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GODAWARI POWER & ISPAT



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Date: 27.05.2024

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

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

Dear Sirs,

Sub: Submission of Transcript of Conference Call held on 22nd May, 2024 regarding Q4 & FY24 Results.

This has reference to conference call held on 22nd May, 2024 to discuss the results and performance of Q4 & FY24 for Analyst/Institutional Investors/Fund House/Investors etc.

Please find attached herewith the Transcript of Conference Call held on 22nd May, 2024.

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

Thanking you,

Yours faithfully,

For **GODAWARI POWER AND ISPAT LIMITED**

Y.C. RAO
COMPANY SECRETARY

Encl : As Above



Godawari Power & Ispat Limited

An ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 certified company
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“Godawari Power & ISPAT Limited Earnings Conference Call”

May 22, 2024



MANAGEMENT: **MR. ABHISHEK AGRAWAL – EXECUTIVE DIRECTOR,
GODAWARI POWER & ISPAT LIMITED**
**MR. DINESH GANDHI – EXECUTIVE DIRECTOR,
GODAWARI POWER & ISPAT LIMITED**
**MR. SANJAY BOTHRA – CFO, GODAWARI POWER &
ISPAT LIMITED**

MODERATOR: **MR. AMIT LAHOTI – EMKAY GLOBAL FINANCIAL
SERVICES**



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Moderator: Ladies and gentlemen, good day and welcome to Q4 FY24 results conference call of Godawari Power and Ispat Limited hosted by Emkay Global Financial Services.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need an assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Amit Lahoti from Emkay Global Financial Services. Thank you, and over to you, Mr. Lahoti.

Amit Lahoti: Thanks, Manav. Good day, everyone. I am glad to welcome the management and thank them for this opportunity. We have with us today Mr. Abhishek Agrawal – Executive Director; Mr. Dinesh Gandhi – Executive Director; and Mr. Sanjay Bothra – CFO.

I shall now hand over the call to the Management for the “Opening Remarks”. Over to you, Mr. Gandhi.

Dinesh Gandhi: Thank you, Amit. Thank you very much. Good afternoon, everyone. Thank you for joining us today for the Q4 FY24 and FY24 Full Year Earning Concall from Godawari Power and Ispat Limited. Our Financial Results and Earning Presentation is available on our website and on the website of the stock exchanges. I believe that you have had a chance to review the same.

I will take you through the Results, post which we will have the question-and-answer session.

I am happy to inform you that GPIL has shown strong performance in Q4 FY24 and has ended the year on a great note. The performance was driven by enhanced capacities of value-added products, increased production and sales of value-added products, cost savings through solar power plants and high efficiency turbine commissioned during the year and operational leverage despite fall in the realization in almost most of the value-added product except pellet which was higher by 8% as compared to last year.

Before discussing the financial performance in detail, I would like to update you on the debottlenecking of CAPEX and operating efficiency program which was undertaken by the Company two years ago and which is now almost complete in FY24:

In the Financial Year ‘24, the Company has received consent to operate the sponge iron plant with a capacity of 0.9 million tons from 0.49 and the steel billet plant with a capacity of 0.535 million tons against the capacity of 0.4 million tons. The Company commissioned solar power plant capacity of 145 megawatts out of 173 megawatts proposed capacity.



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In FY24, the Company commissioned 45 megawatt solar power projects. Also, new high efficiency turbine generator to replace old turbine has been commissioned and newly synchronized with the grid, which is leading to higher power generation by 7 to 8 megawatt without any additional fuel cost. The additional power generated from the solar power plant and new turbine is being used for consumption in the steel plant to operate the plant capacity at a higher level, which is leading to cost saving both through the lower power cost and higher operating capacities leading to improved operating margin and profitability. Our bottlenecking CAPEX has also almost been completed except modification in one rolling mill which has started trial operation and is expected to commission during the current quarter along with 20 megawatt solar power project to meet the power requirement of the rolling mill and fabrication and volumizing plant. All these CAPEX are now almost complete. Money has been invested, and this will be operational by June 2024. These initiatives have started contributing to higher operating margins. And in this backdrop, Company's operating margins for FY24 have increased from 20% to 24%, despite fall in decentralization across value-added products like sponge iron, billets, wire rod etc.

Coming on the operational performance for FY24:

I am delighted to say that GPIL has made its production guidance for FY24 for most of its product. It has achieved highest production volumes of sponge iron, steel billet, and captive power generation. We marginally missed our production target in iron ore pellet and ferro alloys on account of maintenance shutdown of pellet plant in Q1 FY24 and shutdown of ferro alloy unit in FY24 for debottlenecking purposes.

One of the major competitive advantage of GPIL is that it has a captive iron ore mine. The captive iron ore landed cost for FY24 is 2800 from the captive mine as compared to current market price of Rs. 6800 a tonne. The prices of iron ore in auction conducted by OMC yesterday has increased by Rs. 800 to Rs. 1000 a bag. The iron ore mining and pellet production decreased by 11% and 7% respectively. The decrease in production of iron ore mine is because of closure of Boria Tibu mine and pellet is due to maintenance shutdown. Production volume of value-added products like sponge iron, steel billet, MS round wire, ferro alloy, galvanized fabric product has gone up.

Coming to the sales volume:

The iron ore pellet sales and sponge iron sales have dropped because of the increased captive consumption for manufacturing of value-added products. Sales for the steel billet, MS round wire rod, ferro alloys, galvanized fabricated products increased on account of commissioning of higher capacities. Realization of iron ore pellets has increased by 8% to over Rs. 10,000 a ton. Realization of other products dropped and decreased in trend.

Coming on to the Consolidated Financial Performance:



On quarterly basis, revenue for the quarter increased by 16% to Rs. 1,530 crores on Y-o-Y basis because of increasing the sales of value-added product. EBITDA increased by 19% and 29% on Y-o-Y basis to Rs. 329 crores against Rs. 220 crores. EBITDA margin is 22% during the quarter. On annual basis, revenue dropped by 5% to Rs. 5,455 crores compared to last financial year due to lower trading sales by Rs. 250 crores. Slight decrease in production of pellet and fall in the realization across the product range except pellet. However, despite falling the sales, operating EBITDA and PAT increased by 14% and 18% to Rs. 1,328 crores and Rs. 937 crores. EBITDA margin increased to 24% for the whole year as compared to 20% in the previous year.

