Godawari Power & Isp

Operator: Good day and welcome to the Godawari Power And Ispat Ltd. Q2 and H1 FY27 earnings conference call hosted by Monarch Networth Capital Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sahil Sanghvi from Monarch Networth Capital Limited. Thank you, and over to you, sir.

Sahil Sanghvi – Monarch Networth Capital Limited: Yes, thank you, Ramesh. Good afternoon, everyone. It is a pleasure to welcome you on behalf of Godawari Power And Ispat Ltd. Please note that today's discussion may include certain forward-looking statements, which 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 invite the management to present the company's business outlook and performance, after which we will open the floor for Q&A? Thank you, and over to the management.

Abhishek Agarwal – Executive Director: Hello. Thank you, Sahil. Good afternoon, everyone. Thank you for joining us on today's call. Our financial results and earnings presentation have been uploaded to our website and to the stock exchanges, and I trust you have had an opportunity to review them. I will now brief you on the key highlights of the results, following which we will open the call for Q&A.

Before I move on to 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 a 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 a 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 aspirations for the future. It will help strengthen 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 our shared purpose and creating sustainable long-term value.

Turning to our consolidated financial performance, revenue increased by 25% YoY in Q2 FY27 to 1,632 crore and by 29% YoY in H1 27 to 3,382 crore, supported by healthy sales volume and improved realization. Profitability remained under pressure in both periods due to elevated iron ore sourcing costs from the market and higher coal prices amid the West Asia crisis. Additionally, Q2 FY27 witnessed a quarter-on-quarter decline in profitability due to lower pellet realization. EBITDA and PAT margins stood at 12% and 5.2%, respectively, and at 13.7% and 9.1% in H1 FY27. Margins are expected to recover from Q4 27 with the expected receipt of regulatory permission for the use of additional land for dumping overburden and the commissioning of the beneficiation plant, enabling higher iron ore production from captive mines and the use of captive iron ore for pellet production.

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Turning to the operational performance, production volume recorded YoY growth across most product categories in H1, with iron ore mining and galvanized fabricated products as exceptions. Iron ore mining was impacted by space constraints for dumping overburden, while galvanized fabricated products were affected by seasonality and heavy rains. During Q2, production continued to grow YoY across most segments. However, on a sequential basis, iron ore pellet production declined due to the temporary closure of the 2 million ton pellet plant because of uneconomical operations, while ferroalloys production was impacted by lower captive power generation resulting from adverse weather conditions.

Considering the prevailing operating conditions, we have taken a cautious approach and revised our FY27 production guidance for iron ore mining from 3.4 million ton to 2.5 million ton, and for iron ore pellet production from 4.4 million ton to 3.5 million ton. Production across the other key segments remains on track, with ferroalloys and sponge iron achieving over 50% of their annual targets. Our value-added product sales remained healthy in H1 FY27, led by pellets, sponge iron, and rolled products. This was further supported by YoY improvement across all product categories in both H1 and Q2, contributing to healthy revenue growth.

On the other expansion update, the Ari Dongri iron ore expansion is progressing as planned. The beneficiation plant is targeted for commissioning in Q3 FY27. The plant is expected to strengthen captive iron ore security and improve pellet quality, enabling the ramp-up from Q4 and full-scale operations by FY28. We are expecting regulatory clearance for the use of the dumping ground very shortly. [pause] It is expected at any time in the next couple of days, and once permission for the use of the dumping ground is granted, our mining production will also increase.

As communicated earlier, the 0.7 million ton CRM complex has now been shifted to Maharashtra to leverage the benefits of state incentives and subsidies, along with operational synergies from the proximity of the proposed BESS plant and customers for the product. We have received the land allotment of 31.45 acre at the AURIC-BIDKIN industrial area, the lease deed has been executed, and construction activities are expected to commence upon receipt of EC for building construction.

Additionally, the Board has approved capex of Rs.100 crore from internal accruals for a container manufacturing line alongside the CRM complex. The commissioning of the container line is expected by March 27. This container manufacturing line was earlier proposed to be set up along with the BESS project. However, since the CRM project has now been shifted to Maharashtra, operationally it is better to set up this facility as part of the CRM complex, and therefore construction of this project will also start very shortly.

Our 20 gigawatt BESS project is progressing toward its targeted commissioning by Q1 FY27, with fresh environmental clearance received for building construction. [pause] Sorry. [pause] We have also received other approvals. The key technology and supply partnerships, including the long-term cell arrangement, have also been finalized.

