is likely to range between 100 and 120 dollar during the current financial year.

Coming to the domestic market as you are all aware government levied export duty on iron ore fine from 0% to 30% and iron ore lump 30% to 50%. In pellets there was from 0 to 45% and in steel the export duties levied to 15% in May 2002. This has led to sharp drop in the domestic iron ore prices, NFDK has also cut the iron ore prices by approximately Rs.2000 a tonne. Pellet prices decreased from an average of Rs, 12,000 to 14,000 a tonne in April to 7775. Presently the pellet prices are ruling about 8800.

The domestic iron ores prices are likely to bottom out at much higher levels in the historical level. The support has come from the cost services moved up by 1000 to Rs.1500 for auction of iron ore mine. The current iron ore prices mainly domestic iron ore mines have become unviable. Some support has also come from the improvement in the domestic demand of steel due to which increased take of intra project going forward improvement in the iron ore and the pellet prices will depend on the export duty however downside is largely projected at the current volume level at the selling prices. With this I will open floor for question and answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal from Reliance Securities. Please go ahead.

Kunal: Good morning Sir. Congratulations on good set of numbers considering the current environment. Sir just some questions firstly what will be the quantum of export of pellet in 1Q FY2023?

Dinesh Gandhi: Bothra Ji you know of how many consignments have gone in Q1 FY2023?

Sanjay Bothra: I will give an update on that. On the exports side in Q1 it is about three shipments, 150,000.

Kunal: Who is bearing the export duty?

Sanjay Bothra: The seller. If we happen to export now then we have to bear the export duty.

Kunal: How much export duty would have been borne in 1Q FY2020?

Sanjay Bothra: Nothing. So by the time the duty was imposed we only had shipment which is pending and with the long term realization we had with the buyer so that contract was amicably cancelled so we did not export after the duty was imposed.

Kunal: Going forward what is your guidance on exports for FY2023 overall?

Sanjay Bothra: Till the time the duty is not revoked we do not think so we will be able to export a single tonne also so we will focus totally on domestic market till the duty is not evoked. In these prices it is totally unviable to export up to 45% duty.

Kunal: My second question is what your pellet size guidance for the current year?

Sanjay Bothra: We are operating the plant at almost 100 capacity, so with a DRI consumption of about say 0.75 million tonnes rest will be totally for domestic sale. The sale guidance will be round about 1.75 million tonnes in this financial year.

Kunal: Sorry one point.

Sanjay Bothra: Seven five.

Kunal: Sir then one more question I had. Our captive iron ore cost has been increasing actually. I mean it has increased substantially from say 2800 in FY2022 to 3150 in the current quarter and if you see the trend overall it has been on a rising trend so could you throw some light on this?

Sanjay Bothra: Primarily there are two reasons for the costs of iron ore to gone up, one is on account of diesel. As you were aware the diesel prices because of crude has been hovering at all time highest level which is about Rs.100 so that has increased the cost on account of mining operations as well on account of transportation from mines to plant and secondly substantial is royalty, so as you are aware we are supposed to pay royalty the IBM published rate and the IBM rates are lagging by three months. For example right now we are paying royalty basis the IBM price of May and we are sitting in August so as the prices will start coming down the royalty portion will start going down so in account of royalty and diesel the cost has gone up almost Rs.450 compared to previous quarter.

Kunal: Understood. Just one more question if I could squeeze in what would be the current realization of pellet and sponge iron?

Sanjay Bothra: At the moment pellets are hovering about Rs.9000 domestic level and sponge prices are about 34,500.

Kunal: Sponge iron prices have not corrected that much, is that a right understanding?

Sanjay Bothra: Just to give you a graph so before duty was imposed these prices were about 35,000. It came down Rs. 30,000 and then again because of extreme coal shortage at India level and global domestic prices being on very high side, the sponge prices have again come back 30,000 to around 34,000. While the thermal coal cost is not going down. The index scale is about 300 dollars.

Kunal: Actually my next question was on that only. The prime quality coal prices of which are continued to remain very, very high so how do we plan to tackle that?

Dinesh Gandhi: We do realize that in these markets it is difficult to procure prime quality thermal coal so we have changed our strategy and now we are trying to import good quality cheap cargo so from RB1 we have shifted to RB3 levels so going forward we should be buying RB3 coal which is basically core MCV coal.

