Godawari Power & Isp

Operator: Good afternoon, everyone. This is the second day of the Bharat Connect conference. I welcome you all to the call of Godawari Power And Ispat Ltd. Today, from the management side, we have Mr. Dinesh Gandhi, Executive Director of the company. Before I hand over the call to management, I will outline the flow of the event. We will start with brief introductory remarks by management and then move on to the question-and-answer round. Any participant who would like to ask a question can raise their hand or put it in the chat box. First, we will take questions from the participants who have raised their hands and then move on to the chat box. If time permits, at the end we will take questions received from clients who were not able to participate. With this, I now hand over the call to management. Over to you, sir.

Dinesh Gandhi – Executive Director: Thank you. Thank you, Arihant Capital, for giving us an opportunity to present at your conference. Good afternoon, ladies and gentlemen. I am Dinesh Gandhi, representing Godawari Power And Ispat Ltd.

As you may be aware, Godawari Power And Ispat Ltd. is a company based out of Raipur, Chhattisgarh, and is engaged in the iron and steel business. The company has facilities ranging from iron ore mining to iron ore pelletization, conversion into sponge iron, conversion of sponge iron into steel billets, and then into downstream value-added products. The company is also supported by ferroalloys manufacturing facilities, both for captive requirements and for selling to the market.

The details about our capacities and so on are available in our investor presentation. I am not repeating them, so that we can have more time for the Q&A. The company is also supported by captive power generation capacities. We have captive power generation capacities in the form of waste heat recovery power, coal-based power, biomass power, and solar power. All components of power generation are available with us for our captive requirements.

The company's operating plants are operating fully. Recently, the company was awarded environmental approval for expansion of our iron ore mining capacity at Ari Dongri from 2.35 million tons to 6 million tons. Besides Ari Dongri, we also operate the 0.7 million ton Boria Tibu iron ore mine.

We recently commissioned, I think in December 25, the {? 0.2... 2 million ton ?} iron ore pelletization capacity, and that has also started operating. Currently, because of certain bottlenecks in the expansion of mining, including delays in approval for tree cutting and the availability of space for dumping overburden, our mining operations are constrained.

However, we are making every effort to obtain this approval as soon as possible. We hope that by the end of the current financial year, GPIL will definitely be operating the mine at full capacity. After that, our requirement of iron ore for the pelletization capacities will be fully met from in-house sources.

The rest of the plants are operating fully. This is one bottleneck that we are facing, but I am sure that within the next 2-3 months we will receive the approval. After the trees are cut, the land will be available for dumping overburden. By that time, our beneficiation plant for processing iron ore will also be commissioned, and then our iron ore mining capacity will be ramped up.

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In addition to our existing business, the company is also setting up two more businesses. One is a cold rolling mill complex with a capacity of 0.7 million tons, for which we have recently received the allotment of land. We decided to change the location of the CRM complex from Chhattisgarh to Maharashtra, primarily because there was some delay in obtaining approval in Chhattisgarh for the existing land that we had acquired there.

We have recently received the allotment of land in the AURIC industrial belt. Once the land lease deed is completed and the initial approvals are obtained, we will start construction in Maharashtra. The project will require at least 1 year from the time we start construction activities to commissioning.

Besides this, as you may be aware, we are also setting up a 20 gigawatt-hour battery energy storage project at a cost of about 1,400 crores in the same AURIC industrial area in Maharashtra. This project is also at an advanced stage of implementation.

We have tied up for all the equipment and basic infrastructure required for the project. We have also tied up for the raw material after the project starts commercial operations and have entered into agreements for a long 5-year period. We expect this project to be commissioned by Q1 FY28, after which it will go on stream.

Besides this, as you may be aware, the company had earlier decided to set up a 1-million-ton integrated steel plant in Chhattisgarh. We have kept that plant on hold because of delays in regulatory approvals. We are still pursuing those approvals and, once the approvals are received, we may pursue that project in the future. With this, I think we can open the house for Q&A.

Operator: Thank you, sir, for the brief introductory remarks. We will now open the Q&A round. Any participant who would like to ask a question can raise their hand or put it in the chat box. First, we will take questions from the participants who have raised their hands and then move on to the chat box. We have our first question from Sukhdev Sahu. Please go ahead.

