Management Discussion

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Yes, thank you, Ganesh. Good afternoon, everyone. It's a pleasure to welcome you on behalf of Godawari Power and Ispat Limited. Please note that today's discussion may include certain forward-looking statements and therefore must be viewed in conjunction with the risks that the company faces. Today we are joined by Mr. Abhishek Agarwal, Executive Director, Mr. Dinesh Gandhi, Executive Director, and Mr. Sanjay Bothra, Chief Financial Officer. May I now please invite the management to present on the company's business outlook and performance, after which we'll open the floor for Q&A.

Thank you, and over to the management.

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
Hello, thank you, Sahil. Uh, good afternoon everyone, thank you for joining us on today's call. Our financial results and earning presentations have been uploaded to our website and to the exchanges, and I trust you had had an opportunity to review that. I will now brief you through the key highlights of the results, following which we will open the call for Q&A. Before I move on the quarterly performance, I would like to highlight an important milestone in our journey. We have unveiled our refreshed corporate identity, marking the beginning of new chapter for Godawari, built around the vision for One Godawari and our tagline, Powering New Horizons.

The new identity reflects our ambition to bring our diverse businesses together under unified brand while building on our strong industrial legacy and positioning the group for its next phase of growth. This transformation represents more than a change in our visual identity. It reflects the evolution of the group, our expanding business portfolio, and our aspiration for the future. It will help strengthen the brand recognition, ensure greater consistency across our businesses, and create a more integrated experience for our stakeholders.

As we continue to explore new growth opportunities across established and emerging sectors, we remain committed to advancing the shared purpose in creating sustainable long-term value. Turning to our consolidated financial performance, revenue increased by 25% YOY in Q2 FY27 to Rs 1,632 crore and up 29% YOY in H1 FY27 to Rs 3,382 crore, supported healthy sales volume and improved realization. Profitability remained under pressure both periods due to elevated iron ore sourcing cost from market and higher coal prices amid the West Asia crisis.

Additionally, Q2 FY27 witnessed the quarter-on-quarter decline in profitability due to lower pellet realization. EBITDA and paid margin stood at 12.2% and 5.2% respectively, and 15.7% and 9.1% in H1 FY27. Margins are expected to recover from Q4 FY27 with expected receipt of regulatory permission for use of additional land for dumping of ore burden and commissioning of beneficiation plant, enabling the higher iron ore production from captive mines and use of captive iron ore for pellet production.

Turning on operational performance, Uh, production volume recorded YOY growth across most of the product categories in H1, with iron ore mining and galvanized fabricated products as exceptions. The iron ore mining was impacted by space constraint for dumping of ore burden, while galvanized fabricated products were affected by seasonality heavy rains. During Q1, production continued to grow YOY across most segments. However, sequential basis, iron ore pellet production declined due to temporary closure of 2 million ton pellet plant.

For uneconomical operations, while ferrous production was impacted by lower captive power

generation resulting in adverse weather conditions. Considering the prevailing operations conditions, we have taken a cautious approach and revised our FY27 production guidance for iron ore mining from 3.4 million tonnes to 2.5 million tonnes, iron ore pellet production from 4.4 million tonnes to 3.5 million tonnes, And production across other key segments remains on track, with shareholders in Sponge RM achieving over 50% of annual targets.

Our value-added product sales remained healthy, uh, growth in H1 FY27 led by pellet, sponge RM, rolled products. This was further supported by YOY improvement across all product categories in both H1 and Q2, contributing healthy revenue growth. The other update, the Ari Dongri RNR expansion in progressing as planned. Uh, the beneficiation plant targeted for commissioning in Q4, Q3 FY27. The plant is expected to strengthen the captive RNR security and improve quality of pellet, enabling the ramp-up from Q4 and fully scaled operations by FY28.

We are expecting our, uh, you know, regulatory clearance for use of dumping ground, uh, very shortly. Uh, you know, it is expected anytime, you know, in next couple of days. And once the, you know, uh, the permission for use of dumping ground is allowed, then our mining production will also increase. As communicated earlier, 0.71, uh, 7 million ton CRM complex is now shifted to Maharashtra to leverage the benefits of state incentives and subsidies along with operational synergies from proximity of the proposed base plant and customers for the product.

We have received the land allotment of 31.45 acres at Ori Bitkin Industrial Area. Lease deed has been executed. Construction activities are expected to commence upon receipt of EC for building construction. Additionally, board has approved CapEx of Rs 100 crores from internal accrual for container manufacturing line alongside the CRM complex. Uh, the commissioning for the container line is expected by March '27. This container line manufacturing was earlier proposed to be set up along with the base project.

However, since the CRN project is now shifted to Maharashtra, uh, operationally, you know, it is better to set up this facility as a part of CRN complex, and therefore, uh, now the construction of this project will also start very shortly. Our 20 gigawatt base project is progressing towards targeting commissioning by Q1 FY27, with fresh environment clearance received for building construction. Sorry. You know, and other approvals. The key technology and supply partnership, including long-term sale arrangement, have already Also been finalized.