Kunal: But I thought that our Bemetara unit could not anything other than RB3?

Sanjay Bothra: Bemetara plant are designed such that can absorb any coal depending on the quality of the coal your production keep varying so with usage of RB3 there might be certain drop in production about 2 to 5% but technically there is no issue with RB3. Now RB1 is totally unviable to procure with the current prices globally.

Dinesh Gandhi: I want to add one more point on the coal. We have been waiting coal mine as whole so in order to protect the long term requirement of the company and regarding price fluctuation we are bidding for the coal mine as and when we are successful in the generation of fuel cost after that the dependency on the other market will reduce.

Kunal: Sir could you please throw some more light on this because this is quite an interesting point that we are planing to acquire captive coal mines?

Dinesh Gandhi: Under the auction by the Government of India.

Kunal: Okay so what stage are we?

Dinesh Gandhi: We have been waiting. Sometimes we have not been successful so we try in the next round so that is how it is happening so far. We have been unsuccessful because of the cost structure and we will continue to monitor the situation and as and when we are able to get the coal cost within our range then I think we should be able to acquire a coal mine which will meet all the requirement of GPL and Hira Ferro and Alok Ferro because they are also dependent from the linkages of Coal India.

Kunal: Thank you Sir. Thank you.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Congratulations on good set of numbers in spite of tough situation. In case of your iron ore pellet since our product is high grade pellet do we have a better realization that what the domestic prices I just wanted to know?

Sanjay Bothra: Just to give you a certain base, see definitely we do get a premium over and above the domestic market but at the moment what is happening is since we got totally in to exports and we were doing little bit of domestic as well. Now I am scouting for new buyers who can realize, the actually value of the product so at the moment we are getting about Rs.1000 more compared to the domestic market and going forward once we are able to establish our quality at different plants I am confident we will get better premium going forward.

Vignesh Iyer: You have given guidance as per your investor presentation around 2.4 million tonne for iron ore pellet and we have managed around 6 lakh tonne if I am not wrong in current quarter so the guidance continues?

Sanjay Bothra: 100% definitely.

Vignesh Iyer: Just one last question, the 17 megawatt plant in Rajnandgaon will be commissioning in this quarter only, the 17 megawatt plant?

Dinesh Gandhi: The project has been completely. We are just waiting for the permission to be given by the state government for connection to the grid once that is ready we will commission the plant so I am hoping this should happen in this quarter that is it should happen this monthly only.

Vignesh Iyer: Okay and that 17 megawatt is going to replace your grid power right immediately?

Dinesh Gandhi: So whatever volume we are importing from the grid on account of power that will be replaced to solar power.

Vignesh Iyer: Okay thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Sagar individual investor. Please go ahead.

Sagar: The question is if I could see we have increased our realization in almost all of the products from Q4 if you say in this quarter so going ahead how do you think we will be managing regarding the commodity price etc. Where will be? Will we be able to stay above the current realization levels and margin levels or will we see a softening in that and if I consider a two or three year period where do we see Godawari growing back some light if you can throw on it?

Sanjay Bothra: On a fair side, in terms of evaluation it is difficult to ascertain we are sitting in a commodity market and at the moment everything said is demand and supply so it is difficult to ascertain how prices will unfold going forward so at least on the revenue side we do not have control but in terms of cost margins we are working very minutely on each and every cost and we are hopeful that we should be able to maintain the current margins.

Dinesh Gandhi: Demand is going up in domestic market. Sorry to interrupt and we are seeing despite imposition of export duty at least the impact of export duty is much higher on the short product but so far as long product is concerned you are seeing that after imposition of the export duty the long product prices has been slightly better than Q4 FY2022 versus Q1 FY2023, so we are higher prices on sponge iron, steel billets even for that market H.B. Wire we have started production. You have to see in two parts one the iron ore will definitely we will not be able to export it although it could get dumped. Unless the government gives some relief on the export duty and long product requirement will continue to be there in the domestic market. Whatever fines we are exporting to that extent there is an impact. Pellet we were exporting because the realization were much better or at par with the domestic market and we wanted to balance the domestic market. Now despite the export duty we are still able to sell the pellet at about Rs.8000 to 9000 a tonne and that is handsome price. As I said in my opening remarks the international iron ores are likely to hover between 100 to 125 dollars and if that remains then the pellet prices in my opinion will not go down below Rs.1000 a tonne temporarily it can go but only on average realization on medium to longer term basis I think Rs.8000 to 9000 is a base mark where the prices should thread in the market in normal circumstances and we will see a major impact of this after the monsoon.