Sukhdev Sahu: Hello, sir. Hello.

Dinesh Gandhi – Executive Director: Yes, Sukhdev.

Sukhdev Sahu: I wanted to know what kind of margin we will achieve in the Q3 and Q4 quarters.

Dinesh Gandhi – Executive Director: Margins in the Q3 and Q4 quarters would definitely be slightly lower as compared to the earlier year, primarily because our new pellet plant has started operating and we are sourcing the majority of our iron ore requirement from the market. That would have some impact on the margins.

However, once the approvals for the dumping grounds are received and the beneficiation plant is set up, our margins are likely to expand even beyond the FY26 numbers.

Sukhdev Sahu: Can we expect an EBITDA margin of less than 20% in FY27?

Dinesh Gandhi – Executive Director: That will depend on the volume of business and the product mix. In fact, the selling prices for the value-added downstream products have also improved

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considerably over the last 1-1.5 months. That will support the margin.

Earlier, we were buying about 20-25% of our iron ore requirement from the market, whereas currently we are buying more than 50% of our requirement. To that extent, there could be some impact on the margins.

Sukhdev Sahu: For the whole financial year, what percentage will we be buying?

Dinesh Gandhi – Executive Director: We will not be able to provide guidance in terms of an exact percentage.

Sukhdev Sahu: In Q1 and Q2, what percentage of iron ore did we procure internally and what percentage did we procure from outside?

Dinesh Gandhi – Executive Director: As I said, throughout FY27, more than 50% of the iron ore will be outsourced, as compared to 70% coming from captive mines last year. Captive mine production will be lower in the current financial year.

Sukhdev Sahu: That is all from my side. Thank you, sir.

Dinesh Gandhi – Executive Director: Thank you.

Operator: Thank you, sir. Any participant who would like to ask a question can raise their hand or put it in the chat box. We have a few questions in the chat box, which I can read one by one for you to answer.

Dinesh Gandhi – Executive Director: Please speak a little louder. Your voice is not clear here.

Operator: Sir, am I audible now?

Dinesh Gandhi – Executive Director: Yes.

Operator: We have a few questions from our investors. The first question is from Ansh Khimawat. Please go ahead.

Ansh Khimawat: Hello. Hi, sir. Am I audible?

Dinesh Gandhi – Executive Director: Yes, Ansh.

Ansh Khimawat: I want to talk about the battery energy storage business. What is the current price in the market right now? Have cell prices reduced, and are we still expecting a 7-8% EBITDA margin, or are we expecting a higher margin given that prices have come down recently?

Dinesh Gandhi – Executive Director: This question is regarding BESS.

Ansh Khimawat: Yes, sir, BESS—battery energy storage.

Dinesh Gandhi – Executive Director: The current pricing, including BMS and PCS, should be in the range of 85 lakhs per megawatt hour. As far as cell pricing is concerned, cell pricing is about $52,000 per megawatt hour.

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Ansh Khimawat: It has come down considerably, if I am not mistaken?

Dinesh Gandhi – Executive Director: No, cell pricing has not come down. In fact, it has risen over a period of time.

Ansh Khimawat: I just wanted clarity on that. Should we expect the movement to start from Q1 FY28, or should we expect it to start earlier?

Dinesh Gandhi – Executive Director: Could you speak louder? I am not able to hear you.

Ansh Khimawat: I am asking whether we will be starting the project by Q1 FY28 or whether we should expect it to start earlier.

Dinesh Gandhi – Executive Director: We are targeting to start it. Project commissioning is expected by the end of March, and hopefully production should start sometime in Q1 FY28.

Ansh Khimawat: Thank you, sir. That is all from my side.

Operator: Thank you, sir. We have our next question from Anand Mundhra. Please go ahead.

Anand Mundhra: Am I audible?

Operator: Yes, Anand, you are.

Anand Mundhra: Thank you for the opportunity. What is the reason for using natural gas as the feedstock for the new pellet plant? In the first pellet plant, we are using coal gasification as the route. Why did we change, sir?