Uh, you know, we have also, uh, you know, now done the financial closure with the receipt of credit facilities aggregating sanction for Rs 2,795 crore comprising of term loan of Rs 700 crore for this project and working capital fund-based limit of Rs 100 crores and non-fund-based limit of almost about Rs 2,000 crores. Additionally, company has decided to set up a 3 gigawatt-based project for manufacturing small capacity storage system with a capacity of 261 kilowatt-hour and 418 kilowatt-hour for commercial and industrial applications, entailing the CAPEX of Rs 135 crore.

And the project is targeted for commissioning by March 28th. The project will be set up alongside the proposed 20-gigawatt base project, and no additional land is required for the same. As you are aware, GPIL is expanding captive power capacity, uh, from 190 megawatts to 290 megawatts to support its Arunachal mining and additional 2 million ton pellet plant capacity. The 25 megawatt solar power plant was commissioned and synchronized with the grid in May '26, with power being used at Aridongri Arunachal mines.

The 100-megawatt solar project is under construction, which of course is delayed by a couple of months and is now expected to be commissioned by December 2026. Additionally, 45-megawatt base storage project for Kepti Solar Power Plant is also under implementation and is expected to be

commissioned by December '26. GPIL has also approved an investment of Rs 26 crore for 26% in Solarcraft Power India 32 Limited to set up 50 megawatt solar power project under group captive arrangement. This is, uh, you know, diversion from our existing strategy of setting up this project on the balance sheet of- sorry, solar project on balance sheet of GPIL.

Now with, you know, funds being used for other CapEx program, we have decided to, you know, use the group captive arrangement for additional power requirement. Uh, so that our investment is limited to 26% of equity capital in the proposed setup. Taking forward our sustainability agenda, the company has approved a CAPEX of Rs 100 crore for deployment of 50 numbers of EV dumpers across our iron ore mines and plant operations, aimed at improving cost efficiency, reducing dependence on conventional fuel, and rising fuel cost.

During Q2 FY27, company has started commercial production in enhanced steel melting shop capacity from 5.25 lakh to 5.75 lakh metric tons. The expanded capacity is now operational, enabling almost 100% captive use of sponge iron in the billet manufacturing, driving higher value addition and improved operating margins. Coming on the market outlook, the international iron ore front- iron ore prices remained under pressure with benchmark prices trading at around $90-$92 per ton in early November, largely due to weak Chinese steel demand and rising global supply.

Going forward, iron ore prices are expected to average at around $90 a ton in the near term, with further downside risk from incremental low-cost supply, and particularly with the ramp-up of Geneva's Simandou iron ore project. On domestic iron front, iron ore prices continues to be lower than the landed cost of imported iron ore at the plant level, and demand-supply dynamics for iron ore remains stable. However, domestic steel demand outlook remains encouraging with crude steel production growing 2.9% YOY and finished steel consumption increasing 7.6% YOY during H1 FY27, supported by continued infrastructure housing and manufacturing activities.

In conclusion, GPIL is well positioned to deliver sustainable long-term growth supported by its strong captive iron ore mining assets, healthy balance sheet, ongoing capacity expansion, continued focus on cost optimization and decarbonization. With a clear defined growth roadmap and disciplined execution, we remain focused on achieving our Vision 2030 target of 4x revenue growth and 3x EBITDA and paid growth while creating long-term value for all our stakeholders. I would now like to open the floor for Q&A.

Thank you, and over to you, moderator.

Questions & Answers

Operator
Thank you so much, sir. Thank you, ladies and gentlemen. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may please press star and Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. First question comes from the line of Sukriti Patel with iSight FinTrade Private Limited.

Please go ahead.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Uh, good afternoon to the team. Uh, I have 2 questions. My first question to Mr. Agarwal is, Uh, your

Q2 operating margins dropped from 20% to around, uh, 11-12% because, uh, you had to buy more iron ore from outside market while waiting for pre-cutting approvals at your captive mine, uh, and alongside the higher coal cost also. But I want to understand, as you prepare to commission your 5 million ton, uh, beneficiation plant and execute new projects in cold-rolled steel and battery storage. How are you managing the risk of further regulatory or approval delays?

And what backup plan do you have if mine clearances take longer than expected? Just want to understand your strategic guidance on this.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Sure, sure. Very good morning. As you rightly mentioned, uh, the operating margins have gone down because of higher input iron ore costs. As well as energy cost, uh, both on the pellet side, uh, pellet fuel cost, as well as on the DRI side because of imported coal. So this has been the major reason, uh, for reduction in the operating margins. Uh, in terms of, uh, mining expansion, so your concern, uh, just to answer that, uh, the 3 cutting approval, uh, is expected anytime soon this week. It can come today also, maybe tomorrow also.

So as I mentioned earlier, uh, we will be getting all the clearances by Q3. So we are very much on track, and the tree cutting approval and hence further usage. So by end of Q3, we should be able to start increasing our mining capacity. That will address all your concerns regarding the cash flows. All of the projects, uh, are on track, and there will be no further delays in terms of Execution due to cash deployment. So even in short, we have enough free cash flows as well as the generation, and we've also taken few loans from the bank on a long-term basis to keep funding our projects.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Thank you. My second question to Mr. Bothra is, uh, with coal steel margins under pressure and pellet prices getting softer, I want to understand how are you managing the financial risk of taking on a large new debt And what strict return hurdles or debt limits have you set so heavy CapEx doesn't strain your balance sheet if steel prices stay weak? I'm asking because I observe your net profit fell from 47-46% this quarter even though as the board approved Rs 1,400 crore in fresh CapEx across steel, containers and batteries.