Sagar: Sir regarding your view where do we see in next two or three years?

Dinesh Gandhi: In terms of what?

Sagar: In terms you could say a growth by how many percentage we could basically grow?

Dinesh Gandhi: Growth in volume we have been trying and that is there. Whatever capex which we have done on recently 500 Crores it is more aimed towards the cost reduction rather than increase in the volumes except the steel billets everywhere it is cost reduction like solar power plant we are reducing our cost rather than adding on volume of the sale beneficiation plant in the mine. Earlier we were aiming at 1.8 million tonne now we are aiming at 1.2 million tonne. The turnover may not increase substantially it will depend on the selling price of the product but on the cost side there will be substantial reduction in the cost going forward which is iron ore mine and the solar power plant will aid to the bottomline of the company so that is how you have to look at it for the next one to two years and so far as Greenfield is concerned we are still working on the Greenfield project. I am not able to do any guidance at this point of time because number one we have to freeze the technology. We have not been able to get government land despite possible and with the revised scenario now, imposition of the export duty so my cash flow is definitely going to be lower than what we have done in FY2022 so all these factors will depend and based on that we are going to announce the final capex at the Greenfield and Greenfield capex it is going to take two to three years time some top line growth may be there for next two to three years I am not expecting any substantial top line growth in Godawari Power expect whatever acquisition we have done Hira Ferro and Alok to that extent it will end.

Sagar: Got it. Sir just to add on what you said when we are looking at cost reduction let us say from the power plant the 150 megawatt that we may commission say 70 now and 70 by the end of year, let us say in FY2024 what is the cost reduction that will be getting so we invested 500 Crores odd for the 150 megawatt power plant so what are we going to save every year based on this investment.

Dinesh Gandhi: Grid power cost including interest and depreciation may not go beyond 2.25 where as the grid prices are Rs.6 plus at our mines where we plan to utilize 25 megawatt of solar power. There the rate is Rs.14 per unit so you are replacing Rs.6 to 7 per unit in the steel plant and at mines you will be replacing the solar power and that is we are buying at about Rs.14 per unit so definitely it is going to be operating EBITDA of the company going forward and by reduction in the cost. Then we are doing investing. Out of this whole 500 Crores we are investing about 70 to 80 Crores for replacement of old turbine so that we can have generation without setting up the other facilities, only changing latest turbine will increase our power generation by 10 megawatt, so my thermal power cost will also go down and for growth we are working because at existing location of our plant whatever we could have done I think with this 500 Crores of investment we have achieved what we wanted to achieve so far and growth will come from the Greenfield project or increasing the selling price.

Sagar: We increased our stake in the subsidiaries currently so any plan to make it wholly owned to increasing it to 100% buying the residual any plans for doing it in current year FY2023?

Dinesh Gandhi: Whether it will happen in next year at some point of time it will happen.

Sagar: That will be all. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: Congratulations on a good set of numbers. The question which I had was in relation to the capex allocation. After a long time we are seeing a net cash balance sheet and we continue to generate cash more than the capex obviously there is room to leverage up a little bit more as and when capex programs are finalized so are you thinking of a large distribution back to the shoulders given the bonanza of the last couple of years?

Dinesh Gandhi: So far as I understand we have rewarded investors in last year's substantially by way of distribution of dividend and dividend again we will be disturbing about 115 Crores once the year is over so distribution will continue to be there but then we have to look at the growth as well. The cost reduction improving profitability whatever this capex money we are using is primarily coming from my divestment of stake in the solar thermal power plant which we divested in the last quarter. Depending upon the cash flow of the company and the near term plan or obviously medium term plan will drive our dividend distribution or making reason for rewarding the investor through IPO or any other arrangement. In fact I will tell you when we were planing for the buyback but with the imposition of export duty. Now we want to very conservative and keep the cash in hand rather than going out of the cash. One simple government order they change the head of the industry.

Ashish Kumar: That I fully understand but in terms of the immediate short term medium term what I heard on the call was that the prices seems to have stabilized and what will be the current EBITDA run rate based on where the prices have stabilized.