GPIL has held the balance sheet with a strong net cash balance of over Rs. 1000 crore. The cash flow from operations during the year increased to Rs. 1,044 crore, up 5% as compared to FY23. Company has given the Financial Year '24 distributed total amount of Rs. 355 crores to the shareholders by way of final dividend for FY23 and buyback of Rs. 250 crores. So, including buyback tax and dividend, Company has distributed Rs. 355 crores, which is 45% of FY23 net profit. The Company could not announce dividend for FY24 due to certain technical reason on the board meeting held yesterday. For approval of accounts, we have now scheduled a board meeting of the Board of Directors on 24th May to consider payment of dividend for FY24.

Our volume guidance for FY23 is as under:

Production volume guidance for iron ore mining is 3 million tons, iron ore pellet 2.44 million tons, sponge iron 0.59 million tons, steel billet 0.5 million tons and ferro alloy 80,000 tons.

Coming to update on our CAPEX plan for the next phase of growth:

As you are already aware, GPIL has planned to more than double the iron ore mining capacity at Ari Dongri mine, expanding it from 2.35 million tons to 6 million metric tons. Enhanced mining capacity shall be operational on receipt of environmental clearance and current status is that the revised mining plan is filed, and TOR is received. We are planning to hold the public hearing in the month of June or July 24. The preparations are on. GPIL is also setting up a beneficiation plant in Ari Dongri mine with a capacity of 6 million tons. The estimated CAPEX for the same is Rs. 200 crores, out of which Rs. 24 crores has already been spent. The beneficiation plant will be set up within a period of 15 months from the receipt of environmental approval and contain sanction to set up from the State Pollution Control Board.

GPIL is progressing towards its plan to increase the pellet capacity by 2 million tons. This will increase the total capacity of pellet to 4.7 million tons. CAPEX requirement for Phase-1 pellet expansion is Rs. 600 crore, out of which Rs. 32 crores has already been incurred for placement of orders. To meet additional power requirement of the proposed pellet plant, the board of directors in the meeting held yesterday has approved setting up an additional solar power capacity of 70 megawatts to meet the requirement of additional power for the proposed pellet



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plant. The pellet plant is expected to be commissioned coinciding with the commissioning of pellet plant in Q1 FY26. We have already started looking for identifying the land for the project and we are quite confident that the project Solar Power Plant will also be commissioned along with the pellet plant commissioning.

As you are all aware, GPIL was focused on enhancing capacity for raw material for steel making and have not added meaningfully the capacity in finished steel making post 2007 except completing the integration of steel-making capacity to 0.5 million ton through debottlenecking process which is just completed in FY24. GPIL with support of strong cash flow has decided to increase the capacity of integrated steel plant by 2 million tons, taking the steel making capacity to 2.5 million tons, that is higher than the present capacity. Through the blast furnace route, the CAPEX for the same is announced earlier, is Rs. 6000 crores. The public hearing for the project at a new location has already been completed. Environmental approval is awaited. Once the environmental approval is received, we will start the construction work at the site. Although no meaningful development has taken place because of the central election in last 2-3 months, but we are hopeful that now that the election is almost complete and new government is expected to form in the first week of June, we are quite hopeful that we should be able to get the approval in Q2 FY25. The project will be commissioned in a period of 36 months from the receipt of environmental approval and considered to set up. With the commissioning of new steel plant, the Company will join the league of primary steel producer although we are currently a secondary steel producer.

Some of the other strategic updates: In order to strengthen the board of directors of the Company, I am happy to announce that we have appointed two distinguished industry experts, Mr. Sunil Duggal and Mrs. Roma Balwani as Independent Directors on the board of directors of the Company. Just to give you a brief introduction, Mr. Sunil Duggal has 37 years of experience in leading high performance team and has also served as CEO and Whole Time Director of Vedanta Limited and Hindustan Zinc Limited. He is Chairman of the National Committee on Mining, Confederation of Indian Industry, Former President of Federation of Indian Mineral Industries, Former co-chair FICCI Non-Ferrous Metals Committee in 2018, and Former Chairman at Skill Development Council for Mining Sector in India. Mrs. Roma Balwani has 4 decades of experience in manufacturing companies like Vedanta Group, L&T, Mahindra Group, and various aspects of strategic businesses like sustainable development, brand management, stakeholder engagement etc. We welcome Mr. Sunil Duggal and Mrs. Roma Balwani on the board. The board has further appointed Mrs. Neha Sunil Huddar and Mr. Hukam Chand Daga as Independent Directors, subject to approval of the shareholders in the AGM proposed to be held on 5th of July to replace our present Independent Director, namely Mr. Shashi Kumar and Ms. Bhavna G Desai who are retiring by completing their terms in August 2024. The appointment of these two directors will further strengthen the board. Mrs. Neha Sunil Huddar has over 40 years of experience in finance, accounts, HR and compliance management. She has worked as Head of Finance in Reliance Foundation, Vice President - Payroll at Reliance Industries, Group CFO at Thirumalai Chemical, just to name a few. Mr.



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Hukam Chand Daga has also had an illustrative career has more than 4 decades of professional experience in various Aditya Birla Group companies namely Hindalco, Renuagar Power, Grasim Industries, Indian Rayon, HG Industries, Essel Mining. He was former President of Federation of Indian Mineral Industries, Member of National Mining Committee of Confederation of Indian Industry. So, we welcome Mrs. Neha and Mr. Hukam Chand Daga on the board of the Company. And we are quite confident that with their experience, the Company will be immensely benefited going forward.

Coming on the market outlook, on the international front, global iron ore prices touched \$144 in January 24, up from \$103 at the start of the year, and is currently at \$130. China imports were strong as there was no explicit steel production cut announced. At the same time, China domestic iron ore production lagged. World Steel Association is forecasting steel demand to grow by 1.7% to 1,793 million metric tons in 2024, another 1.2% to 1,815 million tons in 2025. This augurs well for the demand for iron ore. We expect the prices to be well supported around current level. World Steel Association foresees that the steel demand in China in Q4 2025 will be plateau mirroring the level of 2023, owing to decrease in real estate investment. However, with this, dip in the demand is expected to be counteracted by surging steel demand driven by infrastructure projects and manufacturing sectors.