Thank you.

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
See, the iron ore pellet prices already improved during this quarter, so we will see some profit improvement, uh, as compared to this quarter 2 in this quarter 3. As far as the cash deployment is concerned, we have already tied up with our ongoing CapEx. Our CRM project is, uh, we are getting around Rs 500 crore CapEx against that. Uh, our base project financial tie-up is already there. And we have around Rs 900 crore of free cash flow, free cash as on date. We don't foresee any cash crunches or cash problems going forward.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Thank you and best wishes. Thank you.

Operator
Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and 1. Reminder to all the participants that you may press star and 1 in order to ask a question. Our next question comes from the line of Tanuj Nagalia with SKP Securities Limited. Please go ahead.

Tanuj Nagalia - Analyst, SKP Securities Limited
Good afternoon everyone, am I audible? Yes,

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Please.

Tanuj Nagalia - Analyst, SKP Securities Limited
Yeah, so my first question is that, uh, Godavari had a tendency of earning a higher realization of Rs 1,000 to Rs 1,500 in their pellets, and this was basically due to their iron in-house captive iron ore and its quality. So now we are sourcing from outside, so I wanted to understand how much of the drop in realization is due to that premium realization drop and how much is due to the general pricing dropped, the breakup between the

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Two? No, sir. So right now, because our production is low from the mines, so right now we are not making any high-grade pellets for the market merchant sale. Uh, whatever production is being done in the mines is, is being used captively for my steelmaking. So earlier we used to be doing about, you know, 50,000 to 1 lakh tonnes of high-grade sale. So that sale is completely zero from past few months. So straight away you can consider an impact of Rs 1,000 On that. So merchant sale of high-grade pellets will only resume once our mining production ramps up.

So from Q4 onwards, uh, we will, uh, resume the merchant sale of high-grade pellets, which fetches us a premium of Rs 1,000 plus. And on the margin side, uh, the pellet prices were, uh, low during end of Q1, early Q2. It has reached Rs 8,500. It gradually improved to Rs 11,500. And now since the market is lull, so the prices are back to Rs 10,500. So it's, as you know, it's a commodity, so the prices will keep up, you know, going up and down depending on the market. Major impact is of iron ore. Once you're able to ramp up our mining capacity, everything will fall in place.

Tanuj Nagalia - Analyst, SKP Securities Limited
Okay, thank you so much, sir. So, uh, I want a general idea about the how much EBITDA per ton we are making, like product-wise. For example, it is pellet Or sponge or billet, if you can give us an idea.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Excluding pellet, you can consider about roughly about Rs 6-7 a kilo on the entire supply chain, right from my sponge iron to steelmaking, about Rs 6-7 a kilo on the entire supply chain apart from pellets. Pellets right now, if you see the market fines prices and the selling price, so hardly or probably Rs 500-700 a bigta because even the fuel cost is quite high because of the war situation. And purchasing market from the fines is of course, it's an expensive affair. So currently whatever we're selling in the market by buying fines, hardly making Rs 5 a tonne.

It's not much.

Tanuj Nagalia - Analyst, SKP Securities Limited
Okay. And, uh, sir, how confident are you on your, uh, this thing, the BES timeline, etc.? Or we can-

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, so in terms of our project, see, BES is on track. We should be able to commission, uh, rather the first container should be out by end of Q1 of next financial year, early Q2. So this is on track. CRM, because the location was, uh, shifted, uh, we finally got the land, uh, the final site work is started,

uh, post-Diwali. So, uh, currently we envisage December '27 commissioning. Uh, at the moment, uh, it might stretch to March '28. That's it. So whatever CapEx we're doing right now in terms of execution are very well on track.

Tanuj Nagalia - Analyst, SKP Securities Limited
Okay, thank you so much. That's- thank you.

Operator
Thank you. Our next question comes from the line of Sahil Sanghvi with Monarch Capital. Please go ahead.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Yeah, hi. So my first question is regarding the commercial and industrial use, the CAPEX that you've announced for the BEST project. Can you please explain what incremental equipments or how- I mean, how does this work out? I mean, What exactly do we do in our setup with this CAPEX?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
So basically, see, right now whatever SME line we're putting up, it's for the grid solution. It's basically for a 5 megawatt container, 5 megawatt and above capacity. So that is for the grid solution. Right now, if you see now that there is a lot of demand coming from other sectors where people are looking for smaller storage capacities. So the containers we'll be making in this new line, the capacity of one container will be 260 kilowatts. And 400 kilowatts. So just to give a very light small example, example in Delhi there is definitely a power cut, right?

So all the commercial people use a DG. Right. So it's a direct version of DG where you install this container, import grid from the power, store in the battery, and then whenever there is no light you can start discharging and keep the shop running. Just to give you an example. So we have also decided to enter into the smaller segment. It's more of a B2C segment I would say, but in India the demand is exponentially growing. And right now there are hardly a couple of suppliers in India, mostly people are importing from outside country to meet the requirement.