Dinesh Gandhi – Executive Director: I am sorry, please repeat that. There seems to be some problem at my end, but you need to speak louder. I am not able to hear properly.

Anand Mundhra: What is the reason for using natural gas as a feedstock for the new pellet plant? In the earlier pellet plant, we were using coal gasification. What is the reason we switched to natural gas for the new plant?

Dinesh Gandhi – Executive Director: Earlier, there was no pipeline or availability of gas in Chhattisgarh. Naturally, we were dependent on coal gas.

With regard to natural gas, since it became available in our area when we commissioned phase three of our pellet expansion, we decided that, although the cost would be slightly higher, we would use natural gas as compared to coal-based gasification in order to have a better product and possibly better product acceptability in the global market, especially the European market, where there is good demand for 65-plus Fe pellets, which our company is able to produce.

Therefore, we chose to set up and depend on this natural gas line. However, as we recently faced some problems because of the Middle East crisis, we have decided to set up another gasifier. Going forward, we will have both options: coal gas as well as natural gas.

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Anand Mundhra: Understood. So we will have an alternate coal gas facility in the third pellet plant as well.

Dinesh Gandhi – Executive Director: Understood.

Anand Mundhra: The use of natural gas is because it gives better product quality as well, correct?

Dinesh Gandhi – Executive Director: No, it is not because of better product quality. It is more from an environmental perspective.

Anand Mundhra: Environmental perspective. Understood. We have again started operations at the second, new pellet plant, correct?

Dinesh Gandhi – Executive Director: Yes, we started operations at the new pellet plant when prices started moving up. In fact, in the first week of July, when we shut down that plant because of the economics of operations, the economics improved because of the increase in pellet prices. Although iron ore prices also increased, the viability definitely improved, and therefore we restarted the pellet plant.

Anand Mundhra: Understood. Regarding the tree-felling permission that we are awaiting, I think we were expecting that in October, correct?

Dinesh Gandhi – Executive Director: We are expecting it. It could come at any time. Let us keep our fingers crossed and wait.

Anand Mundhra: Once that comes through, I think the coal gasifier will also be installed. By when will that be completed?

Dinesh Gandhi – Executive Director: No, that will take time. It will not happen immediately. Currently, we are using natural gas at a slightly higher cost. As far as product economics and unit economics are concerned, it is comfortable, so we do not mind paying for it. If all the pellet plants are operating at full capacity, then I have to use natural gas.

Anand Mundhra: Understood. The availability of natural gas is not a challenge, correct? It is only the price that is very high. Availability is not an issue?

Dinesh Gandhi – Executive Director: Availability is not an issue.

Anand Mundhra: Availability is not an issue. Understood, sir. That is all from my end. Thank you.

Operator: Thank you, Anand. We have our next question from Neeraj Jhaveri. Please go ahead.

Neeraj Jhaveri: Thank you for the opportunity. First, for this 20-megawatt BESS, when will you start order booking? Considering the removal of the export incentive and the imposition of VAT in China, are we going to stock up on battery cells?

Dinesh Gandhi – Executive Director: Sorry, what was the first part of your question?

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Neeraj Jhaveri: What is the status of the 20-megawatt project, and when will we start order booking, considering that you are coming up with a large capacity?

Dinesh Gandhi – Executive Director: This is not a 20-megawatt project; it is a 20-gigawatt-hour project. We will very soon start participating in various tenders coming up mainly from government bodies and some C&I customers.

We have already started marketing our product, assuming that our deliveries will start from July 2027 onwards. From an order-booking perspective, we have already started building up the team and working on it.

As far as commissioning of the project is concerned, we are likely to commission it by the end of March and hopefully start production in Q1.

Neeraj Jhaveri: What portion of this capacity will be used for IPP BESS, and what portion will be sold to third parties?

Dinesh Gandhi – Executive Director: This will be 100% sold to third parties. It is not for captive use.

Neeraj Jhaveri: Are you participating in EPC bids?

Dinesh Gandhi – Executive Director: We intend to participate in all types of bids involving the supply of BESS. If it is an EPC project, we will participate in the EPC as well. Regarding the developer model, we are still in the process of discussing it internally.