On domestic part, iron ore prices in NMDC Fe64 have seen a significant increase to Rs. 5,260 crores, Rs. 60 a ton. As I said earlier, the iron ore fines prices in the yesterday's auction by OMC was at about Rs. 6,100 a ton. Prices have recovered well from the lows seen post imposition of export tax and have surpassed the high ceiling in the calendar year 2022 to Rs. 5,160 a ton. On the other hand, pellet prices after touching 8,800 in July has increased to 10,500 in December and now currently hovering at about Rs. 11,300 a ton. This is for 63Fe pellet. Our high grade pellet is selling at about Rs. 12,500 a ton currently.

Given the positive steel demand outlook, pellet prices should be well supported. India remains one of the bright spots globally for the steel demand. World Steel Association forecasts India's steel demand to increase by 8.2% in calendar 24 and in 25 to 144 million tons and 156 million tons respectively. World Steel Association further predicts that India's steel industry will experience significant expansion propelled by sustained growth across all sectors resilient on steel, particularly driven by robust in infrastructure investment.

In conclusion, I want to highlight that GPIL's robust balance sheet, advantage of captive iron ore mine, production of high-grade pellets, enhanced capacity cost saving, reduction in carbon footprint through the solar power plant, strengthened CAPEX plan and over four decades of industry experience with the promoters, committed in the business leadership, hardworking employees, and support from all the stakeholders augurs well for the growth of the Company. I would like to open the floor for question and answer. Thank you. Manav, we can now open the floor for question and answer.



Moderator: Sure, sir. Thank you very much. We will now begin the question and answer session. We have our first question from the line of Jatin Damania from Swan investments. Please go ahead.

Jatin Damania: So, just wanted to understand that in your initial remarks you indicated that the cost saving through solar power plant and benefit from high efficiency turbine has supported the overall performance. So, can you quantify what was the annualized saving that we did in FY24 and what could be the saving in for the FY25?

Dinesh Gandhi: See, overall our operating margins have increased by 4%. There was an average about 10% to 12% fall in the sponge iron prices throughout the year. The average realization for the FY24 and 8% increase was there in the pellet. So, if you take all these, the 4% increase in operating margin, which is about closer to about Rs. 200 crore on 5000 crores sold is as a result of higher operating efficiency because of the solar power plant, new turbine and higher capacity in the steel plant. So, this entire Rs. 200 crore is being contributed by the operating efficiency when this debottlenecking solar power plant etc.

Jatin Damania: Yes, but sir the high efficiency turbine was started in the middle of the year so does the solar power plant. So, does that mean that the savings from this will be much higher than Rs. 200 crores what we did in FY25?

Dinesh Gandhi: I hope so. Subject to adjustment of the increase-decrease in the selling price but definitely full year impact because of the solar power plant which have been commissioned in FY24, turbine commissioned sometime in November, December, steel plant started operating in Q4 will definitely support, although during the full year we have been able to reach like sponge iron, we have reached to the optimum capacity of 600,000 that is 590,000 tons. In the same year, the same in which we got the approval. Steel billet has reached to 475,000 tons. So, an additional 25,000 ton contribution will come from steel billet. Additional power generation through all these projects will definitely add to the profitability going forward in the next financial year.

Jatin Damania: Thank you for that information. So, second thing on, if I am looking at the overall CAPEX and in your slides also definitely there is a cost overrun in the modernization and the expansion plan. So, is it safe to assume that Rs. 30-Rs. 35 crores of the increase in the overall cost is largely attributed to the increase in debottlenecking capacity of the rolled products and what post debottlenecking, what will be the capacity of the rolled product?

Abhishek Agrawal: Yes, so you are very correct. There is this slide overrun. But yes, this is on the rolled product capacity. The rolled product capacity once the mill is fully commissioned and operational, this financial year, probably this is the first year, we are targeting about 3.5 lakh tons and going forward we will achieve the full capacity of 4 lakh tons.

Jatin Damania: So, post debottlenecking, the capacity will increase to 4 lakh tons, right?

Abhishek Agrawal: Definitely.



Jatin Damania: And a couple of more questions on the mining thing. Now if you look, we are expecting the public hearing for our mining expansion to be completed in June or July 24. So, how much time will it take for us to operate on the higher capacity mining once we get the approval or once the public hearing is done?

Abhishek Agrawal: See, in this particular permission, we don't need to go to MoEF, which is the center authority. This will be taken care by the State Pollution Board. But earlier there was state election, then there was a government change, and then there was a central election. Because of all these elections, the entire thing got delayed by a few months. Once the results are out, hoping that June onwards the process should pick up some pace. And expecting by Q3, we should have the desired approvals in hand. And once we have the approvals, end of Q3, early Q4, we'll start ramping up the capacity. That is what the target is right now. Sometimes because of certain environment, we just can't control things. You just have to be patient.

Jatin Damania: Yes, so for initial 9 months, we'll probably operate the mine at the current run rate and in the last three months...

Abhishek Agrawal: Correct. Last 3 or 4 months probably, then we ramped up the capacity. So, target is to reach 3 million this year and then further going forward from next financial year, further ramping up to 6 million tons.

Jatin Damania: Okay, so 3 million tons for this year and 6 million tons in FY26?

Abhishek Agarwal: Yes.

Jatin Damania: And sir last question is on your maintenance shutdown that we had taken for the pellet and the ferro in the last year which is on the first quarter of FY24 because of which the production for both the things was lower. I mean is there any maintenance shutdown planned for Q1 of FY25 in either of our facility or will be operating at the rate?

Abhishek Agrawal: No, see pellet plant of course as I have been telling earlier as well depending on the environment, we usually plan shutdowns before monsoons. But this quarter, there is no shutdown of pellet plant for sure. But ferro alloys, we have already taken a shutdown. But it's an annual shutdown, which is always planned in month of summer. But the production guidance for the entire year remains the same. There will be no change in that. So, whether you take it in Q1, you take it in Q2 or Q3, but the production guidance for the entire year remains the same.