Dinesh Gandhi: Apparently we have not gone down that number but we have guided you the pricing what is the current pricing. Now 5 to 10% here and there the prices are going to range in between till the export duty is withdrawn, whether export duty will be withdrawn it will be reduced we really do not have any answer on that question and selling prices are there cost restrictions are there. We can work it how much EBITDA we can generate from Q2 onwards, because we have past two months in export and our realization of pellet was much higher, so pellet realization definitely in the current quarter will be lower than what we have done in Q1 all other factors are likely to remain I think we have done in Q1.

Ashish Kumar: And in terms of going forward what is your expectation in terms of the export duty any colour that you may share on that.

Dinesh Gandhi: You know I am not an expert on the sector. Large players are there. What I understand is there is surplus pellet about 20 to 25 million tonne in India Steel also India has started almost 20 to 25% some demand growth will come. There also there is a surplus. Steel is available in domestic market at our production versus the domestic supply similarly iron ore is higher than what is required at the current year so at some point of time the export duty should get relaxed and to what extent it may get relaxed it depends on the government and I am sure looking at the data the sensible call will be taken by the government in due course of time.

Ashish Kumar: Thanks and wish you all the best Sir.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Swan Investment. Please go ahead.

Sachin Kasera: First question there was mention that we are getting Rs.1000 premium so this is on Rs. 8800 to Rs.8800 the realization that you have indicated equally the premium you are getting?

Sanjay Bothra: See the prices when the duty was imposed had gone down to about 7500 so that time we were getting 8500 levels and now with the current market being stabilized we are confident we will get over and above the current levels of 8500 level.

Sachin Kasera: That is what the government is mentioning one is to contain inflection; secondly they want more evaluation to happen so hypothetically assuming that for little longer time the duty remains, they are coming out with alternate plan. One is the government gives some reserving behind this and reduces the rate on the export duty but for example copper price has not reduced what is the alternate plan B for the company from say two to three year perspective?

Sanjay Bothra: Pellet being one of major drivers. We do not find any challenges because of our premium quality we have established a good domestic market and we have also added new clients on the list so on the pellet side we do not see any issue selling the product, the export duty is not evoked we are totally okay with that.

Sachin Kasera: Because see I am asking in the presentation we have mentioned about some quite aggressive plans in terms of increasing both the pellet as well as mining production next three to four years. In case the duty is not removed we think that we will be in a position to sell this much in the domestic market over the next years?

Sanjay Bothra: Whatever power they have provided that is basis on the new Greenfield project so that will happen parallelly to Greenfield project so the pellet guidance is given because if we have happen to go for the Greenfield project we will be installing a pellet plant there as well for our in house consumption for that mining capacities has to go up. At the moment we have no plans of selling our pellet plant, we have no plans of doing that at the moment right now.

Sachin Kasera: So fair to assume that this 1.7 to 2 million tonnes is what we are seeing in the next one to two years what at best we can do.

Sanjay Bothra: Our current capacity is 2.4 million tonnes, out of which 35% is consumed for our DRI production and rest will be sold in the market and that we will continue to do so going forward as well.

Sachin Kasera: Next question was on this capex and you mentioned that we should be looking at 500 Crores capex currently we are on cash of 500 Crores so are we looking to calibrate the next two to three years in the sense we will continue to remain debt free on net cash or is that if we have to go Greenfield we will be okay to again into some sort of debt if you could give thoughts on that?

Dinesh Gandhi: That will depend upon the size of the Greenfield project which we will final announce with the requirement of fund and what is my generation at this point of time, cash flow generation from the beginning so that will depend and if required we may not be able to take some debt from the market. It is not that we cannot raise debt we can definitely raise the debt but we would like to keep the debt either at very substantially lower level or otherwise manage everything with this internal accrual.

Sachin Kasera: Sir can you give us some sense on this leverage and debt in IRR, what is the minimum IRR you would look on consolidated basis before we go into large capex?

Dinesh Gandhi: Our capex should be three to four years.

Sachin Kasera: Okay so unless we get that confidence we are not going to doing any planned capex.

Dinesh Gandhi: Exactly and that also I am talking over a longer period of time. In the interim it can happen in some years margin can go down, margin can go up in some year but on an average the four year should be the trajectory year.

Sachin Kasera: And what type of absolute or debt liability we will be comfortable going for this project if need be?

Dinesh Gandhi: Frankly we have not thought about it, in much detail about it.