We have also completed the financial closure with the receipt of credit facilities aggregating to a sanctioned amount of 2,795 crore, comprising a term loan of 700 crore for the BESS project, a fund-based working capital limit of 100 crore, and a non-fund-based limit of almost 2,000 crore.

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Additionally, the company has decided to set up a 3 gigawatt BESS project for manufacturing small-capacity storage systems, with capacities of 261 kilowatt-hour and 418 kilowatt-hour for commercial and industrial applications. This entails capex of 135 crore, and the project is targeted for commissioning by March 28. This project will be set up alongside the proposed 20 gigawatt BESS project, and no additional land is required for it. As you are aware, GPIL is expanding its captive power capacity from 190 megawatt to 290 megawatt to support its iron ore mining and additional 2 million ton pellet plant capacity.

Management: The 25 megawatt solar power plant was commissioned and synchronized with the grid in May 2026, with the power being used at the Ari Dongri iron ore mines. The 100 megawatt solar project is under construction, which is delayed by a couple of months and is now expected to be commissioned by December 2026.

Additionally, a 45 megawatt battery storage project for the captive solar power plant is also under implementation and is expected to be commissioned by December 2026. GPIL has also approved an investment of 26 crore for a 26% stake in Solarcraft Power India 32 Limited to set up a 50 megawatt solar power project under the group captive arrangement.

This is a diversion from our existing strategy of setting up these projects on the balance sheet of GPIL. Now, with funds being used for other capex programs, we have decided to use the group captive arrangement for the additional power requirement so that our investment is limited to 26% of the equity capital in the proposed setup.

Taking forward our sustainability agenda, the company has approved capex of Rs.100 crore for the deployment of EVs, including 50 EV dumpers across our iron ore mines and plant operations, aimed at improving cost efficiency, reducing dependence on conventional fuel, and addressing rising fuel costs.

During Q2 FY27, the company started commercial production at the enhanced steel melting shop capacity, which increased from 5.25 lakh to 5.75 lakh metric ton. The expanded capacity is now operational and is enabling almost 100% captive use of sponge iron and in-house billet manufacturing, driving higher value addition and improved operating margins.

Coming to the market outlook, on the international iron ore front, iron ore prices remained under pressure, with benchmark prices trading at around 90-92 dollar 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 around 90 dollar per ton in the near term, with further downside risk from incremental low-cost supply, particularly with the ramp-up of the new Simandou iron ore project.

On the domestic iron ore front, iron ore prices continue to be lower than the landed cost of imported iron ore at the plant level, and demand-supply dynamics for iron ore remain stable. However, the domestic steel demand outlook remains encouraging, with crude steel production growing 2.9% year-on-year and finished steel consumption increasing 7.6% year-on-year 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, and

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continued focus on cost optimization and decarbonization. With a clearly defined growth roadmap and disciplined execution, we remain focused on achieving our Vision 2030 target of 4X revenue growth and 3X EBITDA and PAT 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.

Operator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Supreeti Patil with ICICI Securities Private Limited. Please go ahead.

Supreeti Patil – ICICI Securities: Good afternoon to the team. I have two questions. My first question to Mr. Agarwal is that your Q2 operating margins dropped from 20% to around 11-12% because you had to buy more iron ore from the outside market while waiting for tree-cutting approvals at your captive mine, along with the higher coal cost. What I want to understand is, as you prepare to commission your 5 million ton 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? I just want to understand your strategic view on this.

Management: [pause] Sure, sir. Very good morning. As you rightly mentioned, operating margins have declined because of higher input iron ore costs as well as energy costs, both on the pellet side, including pellet fuel costs, and on the DRI side because of imported coal. This has been the major reason for the reduction in operating margins.

In terms of the mining expansion, to address your concern, the tree-cutting approval is expected very soon, this week. It could come today or perhaps tomorrow. As I mentioned earlier, we will receive all the clearances by the end of Q3. We are very much on track. With the tree-cutting approval and the subsequent use of the land, by the end of Q3 we should be able to start increasing our mining capacity. That will address all your concerns regarding cash flows.

All the other projects are on track, and there will be no further delays in execution due to cash requirements. We are ensuring that we have sufficient free cash flows and cash generation. We have also taken a few long-term loans from the banks to keep the projects running.

Supreeti Patil – ICICI Securities: My second question to Mr. Bothra is that, with coal and steel margins under pressure and pellet prices becoming softer, I want to understand how you are managing the financial risk of taking on a large amount of new debt, and what strict return hurdles or debt limits have you set so that heavy capex does not strain your balance sheet if steel prices remain weak. I am asking because I observed that your net profit fell from 47-46% this quarter, even though the Board approved 1,400 crore in fresh capex across steel, containers, and battery storage. Thank you.