Jatin Damania: And update on the ferro alloy market if you can probably..

Abhishek Agrawal: So, the ferro alloy market has certainly moved up quite a bit last few weeks. The primary reason has been there was a cyclone in Australia where one of the mines being operated by South32 was out of production and they declared force majeure. And as per the new



communication from them, the mines will come into production only probably by end of Q3 of FY25. They were producing high grade, which was 44 mm. So, if you see the entire ferro alloys, magnesium market globally, that entire trading volume was about 7 million tons. And that mine particularly was producing 1.7 million tons. So, 10% of global production was out of supply, which is a huge volume. Because of that, there was an uptick in the magnesium prices globally, especially from China's side. And that is the reason the ferro alloys on the metal side, the prices increased drastically in last 2 weeks. So, if we see the prices are hovering about 65,000 per silico manganese, currently it's about 85,000-87,000 which is as high as about Rs. 90,000. So, there is an uptick of about 30% compared to last month only because of a shortfall in supply of magnesium ore globally. No other reason.

Moderator: Thank you. We have our next question from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: So, I wanted to understand what means recently the iron ore prices have been quite volatile in international markets. In the month of January, they have increased and then they have come down and currently also they have increased again. So, what is the outlook of the international iron ore prices and also of the domestic iron ore scenario, if you can give some color on that?

Abhishek Agrawal: See, so firstly, I will update about the global scenario. So, as you rightly mentioned, the iron ore prices basis China was down from 140 to about 100 bucks in the month of March. Again, there was a surge in the prices and reach about 120 levels. So, the up-down has been going on and currently the prices are about Rs. 115 on the iron ore front. On the domestic side, as you are aware, there has been uptick in the steel demand and so accordingly the iron ore prices have gone up domestically as well. As Mr. Gandhi mentioned in his opening remarks, yesterday there was an auction conducted by OMC, who is one of the biggest suppliers. There was a premium of about Rs. 1000 on the front. So, of course there has been an uptick in iron ore pricing domestically as well. Now, per se Godawari, I would like to specifically mention one thing here is, what we need to understand is, we need to really start proceeding Godawari's operations, Godawari's numbers away from the export market because there has been a surge in the domestic demand of iron ore and pellet supply, especially in the domestic market where we are selling which is Chhattisgarh. Additional capacity of DRI has been added, of course, 2 million tons and with the current expansion happening in the local surrounding, the capacity which will be further added is about million tons. So, to feed these DRI mills, we are seeing a very sweet spot that everything will be sold domestically going forward as well. So, I would say pellet prices and iron ore prices domestically will remain higher compared to the export market for at least a couple of quarters.

Aditya Welekar: Yes, thanks for that insight. Second is on an annual basis if we see that the employee expenses have increased by 17% year-over-year and other expenses have come down. So, what is the kind of run rate we can expect for FY25 and maybe as we expand in future for both employee and other expenses?



Abhishek Agrawal: From the employee side, there are a couple of things. One is of course, the annual increment which we've been giving to our employees on annual basis, which they actually deserve. And second is, we have put in a note, so we have announced the use of steam for our employees of senior level. So, we've done a provision about Rs. 3 crore in the Q4 a basis that. That is the accounting standard. So, if you see the average increment in the employee expenses is about 10%-11% on annual basis, which is a standard increment basis what we give and other operating expenses, see other operating expenses includes all other things, which is contractors, raw materials and other things as well. So, the market is quite volatile. So, last year, the raw material prices are on the higher side. This year it has come down. So, it will keep bearing, but overall, we still maintain a healthy EBITDA margin of say, 20%-25% going forward.

Moderator: Thank you. We have our next question from the line of Dhyey from Niveshaay Investments, please go ahead.

Dhyey: So, there were some reports suggesting that the sponge iron imports in the country have been on the increasing trend. So, what is the scenario going forward that we see and also the prices of the same in the coming future, especially in the Q1 and Q2?

Abhishek Agrawal: Because that's news to me, probably a little bit of cargo of HBI, which is the gas-based DRI, which is made in the Middle East, might be imported into the country. But apart from that, I don't think so. We do import a lot of sponge iron. Rather, we do export some of sponge iron to neighboring countries like Bangladesh, Nepal and others. So, probably I need to check on the data. But this is the news to me that we are importing sponge iron. We import scrap. Probably we import iron ore, but sponge iron being imported, I really need to check on my data and I will come back to you on that piece.

Dhyey: Thanks a lot. And also, sir, I had this question regarding the CAPEX that we are doing in the hot rolled space. So, which are the products that we are looking to get into?

Abhishek Agrawal: So, let's talk about that 2 million greenfield project which we have envisaged going forward. We are only focusing on HR coils of a bit of 1250 mm and above. Nothing else. It will be a single mill of 2 million ton, HR coil with a bit size of 1250 mm and above, nothing else.

Dhyey: Correct sir. Also, sir, you mentioned that we import iron ore and not the sponge iron. So, what are your views on the imports that are happening from the Chinese counterpart?

Abhishek Agrawal: No, see, so we as in a country and whatever iron ore is being imported into the country is not from China, it's mainly from either Australia or Brazil. So, I am assuming port-based plants, bigger plants like probably Arcelor Mittal, JSW. So, I have hired few reports where some volumes of imports have started coming into India, especially by the bigger players like JSW and Arcelor Mittal especially for port based. People who are sitting in land like probably we or any other peer Company, they are not importing.