Sachin Kasera: As a corporate we have lot of stress. We have been talking very conservative so I am just saying what presents if you have to do any large capex what type of debt are you looking like 500 Crores, 1000 Crores or like one term debt for EBITDA. What is the number where you are expected to?

Dinesh Gandhi: That is what I am telling you. We will decide the size of the debt as and when we have the size of the project and the cost required is ready. It is not that we are against taking debt. We will take the debt and we have taken the debt and grown the balance sheet from 200 to 300 Crores size of balance sheet in 2006 and we came out with the IPO. Today I think our size of balance sheet has already gone down in terms of four to 5000 Crores. We have taken the debt a number of times. We are not against to take the debt but yes we want to keep the debt at a very low level. In any kind of situation the company should be able to survive. We have always been conservative in terms of investment but I have taken 1500 Crores of investment in 2011 and after that we moved to change in government guidelines following the international prices of commodity. We came to a stage where we were able to make interest payment so we will be continue to be conservative in our approach but definitely if required we will take some debt and l will tell you recently also we have taken some debt, indirect debt we have taken for our import of solar module rest we are importing it through internal accrual.

Sachin Kasera: Just one last question this was also a query by another participant on this. See I understand that we have to be conservative and all that but the type of cost structure we have and type of sustainable EBITDA we can make even difference in prices and types of correction that you have seen stock prices I think it would make immense sense if the company would look at a large or small buyback so I think that may also be one of the best opportunity to deploy our cash at point of time when there is so much volatility in the steel market and you are not getting much clarity, spending 100 to 200 Crores on buyback will obviously send a good message to the investor.

Dinesh Gandhi: I understand your point and as I said we were looking on that plan, although we have not announced yet and because of sudden imposition of export duty you have to wait and see at least 5 to 6 months where the markets goes and at what point of time if I go and open the buy back and use the money there and if I need the money for operation so we took a call that we will not do the buy back in this point of time. We will wait for a suitable opportunity and do that.

Sachin Kasera: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Yogesh Jasani from Mitul Analytics. Please go ahead.

Yogesh Jasani: Sir thanks for the opportunity. I have question on the beneficiation part if could share a bit more details in terms of the economics this project that we are taking up for example what would be the beneficiation cost per tonne and in terms of the increase in production that we had mentioned how much of that could be because of the beneficiation and not actually increase in mining.

Abhishek Agrawal: At Godawari complex we have already achieved the rate capacity of 3.2 million tonnes of beneficiation, the new beneficiation plant is coming up, because the main reason is to reduce our incoming cost in mines because right now whatever we get from mines we are beneficiating in Godawari facility in which about 20% of wastage is generated which is of no use to us so we are basically losing 20% on account of freight. So if you say the freight about Rs.1000 so 20% cost is going up on account on freight to save that cost we have taken a decision we have taken a decision to install a beneficiation plant in the mines area only so that will substantially reduce the cost that is the reason and the project is already under way 0.6 million tonnes and the first phase should be completed by the end of this financial year.

Yogesh Jasani: So one part of it understood instead of beneficiating the plant you will be doing it directly in the mines so that will save you some cost but in terms of beneficiation cost what would that be per tonne.

Abhishek Agrawal: It is very minimal. I will tell you so the beneficiation cost will be Rs.150 per tonne of iron ore that is it.

Yogesh Jasani: And this will increase the grade also or it just be able to utilize our wastage better.

Abhishek Agrawal: This will only help us utilizing the wastage better.

Yogesh Jasani: No efficiency in terms of the grade.

Abhishek Agrawal: Because we are already able to produce what we desire to. This is just a cost effective just to reduce our cost of iron ore. I will tell you one more thing. One other reason for doing this earlier we decided to beneficiate the plant area the reason was there was an issue in terms of royalty which has to be paid to government of India basis of current structure but now IBM has come with a different game called concentrate so the movement we beneficiate iron ore it jumps to the category of concentrate so with that they have started publishing the royalty for concentrate now so it becomes much easier for us to analyze the total value and pay the royalty and this modification has come into place last three months only because the currently royalty of 55 compared to 65 iron ore the difference is almost about Rs.800 a tonne which is substantial going forward so that is another reason and that has been certified Indian Bureau of Mine.

Yogesh Jasani: That is really helpful. Sir second is one more clarity on the Greenfield project that we are taking up so there are we sure that we want to take up another similar kind of set up based on billets and bars?