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Management: [pause] The iron ore pellet prices had already improved during this quarter. We will see some profit improvement compared to Q2 in Q3. As far as cash deployment is concerned, we have already tied up the funding for our ongoing capex. For our CRM project, we are getting around 500 crore of capex against it. Our BESS project is already tied up and the funding is already in place. We have around 900 crore of free cash as of date. Therefore, we do not foresee any cash crunch or cash problems going forward.

Supreeti Patil – ICICI Securities: Thank you, and best wishes.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. As a reminder, you may press star and one to ask a question. The next question comes from the line of Tanuj Nandalal with SKP Securities Limited. Please go ahead.

Tanuj Nandalal – SKP Securities Limited: My first question is that Godawari has had a tendency to earn a higher realization of 1,000 to 1,500 in its pellets, primarily due to its in-house captive iron ore and its quality. Now that we are sourcing from outside, I wanted to understand how much of the drop in realization is due to the decline in the premium realization and how much is due to the general pricing decline. Please provide the breakup between the two.

Management: Right now, because production from the mine is low, we are not making any high-grade pellets for merchant sale. Whatever production has been made in the mines is being used captively for steelmaking. Earlier, we used to sell about 1 lakh ton, or 50,000 to 1 lakh tons, of high-grade pellets. That sale has been completely zero for the past few months. Straightaway, you can consider an impact of Rs.1,000 on that. Merchant sales of high-grade pellets will resume only once mining production ramps up. From Q4 onward, we will resume the merchant sale of high-grade pellets, which fetches a premium of Rs.1,000 or more.

On the margin side, pellet prices were low toward the end of Q1 and early Q2. They reached Rs.8,500, gradually improved to Rs.11,500, and now, since the market is dull, prices are back to Rs.10,500. Prices are a commodity, so they keep going up and down depending on the market. The major impact is from iron ore. Once we are able to ramp up our mining capacity, everything will fall into place.

Tanuj Nandalal – SKP Securities Limited: I wanted a general idea of how much EBITDA per ton we are making, product-wise—for example, for pellets, sponge iron, or billets—if you can give us an indication.

Management: Excluding pellets, you can consider roughly Rs.6-7 per kilogram across the entire supply chain, right from sponge iron to steelmaking. That is Rs.6-7 per kilogram across the entire supply chain, apart from pellets.

For pellets, if you look at the market fines prices and the selling price, the margin is hardly Rs.500-700 per ton because fuel costs are also quite high due to the war situation, and procuring fines from the market is an expensive affair. Currently, whatever we are selling in the market after buying fines, we are hardly making Rs.500 per ton. It is not much.

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Tanuj Nandalal – SKP Securities Limited: How confident are you about the BESS timeline and related matters?

Management: In terms of our projects, BESS is on track. We should be able to commission it; rather, the first container should be out by the end of Q1 of the next financial year or early Q2. BESS is on track.

For CRM, because the location was shifted, we have finally received the land. Site work started after Diwali. We currently envisage commissioning in December 27. It might extend to March 28, but that is all. Whatever capex we are undertaking now in terms of execution is very much on track.

Tanuj Nandalal – SKP Securities Limited: Thank you. That is all from my end.

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

Sahil Sanghvi – Monarch Networth Capital Limited: My first question is regarding the commercial and industrial-use capex that you have announced for the BESS project. Can you please explain what incremental equipment is required and how this works? What exactly do we do in our setup with this capex?

Management: Basically, the assembly line we are currently putting up is for the grid solution. It is for a 5 megawatt container and above. That is for the grid solution.

There is now significant demand from other sectors where customers are looking for smaller storage capacities. The capacity of one container that we will make on this new line will be 250 kilowatt and 500 kilowatt.

To give a small example, in Delhi there are power cuts, so commercial establishments use DG sets. This is a direct replacement for a DG set. You install this container, import power from the grid, store it in the battery, and then, whenever there is no electricity, you can start discharging it and keep the shop running. That is just an example.

We have also decided to enter this smaller segment. It is more of a B2C segment, but demand in India is growing exponentially. Currently, there are hardly a couple of suppliers in India. Most people are importing from outside the country to meet the requirement.

Looking at the overall demand and supply, we have decided to set up this line as well, which will be a 3 gigawatt line making multiple products ranging from 261 to 418 and so on.