- Dhyey:** Okay, so was this import because of higher FTE quantity in the ore or any other reasons?
- Abhishek Agrawal:** It can be the quality, plus it can be the quantity as well because as you are aware, India's steel production is gradually going up year-on-year and the supply and the domestic market remains tight because the mines which have been auctioned are still taking its own pace to come into production. So, the reason can be both. It can be the commercial value, it can be the quality as well. It will be difficult for me to comment what is the reason why imports are being done in India, but yes, some imports are starting coming into India now, especially by the bigger players which are port based.
- Moderator:** Thank you. We have our next question from the line of Manav Gogia from Yes Securities. Please go ahead.
- Manav Gogia:** So, one question on the crushing and the beneficiation plant, which is from a 6 million ton, this is if I am correct, for the Ari Dongri mines, right?
- Abhishek Agrawal:** Correct.
- Manav Gogia:** And any update on if we are looking to start the Boria Tibu mines in the near future?
- Abhishek Agrawal:** So, just to update on the Ari Dongri mines, the EC which is under process also includes the EC for beneficiation. Currently we have a 0.6 million permission for beneficiation, for which we have already done the CAPEX and once we get the approval, we start the plant. And for the remaining once we get the approvals, we start the CAPEX cycle and complete that as well. So, basically the beneficiation of 6 million along with the mining expansion will happen together because both approvals will be received together. On the Boria Tibu side, as we mentioned a few months back, we have shut down operations at the moment because of the mines being commercially unviable because the mines have huge quantities of low-grades compared to the Ari Dongri mines. So, we are putting up a beneficial plant as well there for which the designing has already been done. We have started the paperwork to apply for the permissions. And once we get the permissions, we will spend on the CAPEX and beneficiate and then bring the Iron Ore from Boria Tibu mines. But sitting in FY25, it will at least take 3 years from now on for the mines to be operational again. So, we can look at FY28 for any iron ore coming from Boria Tibu mines for conjunction with the steel plant at least 3 years from now on, nothing before that.
- Manav Gogia:** That was helpful. So, my other question is on the CAPEX. Can you just provide me a number for the next couple of years? Can we assume like Rs. 800 crores of CAPEX in FY25 and then Rs. 1000 crores in FY26. I think that the steel plant CAPEX should also start from the next year onwards.
- Abhishek Agrawal:** See for FY25, all our debottlenecking CAPEXs have already been completed. Barring the rolling mill, which is already in trial production, the major CAPEX which will happen is on the



new pellet capacity of 2 million on the mining side, to ramp up the capacity along with the beneficial plant and then the new solar plant which will be set up to provide power to the pellet plant. So, put together all these, they've already invested a certain amount and the remaining about Rs. 700 crores will be spent in FY25 to complete that CAPEX cycle and for next year since the new greenfield, we hope to start the work in end of probably Q3, so the CAPEX required will be on the very minimal side, probably land requirement and all those things. From FY26, we can pay Rs. 1000 crores and then going forward, probably the CAPEX will go up drastically once we start the supply of equipment and other activities.

Manav Gogia: So, if I could just squeeze one more question in, you earlier mentioned that we won't be putting up a coke oven for the integrated steel plant. Is that thing currently still like down the line, would we be thinking of?

Abhishek Agrawal: As of now, we are firm on our thought process after a lot of due deliberation. We have no intention of setting up a coke oven in the phase-1, although we will be having the permission, we have applied for the permission along with the other capacities. But yes, in the phase-1, we have no intention of spending on coke oven. That is the scenario at the moment. So, again, status quo. Because to be honest, Indonesia, there's a lot of coke capacities, which are primarily for export purpose. So, today also, it's better to import coke rather than importing coking coal and use for your blast furnaces. But commercially also, it doesn't make sense to invest in coke oven right now, where you're able to get import cheap coke and using the blast furnace. So, as of now we are firm on not putting up a coke oven in Phase-1 for sure.

Moderator: Thank you. We have our next question from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Abhishekji, once we are done with the iron ore pellet expansion at our Siltara plant and sponge iron and billet and rolling mill that we have expanded, so will there be any further scope to add something in this plant?

Abhishek Agrawal: No. So, this complex, there will be no further scope to add further capacity primarily for two reasons. One is of course the space constraint. Secondly, currently that complex is industrial area, that has been declared as a CPA, which is a critically polluted area by MoEF. So, basically any industry which is under the CPA category, there will be no further expansion allowed by MoEF or even the State Pollution Board. So, basically both those things, we have no intention of expanding any capacity in this complex. Whatever expansion has happened, has happened in the new complex which is the Greenfield one.

Yogansh Jeswani: And sir, what about Urla industrial unit?

Abhishek Agrawal: See, Urla we have already done, we already invested and debottlenecked in the ferro alloys Company which is Hira Ferro Alloys and Alok Ferro Alloys. That has already been done last year. And this is that our production will go up this year. And after that, there will be no



further scope because again for the same reason because again Urla is also a CPA. So, since ferro alloys require coke addition to make metal, there will be no further expansion in that complex as well.

Yogansh Jeswani: Understood. And so secondly, coming to your expansion on the iron ore and the pellet prices, so far what our business has been that we have had surplus or enough pellet capacity to consume our entire iron ore while now with the expansion that is coming up, we'll have a surplus iron ore capacity and we being a captive miner, we can't sell this. So, any specific thoughts on how we use this or we will keep this iron ore as inventory and we keep using as we need it?

Abhishek Agrawal: No. So, there is a difference of understanding. So, firstly, going forward, once we start mining 6 million, we will be fully captive and we won't be having any iron ore to sell in the market because once the new pellet plant gets commissioned, my capacity will be about 4.7 million tons. So, after beneficiating to reach to a certain desired bit of Fe, there will be a loss of about 15% to 18%. So, once you compute that, 6 million of 18%, so we will be getting about 5 million of processed iron ore to use for a pellet plant. So, technically, we don't have anything to sell in the open market. It will be totally capital. And the most important point is although our mines were given to us on captive basis, but after the new MMDR Act came into picture, there is a provision that the captive miners can sell up to 50% of their capacity, but they have to pay additional royalty. So, if we say today's market, the additional royalty will cost me about Rs. 1,200. So, it doesn't make sense to sell iron ore in the open market by paying additional royalty.

Yogansh Jeswani: So, sir, I also wanted to understand on the crushing and beneficiation plant that you want to set up and how that would affect our economics in terms of costing and margins. So, you also mentioned that after our mining is completely ramped up to 6 million, beneficiation will help us and then 15% to 18% would be the loss in the production.

Abhishek Agrawal: See currently also, we are throwing about 12% to 15%. But what is happening is everything is coming to plant, beneficiation is happening in plant, and we are handling dumps in the plant side whereas once we start the beneficiation in the mine side, so everything will be benefited in the mine, so the 15% which we are throwing away will be handled in the mine and we will save on the transportation cost. So, today for example, I am paying Rs. 1000 per ton to transfer from mines to plant. So, 15% means straight away Rs. 150. So, Rs. 150 on the entire volume which will add to reducing the cost of my iron ore. So, that is the logic behind setting up a plant in the mine area and not beneficiating the plant. That is the logic behind that.