Abhishek Agrawal: The Greenfield project will be primary route which will be blast furnace based route. We are not expanding into current structure of sponge, billet and all those things. We wanted to make good steel so the Greenfield project will be based on blast furnace route.

Yogesh Jasani: Got it thank you.

Moderator: Thank you. The next question is from the line of Tarang Agarwal from OldBridge Capital. Please go ahead.

Tarang Agarwal: Hello Sir good morning and thank you for your time. Couple of my questions on my side given the incidence of export duty one would have imagined the realizations would take a material impact but that has not really played out to an earlier comment where it was indicated that we are already sitting at about 20 to 25 million tonnes of pellet surplus so just wanted to understand how things played out on the ground and why we have not seen the impact. It does not seem like we will see the impact in Q2 also in terms of whatever external data that is available so just wanted to get a sense how things will get played out in the market that is one and I will follow that up?

Dinesh Gandhi: I would like to correct what you just said because the prices before this duty was imposed was hovering about 9500 in Orissa and 10,000 in Raipur sector so from Rs. 9000 the prices had already gone down to Rs.6000 x plant Orissa and about 7500 x plant Raipur. The only thing which played in our favor was the monsoon. With the onset of monsoon sponge is preferred to use pellet over lumps and the production of mines still goes down at India level where there is NDC or ONC being the biggest miners in India at the moment so availability of lumps has gone down plus during monsoon most of them prefer using pellet over lump so that is why the demand has come back to the market when the monsoon gets over we need to see where the market will stabilize. It might go down. It might stay here. There are lots of factors deciding so we have to wait and watch. And just to update you June data of pellet in India level the production was down 20% compared to May month so you will see always reduced production at India level when it comes to pellet so June was 20% lower when compared to May so some people have also reduced their production. There are lot of big players like Rashmi, Shyam and other players what they have decided initially was to run their captive plant and probably take a little bit of maintenance for merchant side plant, so the strategy keeps changing depending on the market so we will wait and watch and see how it unfolds going forward when the monsoon are over.

Tarang Agarwal: Second question on your downstream business typically from pellets to rounds to galvanized typically how would the conversion cost change?

Dinesh Gandhi: See the operating cost remains more or less the same. It is only the input side for example sponge iron. For sponge iron today the thermal coal prices are at all time high so that way the substantial rolling is deciding our operation pocket so depending on sponge prices pellet prices keep moving up and down because there are other factors like CPC which is all time high then ferroalloys, then pig iron scrape so lot of factors is there to decide what the operating cost is going to be but on annualized basis the cost remains plus minus 10% here and there if you are able to operate if you are able to operate on full capacity.

Tarang Agarwal: My question is between pellets, rounds and galvanized, typically how the cost structure for you would change between pellets to rounds and rounds to galvanized?

Dinesh Gandhi: Galvanized we are not using captive material for your information. Galvanized plant is using the material and the plate etc., is brought from the market. It is converted into galvanized product in whatever shape and size is required through fabrication shop and then export it. We are working on steel melting capacity in order to feed, therefore we said that expansion of steel billets from 0.4 to 0.3 we have kept in hold because we are working on the technology and the size of the unit which we will set up so that the unit becomes a part of your value chain otherwise fabrication business today they are buying structure from the market or plates from the market they are converting to various requirements, and sold it in the market. It is clearly a conversion business at this point of time.

Tarang Agarwal: Yes thank you. That is it from me.

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

Aman: Thanks for the opportunity. Sir can you throw some light about what would be the conversion cost from let us say per ton of pellet things because as we are seeing prices of iron ore are going down and like currently if we look at the difference between the landing cost and the cost of iron ore in the market the difference comes to around Rs.5000 a tonne so can you just highlight about what could be the per tonne cost of conversion from iron ore to pellet?

Dinesh Gandhi: See for us most of the materials come from mines so the prices are going in the domestic market it does not change our conversion cost being captive miner. Currently with the coal prices hovering all time high and even the oil towards all time high about the crude, currently the conversion first from iron ore to pellet is about Rs. 1800 a tonne.

Aman: Okay Sir. Thank you.

Moderator: The next question is from the line of Kunal from Reliance Securities. Please go ahead.

Kunal: Sir just a followup question are we looking at inorganic growth because we have heard that units who are exporting have shut down so are we looking at inorganic growth.