Sahil Sanghvi – Monarch Networth Capital Limited: In your presentation, on slide number 25, the BESS slide, you have stated that some of the equipment will be supplied by Lead Intelligence Wuxi.

Management: Yes, obviously.

Sahil Sanghvi – Monarch Networth Capital Limited: Should we therefore expect meaningful offtake to pick up only in Q2 FY28 if we have to wait for this equipment?

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Management: No, just to clarify, for the current 20 gigawatt line, the machine supply has already started. For the new 3 gigawatt line, that supply will start in July-August 27, and the new 3 gigawatt line will be commissioned by December 27, which is about 12 months from now.

Supply for the new 3 gigawatt line will start in August, but for the larger line, supply has already started, and that line will be commissioned by June-July 27.

Sahil Sanghvi - Monarch Networth Capital Limited: On the 5 megawatt-hour configuration, are we expecting to bid for some projects now, or are we waiting for [cut off]

Management: To give you an update, we have formed a new company called Godawari Energy Solutions Limited. It will be a supporting in-house EPC company through which we will bid for tenders coming into the market.

Today, 90-95% of the demand in the entire BESS market is coming from government tenders, whether from SECI, Coal India, NTPC, or state DISCOMs. The idea is to start bidding and create our own consumption to a certain level. Out of 20 gigawatt, the idea is that we should be able to create our own consumption of at least 40-50% by bidding in tenders.

For every tender we bid for, we will primarily look at supplying the BESS on that line, and we will probably tie up with another company for the EPC supply and other requirements. That is the reason we have formed this company, and we will be bidding for tenders going forward. In fact, we have already started bidding for tenders. Of course, we have not won anything yet. We are still trying to learn the entire process, but eventually we will bid in tenders and try to create our own consumption going forward for the 5 megawatt container.

Sahil Sanghvi - Monarch Networth Capital Limited: Can we expect 10-20% utilization in the first year, or are we looking at a somewhat lower number?

Management: In the first year, we should be able to reach 10-20%. If commissioning takes place in June-July, then by March 28 we should be able to achieve at least 20-25% utilization. We should be able to produce 5 gigawatt in the first year.

Sahil Sanghvi - Monarch Networth Capital Limited: This is helpful. Thank you very much. I will come back in the queue. Thank you.

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

Sunil Jain - Nirmal Bang Securities Private Limited: This question relates first to our steel business. Excluding pellets, whatever we have lost in profitability, has the other steel business performed reasonably well, or was there pressure there as well?

Management: All the other units have been producing at the desired capacity. Apart from the energy cost, which is high because of the war, the entire supply chain is doing quite well. From DRI to billets, since we are BIS-approved, we are receiving a very healthy premium on the sale of those billets, followed by wire rod and the other products. The entire steel supply chain is performing very well apart from pellets. I am quite confident that from Q4 onward, we should be able to start

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showing numbers in pellet production as well.

Sunil Jain – Nirmal Bang Securities Private Limited: We had mentioned earlier that permission for the land had been postponed.

Management: Last time, we clearly mentioned that we expected the entire process to be completed by the end of Q3, and I would still reiterate that we will be able to complete the entire approval process by the end of Q3. From Q4 onward, you will see a ramp-up in mining production. As per my last commitment or last response, we are very much on track. I know there has been a substantial delay, but as per my last statement, we are very much on track.

Sunil Jain – Nirmal Bang Securities Private Limited: I was asking how you are getting this confidence this time, given that things have been delayed.

Management: Officially, I do not have any document that I can share with all the shareholders, but we are well aware that the permission is at the final stage. It is a complicated and lengthy process. We are at the final stage of obtaining the tree-cutting permission. As I said earlier, we could receive the permission today or tomorrow, but I am very confident that we will receive the tree-cutting permission this week.

From there, we will need approximately 3-4 weeks to carry out the tree cutting, clear the land, and start using the land for dumping. That is why I am confident.

Sunil Jain – Nirmal Bang Securities Private Limited: My second question is regarding the BESS project, where you said that 40-50% would be consumed captively. Will there be investment in that particular part of the business? Do we have to create an asset base and then use it to sell, or something along those lines?

Management: We are not currently thinking along those lines, where we create an asset base as everyone else is doing. It is a very early phase. There is a possibility that, instead of participating directly in tenders, we might be able to tie up with large tender participants and supply BESS containers on a back-to-back basis.

We are exploring all avenues, including bidding directly for tenders and tying up with other tender participants. Let us see how the market unfolds. But we are very clear that we need to have all avenues open in the market. We cannot proceed in a straight line. We have to keep all the options on the table to keep consumption up.