Yogansh Jeswani: Understood. And sir, overall how does the beneficiation plant help in terms of costing or something or if you could just help us understand suppose today your iron ore cost is Rs. 2800. Will that cost rundown or because in terms of grade we don't have much to go because we already have a 63%-64% Fe content iron ore?



Abhishek Agrawal: No. So, I will tell you, the average grade which we are currently producing and probably will further produce is about 61-62, 61.5 you can say. That is being benefited to a level of 68 and from there we are making pellets of 66. So, the purpose of putting up beneficiation is to upgrade my 61-62 iron ore to 68 level and then make quality pellets of 66 grades. It has nothing to do with the costing. It is more of producing quality iron ore concentrate, which will fit to my pellet plant. Rather, beneficiating will add to my cost because there is a cost for beneficiation. The only beneficiating is to upgrade iron ore to a certain level and then making pellets of higher grade. If we do not beneficiate and if we use the iron ore as it is, we won't be able to produce a pellet of more than 62 which will be a very commercial grade and the quality will not be suitable for steel operations operationally efficiency wise.

Moderator: Thank you. We have our next question from the line of Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: So, I missed the part where you mentioned how much capacity we are going to commission this year. Can you please reiterate that? And when are we going to commission that in which quarter or which month?

Abhishek Agrawal: So, you're talking about iron ore mines capacity?

Aditya Sen: Yes, right

Abhishek Agrawal: So, as we have given a production guidance for FY25, we envisaged producing 3 million tons. So, currently our mining expansion is under approval states from the State Pollution Board, it got a little delayed because of the elections. So, once we have that in permission in hand, we will ramp up the capacity and we target to produce 3 million tons by the end of FY25 against 2.4 million of FY24.

Moderator: Thank you. We have our next question from the line of Chintan from Abans Investment Manager. Please go ahead.

Chintan: Sir, can you give us EBITDA per ton, our EBITDA margin for billet and our rolled products?

Dinesh Gandhi: See, we don't give the numbers, the sponge iron or billet, we give the consolidated number and we don't have it with us right now.

Chintan: I will take from offline. So, can you give us any guidance on the debt to equity ratio for the further CAPEX because right now we don't have any kind of the debt on the balance sheet? So, can you guide us on our debt and equity ratio?

Dinesh Gandhi: No, debt and equity, like we have said that we are investing about Rs. 1,000 crore in the mine, pellet plant, as well as solar power plant for the mine. Put together, it's close to about Rs. 1,000 crore. And to that extent, we are already having the cash on our balance sheet. So, no more



debt will be required for this. Coming on the integrated steel plant, that is expected to take about 3 years from the date of receipt of approval to commission the project. And with the commissioning of new pilot plant in the next financial year, our cash flow from internal accruals is going to go up. So, we hope to complete the majority of the CAPEX through the internal accrual and the resultant debt, shortfall of whatever cash and cash accrual and the debt, total investment required will be balancing debt. So, we don't think that we'll be able to require to take more than Rs. 1,500 crore kind of debt in order to complete the new project. So, that's everything should go from the internal accrual. That's what is our expectation is as of now. Now this figure can change somewhere here and there depending on the operating margins etc. So, if we are able to maybe require to take a debt of Rs. 1,500 crore or so, then that will be less than 0.3x of the present net worth and this debt we may be required to take it after two years. So, that time our net worth will further go up. So, it will be negligible.

- Moderator:** Thank you. We have our next question from the line of Rakesh Roy from Boring AMC. Please go ahead.
- Rakesh Roy:** Can you give me a breakup for MS round and TMT bar for full year FY24? How much is MS round and how much is TMT bar in volume?
- Dinesh Gandhi:** The number we have given in presentation. TMT bar we don't make it.
- Rakesh Roy:** So, we have only MS round only.
- Dinesh Gandhi:** Yes.
- Rakesh Roy:** And you just said that you have saved money for some fuel like solar by adding solar and new turbine. So, how much do we expect for FY25 from this group part?
- Dinesh Gandhi:** No, that is very difficult. In solar, it's a great cost. You save minimum Rs. 3.5 per unit. So, whatever additional power will be required will be saved through solar.
- Rakesh Roy:** And any outlook for operating margin for FY25?
- Dinesh Gandhi:** We believe that whatever margins we have achieved in the current financial year should be minimum there. Now that depends on the selling price as well. So, if the selling price for some reason or the other goes down, then the margin can go down. Otherwise, we are quite set to achieve the margin of over 24%-25% if the current price is sustained.
- Rakesh Roy:** Sir, any comment on realization side because if you see your Q4 realization except pellet, all is down, near by 12%-14% year-on-year basis. So, any comment for Q1 also, this will happen same time for the pricing?



- Abhishek Agrawal:** For Q1, the market has definitely gone up because there has been a certain demand for finished steel post Holi and people are quite bullish going forward. So, prices are almost 10% up compared to Q4 versus Q1 of FY25 across the chain. Be it iron ore pellet, be it DRI, be it billets, or be it finished steel. So, prices are almost 10% up across the chain post Holi, which is so Q4 versus Q1, you can expect 10% higher price variation.
- Moderator:** Thank you. We have our next question from the line of Rohan Mehta from Strategic Investment Managers. Please go ahead.
- Rohan Mehta:** I just wanted two ratios like turnovers for the pellet plant that we are putting up and the steel plant we are putting up, a ballpark figure would do.
- Dinesh Gandhi:** A turnover ratio?
- Rohan Mehta:** Yes.
- Dinesh Gandhi:** So, this two million ton additional pellet plant, we have a turnover of close to about Rs. 10,000 a ton and 100% utilization will have a turnover of Rs. 2,000 crores and investment including mine and beneficiation, solar power plant is Rs. 1,000 crores. So, it is 2x what is your investment.
- Rohan Mehta:** And for the steel plant?
- Dinesh Gandhi:** Steel plant, say 2 million ton steel plant into Rs. 50,000 a ton.
- Rohan Mehta:** So, let's say about Rs. 10,000 crores of revenue.
- Dinesh Gandhi:** In terms of revenue. And CAPEX is Rs. 6,000 crores.
- Moderator:** Thank you. We have our next question from the line of Shivam Saxena from ICICI Bank. Please go ahead.
- Shivam Saxena:** Just having one question, I wanted to check on any impact of the ongoing heatwave on the operations of the Company?
- Abhishek Agrawal:** No, zero impact. And to be honest, even during the monsoon period where the steel industry suffers, we maintain our 100% pushing capacity. That's how we have developed the infrastructure.
- Shivam Saxena:** Any shortages on employees getting sick because of the ongoing heatwave.
- Abhishek Agrawal:** No, see, but with more and more CAPEX going into mechanized operations, even if there is a little bit of shortage in terms of contractors and employees, it doesn't deserve our production volumes. We are well equipped to handle all these situations. This is not an unusual