Dinesh Gandhi: On the pellet side we have no intention of doing that. I will tell you even for the units the duty imposed by the government it is also imposed on those plants as well. For example KIPL is shut although it is EOA unit because even he has to pay 45% duty for exporting pellet so does not make sense.

Kunal: Got it thanks.

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

Ganesh: Do you have any constraints on expanding at current rate at least with the new products?

Dinesh Gandhi: We have limitations on account of not land but primarily because the current area where our plant is treated it has been designated as CPA critical polluted area by government of India by central pollution India so any expansion in this particular depends on the conversion of energy so anything related to coal we will not get permission from the pollution board to install the unit so there are limitations in this premises.

Ganesh: My next question just wanted to get a sense on why the steel billets expansion was put on hold so is it steel billets capacity a bottle neck for more downstream project like TMT rod etc.

Dinesh Gandhi: We have kept it in hold because we want to make different product. We still need trade indoors and for that we are working on the module what kind of capacity will be suitable how much it can be done and that is better for that we have kept it on hold otherwise we can always increase the capacity in three months time from four to six.

Dinesh Gandhi: It is got on hold. We will eventually expand the capacity going forward.

Ganesh: Thank you.

Moderator: The next question is from the line of an Adiya Shah, an individual investor. Please go ahead.

Adiya Shah: Just wanted to understand Sir compared to Q4 FY2022 and in Q1 FY2023 how was the EBITDA per tonne for pellet moved.

Dinesh Gandhi: We do not have the number ready.

Adiya Shah: But would it be correct to say the entire dip basically in NSR the dip that we saw Rs.3000 is the dip in NSR in pellet that will be the dip that we have seen in EBITDA per tonne level or there is some volume impact?

Dinesh Gandhi: The volumes were a bit much higher than what it was in Q4. So far as incurring cost as Abhishek has already mentioned in the call is Rs.1300 a tonne plus cost of iron ore. This is what the cost of the pellet is.

Adiya Shah: Sir my second question is on thermal coal. Do we have the numbers what was the average thermal coal cost for Q1 FY2023 and how do we see that going for the rest of FY2023 standing today I know it is governed lot of other global things happening in the commodity market but sitting today if I were to ask what is your sense on the prices?

Dinesh Gandhi: So Q1 average pricing for sponge iron was about 14,000 a tonne and in Q2 it will be somewhere 15 and half thousand rupees a tonne so marginal increase so we are able to maintain at the same level because of advance buying.

Adiya Shah: Sir I was asking about thermal coal?

Dinesh Gandhi: I am mentioning thermal coal only, so thermal coal which we are using for sponge iron the landing cost to the plant is about Rs.17,000 a tonne, 17,000 and in Q2 it will be somewhere about Rs. 19,000 a tonne.

Adiya Shah: Okay understood that is all Sir.

Moderator: Thank you. The next question is from the line of Nilesh Gandhi from Metadesign. Please go ahead.

Nilesh Gandhi: All my questions have been answered. Thank you so much. Congratulations to the team.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Swan Investment. Please go ahead.

Sachin Kasera: Can you just give a brief sense of what would be your current cost of pellet production?

Dinesh Gandhi: 1800.

Sachin Kasera: So totally around Rs.5000 including all the cost, all taxes?

Dinesh Gandhi: At the moment it will keep varying between 5500 plus minus 10% because of the coal use, or we have to use oil for availability and others, all the cost has gone up so I would say 5500 plus minus 10% would be a decent number.

Sachin Kasera: Do you expect any reduction in terms of the cost of production going forward because you mentioned regarding some royalty that you have to pay?

Dinesh Gandhi: Going forward with iron prices going down domestically we expect a reduction in royalty about Rs.250 a tonne so that will straight away add to our cost going on the lower side and second would be once the monsoon are over and the availability of coal becomes better we should be able to reduce our operating cost by Rs.200 so overall I think 4 to 500 of savin go forward which is about 10% of our current production cost.

Sachin Kasera: Sure and in terms of mining also Sir as we ramp up the production do we get any cost benefits or this is 3150 cost of the mining?

Dinesh Gandhi: As I mentioned earlier the average cost will be about Rs.2700 but on account of royalty and the diesel escalation the cost is 2150 once the operation are further ramped up I do not see a substantial saving probably Rs.100, 150 here and there which is not very big.