So looking at the entire demand and supply, we have decided to put up this line as well, which is going to be a 3 gigawatt line making multiple products, right from 261 to 418 and so on.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Got it, got it. Um, my second question is, uh, in your presentation you have, uh, um, now, I mean, you have written in the slide number 25, the best slide, that, uh, some of the equipments, um, uh, you know, uh, will be supplied by LED Intelligence Vexi. Yeah, yeah. So, so then, uh, I'm just trying to understand, should we expect a meaningful, uh, offtake only to pick up in Q2 FY28, uh, if we have to wait for this equipment? No, no, no, no.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
So no, no, so just to clarify, the current 20 gigawatt line, the machine supply has already started. And for the new project, for the 3 gigawatt line, uh, that supply will start from July-August '27, and the new 3 gigawatt line will be commissioned by December '27, which is about 12 months from now on. So the August, the supply will start for the new 3 gigawatt line, but for the bigger line, supply has already started, and that, that line will be commissioned by June-July '27.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Okay, okay, okay. Yeah, certainly. Um, thirdly, on the, the 5 megawatt-hour configuration, um, um, have- are we expecting to bid for some projects now, or are we waiting for, uh- Yes, just to give

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
You an update, uh, we have, we have formed a new company called Godawari Energy Solutions Limited. It's basically- it's going to be a supporting in-house EPC company. Where we will be bidding for tenders coming out in the market. So today if you see the entire BEX market, 90-95% demand is coming from government tenders, whether it's SECI, whether it's Coal India, NTPC, state DISCOMs. So the idea is to start bidding and create your own consumption to a certain level. So the idea is out of 20 gigawatts, at least 40-50%, at least we should be able to create our own consumption by bidding in tenders.

So whatever tender we bid, primarily we'll be looking at the best supplier in that line and probably we'll tie up with some other companies for supply of EPC or other things. So that is the reason we have formed this company and we will be bidding for tenders going forward. Rather, we've already started bidding for tenders. Of course, we haven't won anything yet. We're still trying to learn the entire gimmicks, but eventually we will be bidding in tenders and trying to pay down the convention going forward.

For the 5-megawatt container.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Right, right. And, and, and can we, can we expect a 10 to 20% utilization in the first year, or are we looking at a little lower number?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, no. So in the first year, no, we should, we should, we should be able to reach between 10 to 20%. So June, July commission. So by March '28, we should be able to do at least 20-25%. We should be able to produce 5 gigawatts in the first year.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Got it, got it, got it. Yeah, um, yeah, this is helpful. Thank you so much, and I'll come back in the queue.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Thank you.

Operator
Thank you. Thank you. Our next question comes from the line of Sunil Jain with Nirmal Bank Securities Private Limited. Please go ahead.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Yeah, thanks for taking my question, sir. Uh, so this question relates to first for our steel business. So ex-pellet, whatever we have lost on the profitability, uh, the other steel business has done reasonably okay, or was there a pressure over there also?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, no, no. So I think- no, no. So all other units have been producing at the desired capacity, and, uh, barring the energy cost of, you know, which is, which is up because of the war uh, entire supply

chain is doing quite well, right from DRI to billets. Uh, since we have PGCL approved, so we're getting a very healthy premium on selling those billets. Then of course we have the wire rod and all. So the entire steel supply chain is doing perfectly fine, uh, you know, apart from pellet. And pellet, I'm quite confident from Q4 onwards, uh, we should be able to, uh, start showing numbers in pellet production as well.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Uh, so we had said earlier also about, uh, this permission for land, uh, and, uh, that keep got postponed. No,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
So last time also I very clearly mentioned we expect the entire process to get over by Q3, end of Q3, and I would still reiterate, uh, we will be able to complete the entire process of approvals by end of this Q3, and from Q4 onwards you will see a ramp-up in mining production. So as for my last, uh, last, uh, commitment or last, you know, reply, we are very much on track. I know there's been a substantial delay, but as per my last statement, we are very much on track.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Uh, so just I was asking that only, how you are getting this confidence this time? Like, uh, things are- Because,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Because, because, because of course, officially, uh, I don't have any document which, you know, I can share with all the shareholders. But, uh, I'm very well aware the permission is at the last stage because it's, it's a complicated process. It's a long, you know, long-drawn process. So we are very at the last stage of getting the tree cutting permission. And as I said earlier, uh, we can get the permission today or tomorrow, but I'm very confident we'll get the tree cutting permission this week.

And from there on, we need about 3 to 4 weeks to do the tree cutting, get the land clear, and start using the land for dumping.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
That's

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Why I'm confident. Yeah, yeah.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Good to hear, sir. Thank you very much.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, thank you so much.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
This base project, what you said, that 40 to 50% will be captively consumed. So will there be investment in that particular part of business, like we have to create asset base and then use that to sell or something like that?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, see, so we are not right now thinking on those lines where we create an asset and how

everyone else is doing. It's a very initial phase. There's a possibility where instead of participating in tenders directly We might be able to tie up with big tender participations where on back-to-back guarantee we can supply the best content there. So we're exploring all the venues from a long-term perspective, which is bidding for tenders directly, tying up with other tender players, other participants.