phenomenon. For us, being in Raipur, with temperatures usually plus 40 degrees, we have been facing this since every year. So, we are well equipped to handle these situations.

Moderator: Thank you. The next question is from the line of Piyush Arora from School of Intrinsic Compounding. Please go ahead.

Piyush Arora: Sir, as a percentage of our pellet sales, how much comes from the lower grade versus the higher grade?

Abhishek Agrawal: It's 50-50, yes. So, 50% is of lower grade and 50% is of higher grade because the remaining high grade is being consumed in our house for our value-added steel, which is DRI and then further crude steel and rolled product. So, the sales volume is 50-50 for both, 56 and 63.

Piyush Arora: And sir, going forward, do you think that after our expansion of iron ore mine comes up, so this mix will change further towards the higher grade?

Abhishek Agrawal: So, yes, so the new plant which we are setting up, we will be rather producing higher grade pellets only. So, further, once the capacity is in line, then the ratio will give about 25 of 63, and the remaining will be the high grade. Once the annual capacity goes up and the new plant comes into production in FY26.

Piyush Arora: And sir, how much higher EBITDA per ton shall we get as a percentage versus lower grade and higher grade, just for a ballpark idea?

Abhishek Agrawal: Okay, so the average yearly premium, we command from our buyers is about \$20. You can say \$20 or Rs. 1500 a ton. That's the yearly average between 63 and the high grade.

Moderator: Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial. Please go ahead.

Shikhar Mundra: What kind of incremental EBITDA we are expecting from the steel plant at the present prices?

Abhishek Agrawal: See, already last year, FY24, we have increased our steel capacity from 3.75 to 4.75. And this year, we have given a production capacity of 0.5 million tons. So, an additional 125 kg. So, we don't see a substantial improvement in terms of our steel capacity because we are already close to 90% of our production capacity. So, I don't see substantial jump in additional EBITDA from the steel side. Of course, the prices go up from the supply chain because our iron prices are intact, we can see substantial improvement in EBITDA. That's the only upside I would say.

Shikhar Mundra: I am talking about the Rs. 6,000 crores of CAPEX which we are doing.

Abhishek Agrawal: See the way we have envisaged the entire project bare minimum we are looking at EBITDA about 10,000 to be done.



- Shikhar Mundra:** At these present prices?
- Abhishek Agrawal:** Yes, current scenario, definitely.
- Moderator:** Thank you. We have our next question from the line of Rajesh Mangal Agrawal from Rajesh Mangal & Company. Please go ahead.
- Rajesh Mangal Agrawal:** Sir, considering the CAPEX, what will be the topline growth and PAT margin for FY25?
- Abhishek Agrawal:** See, I think FY25, we have already reached our maximum capacity for all the operations. So, we don't see additional revenue being generated because of additional capacity or additional CAPEX. Whatever additional revenue is going to come in on the topline will happen in FY26 once our new pellet plant comes into production.
- Rajesh Mangal Agrawal:** And nice to hear you that sir, that whatever further CAPEX plan, we are trying to come from cash accruals. That is very nice.
- Moderator:** Thank you. The next question is from the line of Amit Kumar, a shareholder, please go ahead.
- Amit Kumar:** So, Slide #12 gives projected CAPEX of Rs. 6,000 crores of integrated steel plants, but expected timeline is 36 months of environmental approval. So, when can we expect the approvals and what kind of product is produced, sponge, iron or the steel billets and further what kind of topline we can expect after everything is installed after 36 months, just a ballpark.
- Abhishek Agrawal:** On the timeline, we have already mentioned in the other discussion, due to the elections of the state and center, that things are getting delayed. We are hopeful we should get the environmental clearance by end of Q2 or early of Q3. So, once we have the entire approvals in hand, from there we can assume about 30 to 36 months for commission of the project. And as Mr. Gandhi mentioned, once that is commissioned, considering a finished steel price of say Rs. 50,000 a ton, so for 2 million, the additional revenue of Rs. 10,000 crores. But 3 years from now, it is a very long time in the commodity market.
- Amit Kumar:** What are the end-user industries for this? What will you produce, sponge iron or steel billets?
- Abhishek Agrawal:** No, we won't be going for a secondary coal-based JRI route. We are planning to install a blast furnace route which is the primary route. So, blast furnace, then the SMS which is crude steel. We will be producing HR coil and the primary bias for that will be automobile, pipe manufacturers like APL Apollo and other segments. So, we will be producing the same quality and we will be in the same market as players like Tata, all the big guys, JSW, ArcelorMittal, basically the HR coil sheet which we use for automobile and other value-added products.
- Amit Kumar:** So, hopefully we can expect the revenue coming in after FY27 or FY28?