Abhishek Agarwal: We are also considering the higher side.

Sunil Jain – Nirmal Bang Securities Private Limited: This is also related to BESS. What is the situation in the market? Everyone is setting up a line for a BESS project. Is overcapacity being created, and could we then see some pressure?

Abhishek Agarwal: [pause] On paper, it is. If you ask me very honestly, yes, in the last 6 months the amount of capacity announced by different players has been alarming. But it is still on paper. Announcing and executing a project takes a good 18-24-month {? of timeline ?}. We are very close to commissioning the plant, so we will definitely get that first-mover advantage for at least the next

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couple of years.

Sunil Jain – Nirmal Bang Securities Private Limited: All the best. Thank you.

Abhishek Agarwal: Thank you.

Operator: Thank you. Ladies and gentlemen, to ensure that management is able to address all participant questions, we request you to limit your questions to two per participant. 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.

Varun Mehta – Wealthlink Investments: Good afternoon, everyone.

Abhishek Agarwal: Good afternoon.

Varun Mehta – Wealthlink Investments: Can you throw some light on the BESS margins we are looking at? According to the annual report, it has been stated that we are looking at a margin of 12-13% on the higher side. However, two conference calls ago, you had stated 7-8%. On the BESS side— [cut off]

Abhishek Agarwal: On the BESS side, I think the margin should be in the 5-7% range.

Varun Mehta – Wealthlink Investments: Only 5-7%? Okay.

Abhishek Agarwal: It will be between 5-7% only. That is what we have envisaged from day one. I do not know whether we had stated 12-13%, but if we did, we would like to correct that. On a longer-term basis, the BESS margin should be between 5-7% only. However, it will also depend on the turnover. I will mention this clearly. Thank you for pointing it out.

Varun Mehta – Wealthlink Investments: Is there any update on the steel plant? Are we still pursuing it, or are we waiting for it?

Abhishek Agarwal: As we said last time, it is on hold. We are still waiting for the pending approval, especially on the water side. We have not yet succeeded in obtaining the required approval. The steel plant remains on hold. Let us see how we move forward with it. As of now, there is no plan. The plans are on hold at the moment.

Varun Mehta – Wealthlink Investments: Okay, fine. Thank you.

Abhishek Agarwal: Thank you.

Operator: Thank you. Our next question comes from the line of Yash Kabra with Nirmal Bang Securities. Please go ahead.

Yash Kabra – Nirmal Bang Securities: I wanted to confirm whether there have been any accidents in any of our iron ore mines.

Abhishek Agarwal: Sorry, could you repeat that? I could not hear you properly.

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Yash Kabra – Nirmal Bang Securities: I wanted to confirm whether there have been any accidents in any of our iron ore mines.

Abhishek Agarwal: No, there have been no accidents in any of the mines.

Yash Kabra – Nirmal Bang Securities: My next question is about our debt, which will now go up by roughly 2,795 crore because of the debt we are taking through GNEPL. We are currently in a net cash position. Going forward, how do you foresee the net cash levels evolving in FY28 and FY29?

Dinesh Gandhi: [pause] I am Dinesh Gandhi. The debt of 2,795 crore primarily consists of non-funded facilities of almost 1,995 crore. The funded facility is only 800 crore. Of this, 700 crore is term debt for the BESS project and 100 crore is working capital. The rest will be supply chain financing, letters of credit, guarantees, performance guarantees, and so on. We have tied up a sizable limit so that we do not fall short of the limits required for our operations in the BESS project.

Funded facilities are very small, at only about 800 crore. In addition, there is 550 crore for the CRM project.

Yash Kabra – Nirmal Bang Securities: On the guidance reduction, we have reduced our guidance for iron ore mining and pellet production. If Mr. Agarwal is saying that we will receive the permissions soon, why cannot we ramp up the capacity in Q3 itself for iron ore mining? We have lowered— [cut off]

Abhishek Agarwal: Just to make the process very clear, once we receive the permission, it will take about 4 weeks to clear the lines. We expect to start using the lines in the second half of December. We will need some time to start ramping up production because we need to build the infrastructure. That is why I said that you will see the impact in Q4 in terms of increased production.

From Q1 onward in the next financial year, you can see a substantial improvement in mining production. We need time to start ramping up production and to build the infrastructure and other facilities at the site. That takes some time. You will see a slight improvement in Q4, and from Q1 onward you will see us reaching close to 70-80% of capacity.

Yash Kabra – Nirmal Bang Securities: Understood. All the best, sir. Thank you very much.

Abhishek Agarwal: Thank you.