So let's see how the market unfolds. But we are very, very clear in terms of we have to have all the venues open in the market. You just cannot go on a straight line, you have to keep all the options on the table. To keep the consumption on the higher side.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
It's a last question related to, again, to the base. Uh, so, uh, what is the situation in the market? Uh, means everyone is into setting up of the line for the base project?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, yes.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Is there overcapacity getting created and then we might see some pressure? On paper

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
It is. If you, if you ask me very honestly, yes. In last 6 months, the amount of capacity, uh, had been announced by different players. Uh, it is alarming, uh, but as I'm- again, I'm saying it's still on paper. To announce an executive project is a good 18 to 24 months, you know, months of timeline. And we have on- we are very close to commissioning a plant. So that, that first mover advantage we will definitely get for at least next couple of years.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay, sir. All the best, sir. Thank you very much.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Thank you.

Operator
Thank you. Ladies and gentlemen, in order to ensure that the management will be able to address all the questions from the participants, we request you to kindly submit your questions only for participants. If you have a follow-up question, please rejoin the queue. Our next question comes from the line of Varun Mehta with Wealthlink Investments. Please go ahead.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Good afternoon, everyone. Good afternoon. Yeah, good afternoon. Yes, uh, uh, can you throw some light on best margins what we are looking at? Because as per annual report, uh, it has been said that we are looking at 12 to 13% margin on the higher side, but the last conference call, 2 conference calls back, you had said it by 7 to 8%. So no, so on the best side, on the best

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Side, no, so on the best side, uh, I think that your margin should be between 5 to 7% only.

Anant Mundra - Analyst, My Temple Capital
5 to 7 only. Okay, okay,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
We have been, uh, envisaging from day one, uh, I don't know if we have done within 12 to 10%, and then, uh, we would like to, uh, correct that. So on the longer term basis, best margin should be between 5 to 7% only. Okay, okay, I will speak to my team on this. Thank you for pointing out.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
And anything, any update on the steel plant? Are we still on it or

Yash Cabra - Analyst, Denver Bank Securities
We are waiting for it?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, as we said last time, it's on hold. We are still waiting for the approvals pending, which is especially on the water side. We still have- we haven't succeeded to get the desired approval, uh, so steel plant remains to be on hold. Uh, let's see how, how, you know, how we move forward with it. But as if not, we have no plans. Yeah, the plans are on hold at the moment.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay, fine. Thank you.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yeah, yeah, thank you.

Operator
Thank you. Our next question comes from the line of Yash Cabra with Denver Bank Securities. Please go ahead.

Yash Cabra - Analyst, Denver Bank Securities
Uh, hi, uh, am I audible?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, please.

Yash Cabra - Analyst, Denver Bank Securities
Uh, yes, sir. So just wanted to, uh, confirm, like, uh, has there been any accident in any of our mines?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Sorry, come again please. I couldn't hear you properly.

Yash Cabra - Analyst, Denver Bank Securities
I just wanted to confirm, sir, like, uh, uh, like, uh, has there been any accident in any of our iron ore mines?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, no, no, there has been no action in any of the mines.

Yash Cabra - Analyst, Denver Bank Securities
Okay, great, sir, great. Uh, sir, uh, like, uh, next question is, sir, uh, I just wanted to know, uh, like, uh, uh, our debt, uh, now, uh, will go up by let's say Rs 2,795 crores, right? Because of, uh, the GPIL

we are taking that debt. Uh, so then, um, and we are- as of now, it's- our position is net cash. So going forward, how do you, uh, foresee, uh, this, uh, net cash, uh, levels to go, uh, from in FY28, FY29?

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
No, no, see, I'm Dinesh Gandhi here. Uh, the debt of Rs 2,795 crore is primarily a non-funded facilities of about almost Rs 1,995 crore. The funded facility is only Rs 800 crores. Rs 700 crores is term debt for the base project and Rs 100 crore is working capital. Rest will be, you know, basically your supply chain financing, uh, LCs. You know, you may have to give the guarantees, performance guarantees, etc. So we have tied up a sizable limit so that we don't go, you know, short of the limits for our operations in the base project.

Yash Cabra - Analyst, Denver Bank Securities
Got it, sir. But funded, you

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
Know, facilities is very small, about Rs 800 crores only. And of course, you know, Rs 550 crores for the base, uh, CRM project.

Yash Cabra - Analyst, Denver Bank Securities
Got it, sir. And lastly, sir, if I just can, uh, squeeze- oh yes, uh, Abhishek sir has mentioned it, but, uh, on the guidance reduction, uh, we have reduced our, uh, guidance, uh, on iron ore mining and pellet production as well. So, uh, just, uh, like, okay, if we, uh, if, uh, like Abhishek sir is saying that we will be getting the permissions, uh, soon, so can't we ramp up the capacity in Q3 only, uh, for the iron ore mining? And we have- No, no, so

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Just to, just to, just to make the process very clear, uh, so once we receive the permission, uh, it will take about 4 weeks for the clearing of the land. And from- so, so 2nd of December we expect, uh, to start using the land. And we would need some time to start ramping up the production because we need to create the infrastructure. So that's why I said Q4, you will see the impact coming out in terms of increasing production. And from Q1 onwards, FY25, next year, you can see substantial improvement in mining production because we need the time to start increasing production, need to develop the infrastructure and other things at site.

So that will take some time. So Q4, you will see slight improvement, and from Q1 onwards, you will see So, you know, we are achieving close to about 70-80% of the capacity from Q1 onwards the next financial year.

Yash Cabra - Analyst, Denver Bank Securities
Got it, sir.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
That's why we have revised the guidelines for pellet as well as for mining.