- Abhishek Agrawal:** I think second half of FY28 partial and then FY29 will be the full revenue once we are able to operate 100% capacity.
- Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** So, my question is regarding if ever we complete all the CAPEX like the integrated steel plant CAPEX and all other CAPEX, so what could be the revenue that we could generate and EBITDA that we could generate?
- Dinesh Gandhi:** See we already discussed I think this question 2-3 times in the call. The revenue with the additional 2 million ton at the average Rs. 50,000 ton could be about Rs. 10,000 crores but that is 3 years away. EBITDA, we are looking at an EBITDA of Rs. 10,000 a ton on the proposed CAPEX of integrated steel plant, but that would primarily depend on the prevailing demand, supply scenario, pricing etc. But on an average longer term, we expect Rs. 10,000 a ton EBITDA margin on this integrated steel plant on a longer term average basis.
- Moderator:** Thank you. We have a follow up question from the line of Aditya Welekar from Axis Securities. Please go ahead.
- Aditya Welekar:** Sir, earlier in the call you mentioned that we will be sourcing metallurgical coke rather than coking coal. So, can you quantify the kind of advantage we get from that?
- Abhishek Agrawal:** See, the only advantage in the current scenario is it's cheaper to import coke straight away for using blast furnace rather than importing coking coal, investing CAPEX in the coke oven and then making coke for your blast furnace. So, I have done the math. So, today commercially it's cheaper to import coke rather than importing coking coal and then investing heavily into coke oven and then using in your blast furnace. That is the primary reason because Indonesia has come up with huge capacity. Currently, they are at 15 million going up to 20 million tons which is primarily export market for them. And already a lot of folks are already huddling into India. That's the only reason for not putting up a coke oven and rather importing coke directly.
- Aditya Welekar:** Okay, so we are saving some CAPEX on installing coke oven there?
- Abhishek Agrawal:** I think for a 2 million steel plant, the CAPEX will be as high as about Rs. 1000 crores. So, it's the substantial money we will be saving. Plus commercially also in terms of operating costs, importing coke is cheaper than importing coking coal today.
- Aditya Welekar:** Understood. And one last one. So, what is the competitive strength we have for our integrated steel plant? So, we are installing 2 million tons with a CAPEX of Rs. 6,000 crores. So, what is the industry standard for our million ton of installation? How much CAPEX industry needs? And what is the differentiating factor for our integrated steel plant?



Abhishek Agrawal: See, of course, one is going forward and today also is the iron ore mining, which is at a zero premium. So, that will be the biggest advantage we have compared to our peers. Of course, people do have like Tata has, but compared to others, they don't have. They bought the mining from auction, so they are paying certain premium. So, that is the biggest advantage. We want to capitalize our iron ore capacity for further value-added chain. And on the ballpark figure, yes, industry standard is about Rs. 4,500-Rs. 5,000 crores per million. We are talking about Rs. 3,000 crores. There are a couple of primary reasons. One is, of course, the failing on the coke oven capacity. Second is we won't be going for coal-based power capacity to feed to our steel plant. We will be going for a group captive solar plant. So, that will save us huge CAPEX. And third is, see, we are already investing on the iron ore in the current complex. The 2 million pellet plant which will be commissioned next year, that will be for a merchant sale only for a couple of years. Once my blast furnace comes into production, the entire 2 million will be feeding the blast furnace. So, we are saving a huge amount on three accounts. One is the iron ore capacity to feed the blast furnace, second is the coke oven and third is the coal based power plant. So, put together all these three, we envisage you can save about Rs. 1500 to Rs. 2000 crores per million compared to what the industry's standard is. That's the only reason.

Aditya Welekar: Yes, that's quite helpful. So, one last one on, so the kind of EBITDA per ton, we are targeting is Rs. 10,000 rupees per ton. So, is it not slightly conservative, means given some competitors are having EBITDA per ton of Rs. 16,000 per ton.

Abhishek Agrawal: See, the problem is if I am able to start the mill production today, I can say, yes, probably Rs. 15,000-Rs. 20,000 per ton. But three years down the line, we don't know where the market's going to be, how the demand supply's going to play, how the iron ore market is going to play because it's a commodity market, right? If you want to assume to get market, yes, we'll be saving much more than Rs. 10,000. But on a conservative side, in the long term, we feel 10,000 is a good number to probably commit or probably to discuss on. That's the only reason because three years is a long time from now on.

Moderator: Thank you. We have our next question from the line of Manav Gogia from Yes Securities, please go ahead.

Manav Gogia: So, this one question from my end. If we look on a Q-on-Q basis for the other expenses, the other expenses have gone up by roughly 25%. Can you just elaborate on the key factors behind this?

Dinesh Gandhi: I think there was some export of pellet and the outgoing freight is also included in that. That is one primary reason for the other expenses going up.

Abhishek Agrawal: Correct. So, we were exporting pellets till the month of February when the domestic market demand was quite subdued. And once in March, when the China market came down and there was a reverse cycle in the domestic market, when the demand for the domestic market started



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coming, we stopped exporting. So, Mr. Gandhi mentioned that is the reason primary for the other expenses to go up.

Dinesh Gandhi: And then of course there is an additional production in the steel billet exposure and all the value-added products. So, additional consumption of material, stores, spares, electricity, all those things are there in that.

Moderator: Thank you. We have a last question from the line of Rakesh Roy from Boring AMC. Please go ahead.

Rakesh Roy: I have only one question. Can you give me the breakup of ferro alloy between the GPIL Hira and Alok for production and sales volume both?

Dinesh Gandhi: Capacities I can tell you right away. Production numbers are not available. Capacity, GPIL is 16,500, Hira Ferro Alloy is 16,000 per ton and Alok Ferro Alloy is about 15,000. I think the numbers are given in our presentation itself. I think there is a production of 80,000 tons also. So, GPIL is operating at full capacity. Alok also operated at 90%. There was a lower volume in Hira Ferro Alloy closer to about 42,000-43,000 something.

Abhishek Agrawal: Because we have taken a shutdown for modification of the furnaces for better efficiency that work is already over, so you can see the volume growth in Hira Ferro Alloy from Q1 FY25.

Rakesh Roy: Okay, you are saying that the sales volume 100% and Alok is 90% and Hira is near about 30%?

Abhishek Agrawal: Hira was about 60%. So, it's not sales volume, it's production and sales because whatever is being produced in Hira and Alok is totally for merchant sales than the traffic condition.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Dinesh Gandhi: Thank you, Manav. Thank you everyone for joining the earning conference call of Godawari Power and Ispat for FY24. We are confident that we have adequately addressed all your queries. Should you have further questions or need any additional information, please feel free to reach us directly or contact our Investor Relations team at Go India Advisor. Once again, we sincerely thank you all for your participation and unwavering support. Thank you very much. With this, we conclude this call.

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