Operator: Thank you. Our next question comes from the line of Tanuj Nangalia with SKP Securities Limited. Please go ahead.

Tanuj Nangalia – SKP Securities Limited: I wanted to understand the mining situation. Mining in the current quarter was lower because of the space constraint. However, this space constraint was for the newer capacity, the expanded capacity. Why was our mining lower year-on-year?

Abhishek Agarwal: [pause] Just to clarify, the space constraint is not for the newer capacity. The space constraint is for dumping overburden, whether for the current capacity or the increased capacity.

Tanuj Nangalia – SKP Securities Limited: Okay.

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Abhishek Agarwal: To clarify further, the new land is only for dumping overburden. Once we are able to start dumping overburden at a higher capacity, our mining production will automatically improve. That is why current mine levels are lower due to the space constraint.

Tanuj Nangalia – SKP Securities Limited: Thank you very much for the clarification.

Abhishek Agarwal: Thank you. All the best.

Tanuj Nangalia – SKP Securities Limited: Thank you.

Operator: Thank you. The next question comes from the line of Saksham Tyagi with Destiladora Advisory. Please go ahead.

Saksham Tyagi – Destiladora Advisory: My first question is that, since you have changed the Cold Rolling Mill project location from Chhattisgarh to Maharashtra to avail the incentives and subsidies, what type of subsidies are we expecting, and what other benefits will we receive from this location change to Maharashtra?

Abhishek Agarwal: [pause] On the new CRM complex, we have signed the policy with the Maharashtra government under the mega status policy, which applies above 1,000 crore. There are incentives in different categories. There is a discount in the electricity tariff, a discount through interest subvention, and, most importantly, gross GST or gross SGST.

For sales made in Maharashtra, we will immediately receive a refund of 9%, which is the gross GST. That is the major benefit we are receiving from the Maharashtra government. It is a plug-and-play model where you do not need to spend anything on infrastructure such as water, electricity, and other facilities. Everything is available at your doorstep. They have created the entire ecosystem in such a way that you only have to focus on your plant operations. That is the incentive from the Maharashtra government.

Saksham Tyagi – Destiladora Advisory: Can you provide some color on the execution of this 20 gigawatt-hour BESS project? How is it going to be established? [cut off]

Abhishek Agarwal: It is very much on track. The first lot of machines has been dispatched from China after all the testing. We should be able to produce the first container by the end of Q1 or early Q2, which is June-July 27.

Operator: The next question comes from the line of Sheetal Mundra with Vibhor Commercial Limited. Please go ahead.

Sheetal Mundra – Vibhor Commercial Limited: For the various factors we discussed regarding the margin decline, can you quantify how much of the EBITDA loss was due to the increase in energy prices and how much was due to the overburden dumping issue?

Abhishek Agarwal: [pause] Per ton, you can consider that whatever we buy from the market—the iron ore fines—on a yearly average, you can consider about [trails off]

Management: 800-900-1,000 rupees minimum. Straightaway, on whatever additional quantity we bought from the market, plus the high-grade pellets that we were selling, we could not make

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Rs.1,000 on those volumes either. It was a substantial loss, I would say.

On the remaining side, our coal cost is up by close to Rs.1,000–1,100 in DRI, and the power cost is up by another 50–75 paise on the energy side because of the war.

Sheetal Mundra – Vibhor Commercial Limited: In EBITDA, how much would be the increase in the incremental coal cost and how much would be the increase in the incremental power cost, in absolute terms?

Management: We produce about 1.5 lakh tons of DRI, so the impact from that side is about 15 crore. On power, I would say the quarterly loss is roughly 25–30 crore because of the increase in coal cost.

However, you also need to understand that, because of this, finished product prices also increased. Pellet prices were hovering somewhere around Rs.6,000–8,000 and increased to Rs.10,000. DRI was at Rs.24,000 and increased to Rs.29,000. Therefore, there was a substantial increase in finished product prices as well, in response to the raw material prices.

I would not call it a direct EBITDA loss on account of the increase in raw material costs. Pellets, of course, represent a direct loss in terms of lower mining volumes as well as the loss of high-grade sales. For the rest, I would not describe it as an EBITDA loss because finished product prices also increased accordingly.

Sheetal Mundra – Vibhor Commercial Limited: Can we expect similar margins in Q3 as in Q2, given the pellet price situation?

Management: Yes, Q3 will be similar to Q2.

Sheetal Mundra – Vibhor Commercial Limited: From Q1 next year, can we expect normalized margins to return?