Yash Cabra - Analyst, Denver Bank Securities
Got it, sir. Got it. Very all the best, sir. Thank you so much.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Thank you.

Operator
Thank you. Next question comes from the line of Tanuj Nangalia with SKP Securities Limited.

Tanuj Nagalia - Analyst, SKP Securities Limited
Thank you for the opportunity again. Uh, just wanted to understand, like, uh, the mining, uh, the present quarter's mining was, uh, on the lower side because of the space constraint. But, but this space, uh, constraint was, uh, for the newer, uh, capacity, like the expanded capacity. So why year on year our mining is on the lower side? No, no, no, no, no. So

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Just to clarify, no, no, no. So The space constraint is not for the newer capacity. The space constraint is for dumping over the overburden, whether it's for the current capacity or the increased capacity. So eventually we have- yeah, this is clarified. So the new land is only for dumping of overburden. Once we are able to start dumping the overburden at a higher capacity, automatically mining production will improve. So that is why the current mining levels are on the lower side due to space constraint.

Tanuj Nagalia - Analyst, SKP Securities Limited
Okay, okay. Thank you so much for the clarification. Thank you.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yeah, yeah,

Tanuj Nagalia - Analyst, SKP Securities Limited
That's okay. Yeah,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Thank you.

Operator
Thank you. Next question comes from the line of Saksham Tyagi with Desfiladaw Advisory. Please go ahead.

Saksham Tyagi - Analyst, Desfiladaw Advisory
Uh, hello, am I audible? Yes, yes, go ahead. Okay, so sir, my first question is that since you have changed the cold rolling mill project location from Chhattisgarh to Maharashtra, to, you know, avail the incentives and subsidies. So I just wanted to know what type of subsidies are we expecting and also what kind of other benefits we'll be getting from this location change and all.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Uh, see, so the new CRM complex, uh, so we have signed the policy with Maharashtra government under the mega status policy, uh, which is above Rs 1,000 crores. And, uh, uh, there is, uh, uh, incentives in different categories, uh, you know, There is a discount in the duty tariffs, there is a discount in the interest subvention, and major is the gross GST, gross SGST. So whatever sell, you know, sales we do in Maharashtra itself, straight away we'll be getting a refund of 9%, which is the gross GST.

So that is a major benefit we're getting from Maharashtra government. Uh, Bitkin is a plug-and-play model where you don't need to spend anything on infrastructure in terms of water, electricity, and other things. Everything is delivered to your doorstep. So they've created the entire ecosystem in such a way that you only have to focus on your plant operations. So that is incentive in the management for

Saksham Tyagi - Analyst, Desfiladaw Advisory
This new concept. And secondly, can you give some colors on the execution of this 20 gigawatt RBESS project? Like how is it going to get established? It

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Is very much on track. The machines have- the first lot has been dispatched from China after all the testing. And we should be able to take out the first container by end of Q1, early Q2, which is June-July of '27. Hello, can you hear me? Hello?

Operator
Hello? Sir, participant has left the queue.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No problem.

Operator
Our next question comes from the line of Shekhar Mundra with Webok Commercial

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Am I audible?

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
Yes, go ahead.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Yeah, so for the various factors discussed for the margin drop, can you quantify like how much of an EBITDA loss was due to the increase in energy prices and how much of EBITDA loss due to the dumping overband issue?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
See, per ton you can consider roughly, you know, today whatever we buy from the market, the iron ore fines, So on a yearly average, you can consider about Rs 3,000-3,500 minimum, uh, straight away whatever extra quantity we bought from the market, plus, uh, the high grades of pellet which we were selling, we could not make Rs 1,000 on those volumes as well. So it's a substantial, substantial loss, I would say. And, uh, on the remaining side, our coal cost is up by close to Rs 1,000-1,500 in DRI, and the power cost is up by another Rs 50-75 on the energy side because of the war.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay, and, and in EBITDA, how much would be the coal incremental cost increase and how much would be the power incremental cost increase in EBITDA, absolute amounts?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
See, we do about, uh, we do about 1.5 lakh tonnes of DRI, so about Rs 15 crores from that side. And on power, I would say certainly about Rs 25-30 crores on the quarter we lost because of the increasing coal cost. But you also need to understand, uh, because of this, even the finished prices went up. So billet was hovering somewhere around, you know, 36,000, 37,000, 38,000. It went up to 43,000. Even DRI was 24,000, came up to 29,000. So there has been a substantial increase in the finished prices as well, looking into the raw material prices.

So I will not, I will not call it a straightaway EBITDA loss on account of increase in raw material. Pellet, of course, it's a straightaway loss in terms of lower volume for mining as well as the high-grade tin. Rest, I wouldn't say, uh, there's an EBITDA loss. Because even the finished prices have gone up accordingly. Yeah.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay, so Q3 also we can expect then similar margins only, right? Because the- Yes,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, yes. Q3 will be similar on Q2. Q3 will be similar on Q2.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay. And, and from next year Q1, we can, uh, expect the normalized margins back.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
See, yeah, so yeah, exactly. So Q4, you can- you will see a substantial- you can see us, you know, marginal improvement in Q4. And from Q1 onwards, we should be back on track.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Got it, got it. And so for the best project of Rs 1,400 crores we are investing, uh, what is the typical IRR we are expecting from this? So what is the revenue, EBITDA, IRR we are expecting for this? See, on

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
An 80% capacity, which is 15 gigawatt at full capacity, the turnover will be about Rs 13,000 crores. Today per megawatt-hour cost is about Rs 90-95 lakh, and on a 5% EBITDA, you know, margin also, we do about Rs 4 lakh, Rs 4.5 lakh per megawatt. So on a 15, we'll do about Rs 600 crores of EBITDA on annual basis. So including everything, ramp-up, stabilization, I would say it's a 3-3.5 payback on the maximum side.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Got it, got it, got it. Thank you, thank you, and all the best. Thank

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
You so much.