Sachin Kasera: So we should not assume that 5000 is more or less going to be like the base cost of production for pellet.

Dinesh Gandhi: As I said 5500 plus or minus 10% it should be a ratio figure because Rs.500 here or there is not a big number. The coal is not there. The oil prices go up and anything else goes up so all depends.

Sachin Kasera: Thank you.

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

Ganesh: So total coal price last quarter it was around Rs.400 plus odd now it is Rs.200 odd. Does it affect our pellet premium?

Dinesh Gandhi: To be honest since we are out of the export market and domestically I do agree at a certain point of time it does impact our pellet premium on the high grade but with the current scenario the more start buying the premium product we will revise the actual value rate so I am confident it will not impact to very great extent. We should be able to get the desire premum going forward. What has happened in India because of low availability of iron ore which is about 63 earlier now everybody in India is making a pellet of 62, 62.5 that is the benchmark in India for pellet makers so when it goes down, your content goes up in the pellet so that will increase the slab volume and cooking coal cost for the blast furnaces so I am confident with our premium product we should be able to maintain the same premum which were getting earlier in the export market.

Ganesh: Sir just one curiosity question. Compared to your peers Godawari ferroalloys seem to be very low so any reason we have not scaled that portion of our products?

Dinesh Gandhi: I think current capacity what we have I think we are operating close to 95% of the capacity.

Ganesh: My question is any reason why we have not scaled the volume up in that area.

Dinesh Gandhi: Our current capacity of ferroalloy at Godawari which is about 16,500 on annual basis so we produced about 4000 tonnes in Q1 which is line with the capacity, then Hira Ferro has a capacity of.

Ganesh: 16000 tonnes is capacity operating at about 45,000 tonnes of 75 to 80%.

Dinesh Gandhi: Right now thermal coal is a big, big issue so operating plants which are coal bases becomes difficult even challenging so depending on the current market scenario we keep changing the charge mix because of which the portion keeps changing. For example if you make ferromanganese the production volume goes up but if you are making manganese then production volume goes down because of power convention so depending on the market realization we keep changing our mix.

Ganesh: My original question you related capacity is pretty low compared to some peers.

Dinesh Gandhi: You are right because we have not done expansion in the ferroalloys business. If we do ferroalloys business expansion then you need to have long term energy requirement in the thermal power plant so that is the reason we have not expanded so if you want to put up one furnace then you have to put mixing capacity of your power plant as well and if you see right between 2011-2013 we committed substantial amount of capex in solar thermal power plant increasing the pellet capacity and we wanted to expand on this side of capex because of the fall in the commodity market those plans were kept in hold and the improvement started from 2018 onwards we have done debottlenecking wherever it is possible and doing that so similarly we are working on Hira Ferro in debottlenecking and improving the capacity up to 60,000 current production is 45,000 tonnes and that we will be achieving in another eight or nine months so Greenfield project again there is land requirement and other issues are there. We have not thought about it earlier that we will be expanding the capacity in ferroalloys in the Greenfield location and Raipur market is not close to the port so transportation cost is very high. If you import and if you have to sell the finished product in the international market so as and when the expansion will take place will be taking place closer to the port area there you can save on the logistics cost.

Moderator: Ladies and gentlemen we will move on to the next question. The last question is from the line of Kunal Reliance Securities. Please go ahead.

Kunal: Sir during the call you had mentioned domestic players to use our hybrid pellet you will require cooking coal prices to remain high now that cooking coal prices are expected to come down significantly in the second half of the current fiscal. What is your view?

Dinesh Gandhi: As I said earlier also I am confident because of the overall pellet quality in the domestic market going down from 63, to 62 and pellet being 65 so I am very hopeful we will still get the same premium which we desire in the export market. I do not see an impact happening on that side. Eventually people have to compare absolute numbers versus the other raw materials available compared to our pellet so the moment we are getting a desired premium and I am confident that we will be able to continue to do so in the near future as well.

Kunal: Okay thank you Sir.

Moderator: Ladies and gentlemen due to time constraint we close the call. I now hand the conference over to the management for closing comments.

Dinesh Gandhi: Thank you ladies and gentlemen for joining the call to discuss the Q1 FY2023 numbers of Godawari Power and Ispat Limited. I hope we have been able to answer to your satisfaction. Any further clarification you can always get back to us our investor relations agency, GO India Advisor. Thank you very much.

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