Management: Yes, exactly. You will see substantial margin improvement in Q4, and from Q1 onward we should be back on track.

Sheetal Mundra – Vibhor Commercial Limited: For the BESS project, you are investing 1,400 crore. What is the typical IRR we are expecting from this? What revenue, EBITDA, and IRR are we expecting from the BESS project?

Management: At 80% capacity, which is 15 gigawatt capacity, the turnover will be about 13,000 crore. Today, the cost per megawatt-hour is about Rs.90–95 lakh. At a 5% EBITDA margin, we generate about Rs.4–4.5 lakh per megawatt. On 15 gigawatt, we will generate about 600 crore of EBITDA annually. Including everything—land bank and stabilization—I would say the maximum payback period is 3–3.5 years.

Sheetal Mundra – Vibhor Commercial Limited: Thank you, and all the best.

Management: Thank you very much.

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

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Nitin Shah – Individual Investor: My first question is regarding the BESS project. I believe we are adopting a new cell technology of 618 AH. Purely from that one factor, how much incremental EBITDA should it provide over and above what you are currently envisaging?

Management: We intend to use 620 AH cells. That is the agreement we signed with the Chinese supplier. We expect at least 4-5% savings in operating costs. The entire operating cost for a container is hardly about 20%. Therefore, we envisage approximately 1.5% additional EBITDA from using the high-capacity cells to make the 5 megawatt container.

Nitin Shah – Individual Investor: What is our position with respect to DCR content, which makes us eligible for all the projects?

Management: For all BESS tenders specifically, there is currently no DCR content requirement because, whether companies are importing directly or manufacturing in India, the cells are coming from China. There is only a criterion of 20% DCR content by value in the tender, which we meet because of the operating cost and other factors. Therefore, there should be no challenge regarding DCR content for BESS tenders or BESS supply.

Nitin Shah – Individual Investor: My second question is regarding our inter-corporate loans policy. What is the situation currently? How much have we lent and to whom?

Management: Bhutra?

Management: We have currently lent around 120 crore through inter-corporate loans at an interest rate of 12-15%. Going forward, all these loans will be repaid within the next 9-12 months.

Nitin Shah – Individual Investor: Thank you.

Management: To add to what Bhutra said, since we have now started investing and our capex plans are substantial going forward, we have decided to reduce all the loans as per the agreements. After that, there will be no further disbursement of corporate loans.

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

Sunil Jain – Nirmal Bang Securities Private Limited: I would like to understand the impact of increasing international iron ore production on domestic pellet prices. Production is clearly increasing month-on-month. What will be the impact on the landed cost in India, and how could domestic pellet prices be affected?

Management: Imports into India will definitely increase because supply is not able to match demand. India's steel production is increasing by 10-12% every year, so there is definitely a mismatch between demand and supply. Companies have imported and are already importing. As per my information, companies such as JSW have already been importing on a regular basis.

However, imports of iron ore have no relation to pellet prices. Pellet prices are primarily driven by domestic raw material, which is iron ore, and by demand from the market. In certain regions, there is overcapacity in pellets, so prices are under pressure. In other regions, capacity is adequate, so

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prices are healthier compared to other regions. Imports of iron ore will not affect pellet prices in India.

Sunil Jain – Nirmal Bang Securities Private Limited: What could be the difference between domestic pellet prices and the imported landed price? For example, compared with the imported landed price, what is the price difference for your product?

Management: If someone wants to import pellets into India, the landing cost at the port would be lower. However, after factoring in inland logistics, including port handling and moving the cargo to the plant, domestic pellets become more viable.

Another reason is that when you import pellets, you need to import an entire ship, which involves a significant cash requirement. Many people do not prefer doing that because India is a major supplier of pellets. Pellet supply is increasing because companies such as Lloyds and others with captive mines are increasing their pellet capacity year-on-year.

Management: India does import lumps, especially in the Gujarat belt. Lumps are imported from Africa, and they are a direct replacement for pellets in India.

Sunil Jain – Nirmal Bang Securities Private Limited: What would be a reasonable pellet price over the next 6-8 months?

Management: I would say Rs.10,000, plus or minus 5%. A band of Rs.9,500-10,500 ex-Raipur should be sustainable in current market conditions.

Sunil Jain – Nirmal Bang Securities Private Limited: With full mining operations and a price of around Rs.10,000, can we generate EBITDA of Rs.3,000-3,500 from pellets?

Management: I would say more. At full mining capacity and a price of Rs.10,000, we should generate EBITDA of more than Rs.4,000 on pellets alone. Our pellet production cost will not be more than Rs.5,500-6,000, and at Rs.10,000 we will generate EBITDA of Rs.4,000. That is almost 40-50%.