Operator
Thank you. Our next question comes from the line of, uh, Nitin Shah, an individual investor. Please go ahead.

Nitin Shah - Individual Investor
Hello, good afternoon, sir. Uh, sir, my first question is regarding the BEST project. I believe we are

adopting a new cell technology of 618AH. Purely that one thing, how much incremental EBITDA should it give on and above what you're assuming right now? No, so see, we

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Intend to use 628. That's what the agreement we signed with the Chinese supplier. So we expect, you know, there should be at least 4-5% saving on the operating costs. So the entire operating cost for a container is hardly about, you know, 10-20%, you can say. So about 1.5% by addition of EBITDA, VB, and NISAJ by using the higher capacity cells, uh, to make the 5 MW container.

Nitin Shah - Individual Investor
Okay, okay, sir. And sir, what would be our position with respect to DCR content, uh, that makes us eligible for all the projects and all?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yeah, yeah, right now for all the best tenders especially, there is no DCR content. Because everybody, whether they're importing directly or they're making in India, the cells are coming from China itself. So there's only a criteria of 20% DCR content by value in the tender, which we qualify because of the operating cost and other things. So there'll be no challenge in terms of the DCR content for wet supplies.

Nitin Shah - Individual Investor
Okay, okay, sir. And sir, my second question is regards to our inter-corporate loans policy. What is the situation right now? How much have we lent out to whom?

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
Yes, we have currently lent out around, uh, 120 crores to intercorporate on a 12 to 15% interest basis. Going forward, all these loans will be returned within next 9 to 12 months.

Nitin Shah - Individual Investor
Okay, sir. Okay, thanks. And sir, lastly,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, since- just to add to what Bothaji said, since we have started investing now And our CAPEX plans are huge on the way going forward. So we have decided to call back all the loans, uh, as per the agreement. And after that, there'll be no disbursement of corporate loans anymore.

Operator
Thank you. Our next question comes from the line of Sunil Jain with Nimble Bank Securities Private Limited. Please go ahead.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Yeah, thanks for taking my question again. Uh, most of the questions answered. Uh, so I, I would like to just understand the impact of the international production of iron ore on domestic pellet prices? Uh, Bandra mine, definitely production is going up. So what will be the impact? Means how the landed cost will be here in India and how the pellet pricing domestically can get impacted?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
See, uh, definitely imports in India will increase, uh, because, uh, Uh, the supply is not able to match the demand. As you see, India's steel production is going about 10-12% every year. So there is

definitely a mismatch in the demand and supply. So people sitting at port have already importing. I think, uh, as per my information, after companies like, uh, JSW and all are already importing regular basis. So, but that import of iron ore have no relation in, you know, pellet prices. Pellet prices are primarily driven by the domestic raw material, which is iron ore.

And the demand from the market, because there are certain regions where there's overcapacity of pellets, so prices are under pressure. There are certain regions where capacity is adequate, so prices are a little healthier compared to other regions. So import of iron ore will not affect the pellet pricing in India.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay, and, uh, the domestic prices, uh, what could be the driver? Means, uh, against, uh, the imported landed price What is the difference between the price of the pellet and the imported landed price? Means like, see, your product- Yeah,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yeah. So see, so today if somebody wants to import pellets into India, see, the landing cost at port will be on the lower side, but due to this inland logistics, which is port handling and then moving the cargo to your plant, when you do that calculation, then domestic pellet becomes more viable. Another reason is when you're importing pellets, you need to import the entire ship, which involves a lot of cash requirement. So a lot of people don't prefer doing that because India has adequate supply of pellets, I would say.

And yes, pellet supply is going up because companies like Lloyd's and others who have captive mines are increasing the pellet capacity year on year.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay, so India does import-

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
India does import lumps, especially the Gujarat belt. They do import lumps from Africa, which is a direct replacement of pellets in India.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay. And, uh, according to you, what could be the reasonable price, uh, for the pellet in, say, next, uh, 6 to 8 months?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
See, I would say anything, uh, Rs 10,000 plus minus 5%. So a band of Rs 9,500 to Rs 10,500 ex-riport should be sustainable in today's market conditions.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
And with the full mining in operation and say at around Rs 10,000, uh, we can do, uh, EBITDA of Rs 3,000-3,500 from that pellet?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
No, I would say more. At full mining capacity at a pricing of Rs 10,000, we should do an EBITDA of more than Rs 4,000 on pellet itself.

Sunil Jain - Analyst, Nirmal Bang Securities Private Limited
Okay,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Our production for the pellet will not be more than Rs 5,500-Rs 6,000, and at Rs 10,000 we'll be doing, uh, EBITDA margins of Rs 4,000, which is almost about Yeah, 50%. Yeah,

Operator
Thank you. Next question comes from the line of Anant Mundra with My Temple Capital. Please go ahead.

Anant Mundra - Analyst, My Temple Capital
Uh, thank you for the opportunity. So just had

Operator
One question on the iron ore reserves.

Anant Mundra - Analyst, My Temple Capital
Uh, so Ari Dongri is about 80 million tons, and currently we are planning to do 6 million tons there. So that gives us a visibility of about 14-15 years. So is there a- I mean, is there a scope to increase these reserves at Ari Dongri?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
See, so, uh, we are close to- I would say 80% of the exploration has been done, uh, 20% is remaining. But that the exploration can be only done once we are able to reach to a certain level of mining. So that will happen in, I think, next 12 to 18 months. After that, we will further do exploration, and, uh, we are hopeful there might be a minor escalation in the reserves. I don't see substantial reserves going up. From 80, it can probably go to 90-95 million tonnes, but not more than that. So you can consider 80 as a base case where we'll be able to operate at full capacity for next 15 years.

Anant Mundra - Analyst, My Temple Capital
Got it, got it. And similarly, at Boria Tipu, current reserve and how much can it expand to?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
So Boria Tipu, currently the mining capacity is 0.7 million. Uh, from next financial year, we'll be doing the full capacity. We'll be doing at full 0.7 million tonnes. And further, we have plans to increase the capacity to 4 million tonnes by FY31. Purchase has already started, filing of TOR and all for EC. Reserves in Bora Tipu are again close to about 75 million tonnes, but that is purely low grade, which we need to beneficiate and then further get the concentrate in the plant. So we're also planning to do a 4 million tonne beneficiation, out of which the output will be about 1.5 million tonnes at a 40% recovery only.

So every year 1.5 million, uh, reserves about 75. So that mine will also run for 15-17 years after expansion.

Anant Mundra - Analyst, My Temple Capital
Got it, got it, got it. So the proven reserves are not the same as the 6 million. So even for Ari Dongri, 80 million,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
80 million, and about 75-80 million. But Borea is completely- it's BMQ, low grade, so we need to beneficiate.

Anant Mundra - Analyst, My Temple Capital
Okay, so that 75 million tonnes at Port Betty has to be seen in context of the usable, uh, reserve. Usable, usable. You

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Can think usable will get about 25-30 million tonnes only at a 35-40% recovery.

Anant Mundra - Analyst, My Temple Capital
Okay, okay, got it.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yeah, yeah,

Anant Mundra - Analyst, My Temple Capital
Thank you, thank you. That's it from my

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
End. Thank you.

Operator
Thank you. Next question comes from the line of Sahil Sanghvi with Mana Capital. Please go ahead.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Yeah, just, just one clarification. So I think, uh, we will be looking at roughly 2.3 to 2.4 million tonnes of iron ore procurement in second half. And, uh, fair to assume that, uh, roughly 1 million tonne can be outsourced in second half of iron ore?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, yes, yes, about, uh, little less than 1 million, I would say close to about 0.7, 0.8 million tonnes, roughly about 1 point- yeah, roughly about 700 lakh tonnes.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
And would large part of it will be done in Q3 itself?

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
It's already happening. So since we're already in middle of Q3, so it's already happening in Q3 and partly will happen in Q4. So as mining production ramps up, we'll start decreasing the purchase of raw material from the market.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
So fair to say roughly 2 million tonnes of total iron ore sourcing in FY27, right? Just to understand.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yes, correct. Yeah, roughly 2 million tonnes on a full year basis.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
And, uh, will, will this completely, uh, go to zero in next year, or we'll still have some small number, uh, just to have a- So, uh,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
In FY28, we should be able to touch 80-85% of mining capacity. So roughly, we should be able to do about 5-5.2 million tonnes. So there'll be a small purchase of, say, about 0.5 million max from the market. And FY29 onwards, uh, we are 100% captive. Rather, I would say on a practical term, from October '27 we should be able to start mining at 6 million capacity after the monsoon gets over.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Got it, got it. So first half of next year we'll see some external sourcing? Some, some, some, some, yeah,

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Some, some, yes. But, but then, uh, we- but then all the pellet plants will be running at full capacity, so you'll be, uh, you'll see substantial jump in pellet volumes from Q1 onwards.

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Got it, got it, got it, got it.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Yeah,

Sahil Sanghvi - Analyst, Monarch Networth Capital Ltd
Thank you, thank you so much.

Abhishek Agrawal - Whole Time Director, Godawari Power and Ispat Limited
Thank you.

Operator
Thank you, ladies and gentlemen. That was the last question of today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Dinesh Gandhi - Executive Director, Godawari Power And Ispat limited
Thank you, uh, thank you, ladies and gentlemen, for joining us on this call today, uh, to discuss the Q2 and FY27 earnings conference. Uh, yeah, you know, I'm sure that we have, you know, adequately answered all your queries. In case you have any more questions, please feel free to touch us or our investor relations team at GoIndia Advisors. Thank you very much. Thank you. Thank you. And with this, we conclude this call.

Operator
Thank you so much, sir. Ladies and gentlemen, on behalf of Monarch Network Capital Limited, that concludes today's call. Thank you for joining us, and you may now disconnect your lines.