Operator: Thank you. Our next question comes from the line of Anant Mundra with MyTemple Capital. Please go ahead.

Anant Mundra – MyTemple Capital: I have one question on the iron ore reserves. Ari Dongri is about 80 million ton, and we are currently planning to produce 6 million ton there, which gives us visibility of about 14-15 years. Is there a plan or scope to increase these reserves at Ari Dongri?

Management: Approximately 80% of the exploration has been completed, and 20% remains. However, that exploration can only be completed once we reach a certain level of mining. That will happen over the next 12-18 months. After that, we will undertake further exploration.

We are hopeful that there may be a minor increase in the reserves. I would not say that the reserves will increase substantially. They could increase from 80 to 90-95 million tons, but not more than that. You can consider 80 as the base case, under which we will be able to operate at full capacity for the next 15 years.

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Anant Mundra – MyTemple Capital: Similarly, what are the current reserves at Boria Tibu, and how much can they expand to?

Management: At Boria Tibu, the current mining capacity is 0.7 million ton. From the next financial year, we will operate at the full capacity of 0.7 million ton. We also have plans to increase the capacity to 4 million tons by FY31. The process has already started, including the filing of the terms of reference and other requirements for EC.

Reserves at Boria Tibu are again close to 75 million ton, but they are entirely low grade. We need to beneficiate them and then process them further in the plant. We are also planning a 4 million ton beneficiation plant, from which the output will be about 1.5 million tons at only 40% recovery. With annual output of 1.5 million tons and reserves of about 75 million tons, that mine source will also operate for 15–17 years after the expansion.

Tanuj Nandalal – SKP Securities Limited: The proven reserves are not the same as the sixty—so even for {? Ajidombri ?}, it is about 80 million iron ore?

Management: Exactly. There are 80 million tons in {? Ajidombri ?} and about 75–80 million tons in {? Bore-2-B ?}. However, {? Bore-2-B ?} is entirely BMQ, or low grade, so we need to beneficiate it.

Tanuj Nandalal – SKP Securities Limited: So the 75 million ton reserve at {? Bore-2-B ?} has to be viewed in the context of the usable result?

Management: In usable terms, we can obtain only about 25–30 million tons at a 35–40% recovery rate.

Tanuj Nandalal – SKP Securities Limited: Thank you. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Sahil Sanghvi with Monarch Networth Capital Limited. Please go ahead.

Sahil Sanghvi – Monarch Networth Capital Limited: I have a small clarification. I think we will be looking at roughly 2.3–2.4 million ton of iron ore procurement in the second half. Is it fair to assume that roughly 1 million ton can be outsourced in the second half?

Management: Yes. It will be slightly less than 1 million, close to 0.7–0.8 million tons. Roughly 7–8 lakh tons.

Sahil Sanghvi – Monarch Networth Capital Limited: Will a large part of it be done in Q3 itself?

Management: It is already happening. Since we are already in the middle of Q3, it is already happening in Q3, and part of it will happen in Q4. As mining production ramps up, we will start reducing our purchase of iron ore from the market.

Sahil Sanghvi – Monarch Networth Capital Limited: Is it fair to say that total iron ore sourcing will be roughly 2 million ton in FY27? I want to understand how it will develop.

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Management: Correct. Roughly 2 million tons on a full-year basis.

Sahil Sanghvi – Monarch Networth Capital Limited: Will this completely go to zero next year, or will we still have a small quantity to maintain a mix?

Management: In FY28, we should be able to reach 80-85% of mining capacity, so we should be able to produce roughly 5-5.2 million tons. There will therefore be a small purchase of approximately 0.5 million ton from the market at most.

From FY29 onward, we will be 100% captive. In practical terms, I would say that from October 27 we should be able to start mining at a 6 million ton capacity after the monsoon ends.

Sahil Sanghvi – Monarch Networth Capital Limited: So, in the first half of next year, we will see some external sourcing?

Management: Some, yes. However, all the pellet plants will then be running at full capacity, so you will see a substantial jump in pellet volumes from Q1 onward.

Sahil Sanghvi – Monarch Networth Capital Limited: Thank you very much.

Management: 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.

Management: Thank you. Thank you, ladies and gentlemen, for joining us on this call today to discuss the Q2 and FY27 earnings conference. I am sure that we have adequately answered all your queries. In case you have any further questions, please feel free to contact us or our investor relations team at Go India Advisors. Thank you very much.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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