Neeraj Jhaveri: As of now, there is no plan to enter the developer model?

Dinesh Gandhi – Executive Director: We will take a call in due course.

Neeraj Jhaveri: How much was the revenue loss for the 2-megawatt MTPA iron ore pellet plant that was shut down from July to the end of August?

Dinesh Gandhi – Executive Director: I think it was shut down for about 30-45 days.

Neeraj Jhaveri: What was the revenue loss?

Dinesh Gandhi – Executive Director: If production is 1.5 lakh tons per month, you can take 45 days, or 2.25 lakh tons, multiplied by the selling price at that time, which was about 8,500.

Neeraj Jhaveri: The impact of this will continue because depreciation and interest costs will continue. What will be the impact?

Dinesh Gandhi – Executive Director: Since we do not have much interest cost, depreciation cost will definitely be incurred for the full year.

Neeraj Jhaveri: The impact of this will be in the Q2 results of this financial year?

Dinesh Gandhi – Executive Director: Yes.

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Neeraj Jhaveri: One more question: if I am not mistaken, your 20-gigawatt-hour BESS was supposed to be commissioned in January, and now it has been pushed back.

Dinesh Gandhi – Executive Director: Not in January. We have been saying that commissioning will be in March and production will start in Q1. As of now, it is difficult to comment on a variation of 1 or 2 months. Our equipment from the supplier is almost ready, and shipment will take place in November or December. The equipment will arrive at the site in February, after 1 month of shipping.

Neeraj Jhaveri: Has the civil work at the site been completed for the shed?

Dinesh Gandhi – Executive Director: Sorry?

Neeraj Jhaveri: Has the civil work at the site been completed for the shed?

Dinesh Gandhi – Executive Director: No, the civil work has not been completed. Civil work is just starting.

What we want to do is have the foundation ready by the time the equipment arrives. After that, the main civil work for the plant will continue. It is a prefabricated building, so the outer foundation work will be completed first. Once the equipment is received, it will be installed on the foundation, and the building work will proceed simultaneously.

Neeraj Jhaveri: Understood. Will the entire 20-gigawatt-hour capacity be across how many lines, and will all the lines start together?

Dinesh Gandhi – Executive Director: It is a single line. It is a single line.

Neeraj Jhaveri: You have bought a single line?

Dinesh Gandhi – Executive Director: Yes, it is a single line.

Neeraj Jhaveri: One of the earlier participants may have asked this question, but what are the revenue and profitability expectations for this year and next year?

Dinesh Gandhi – Executive Director: There will be some impact on pellet volumes this year because the plant was closed for 1.5 months. Therefore, there could be some modification to the guidance we provided in our presentation as we proceed.

In terms of margins, our iron ore mining volume guidance will also be lower than what we had stated earlier. Therefore, there will be an impact from both of these factors. We will revise our guidance at the next investor call, or before the next investor call.

Neeraj Jhaveri: What about the FY28 numbers, when your BESS is also operating?

Dinesh Gandhi – Executive Director: If BESS operates for about 9-10 months in the next financial year, our initial estimates are that we would operate about 7-8 gigawatts of capacity, or about 30-40 gigawatts of capacity.

Neeraj Jhaveri: Understood. Thank you. All the best.

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Dinesh Gandhi – Executive Director: Thank you.

Operator: Thank you, sir. Any participant who would like to ask a question can raise their hand or put it in the chat box. We have a few questions in the chat box, which I can read one by one for you to answer.

Dinesh Gandhi – Executive Director: Yes, sure.

Operator: The first question is: What gives us confidence that we can achieve our target of 5,000 crore EBITDA by FY30?

Dinesh Gandhi – Executive Director: We had given the vision of 5,000 crore of EBITDA by FY30 keeping in mind that the 1-million-ton integrated steel plant would be in place. Since that plant is on hold, we have revised our vision numbers to 3,500 crore, if I am not mistaken.

Similarly, the turnover has also been reduced to reflect the impact of the 1-million-ton integrated steel plant. This is not guidance; it is a vision statement. We believe that if we are able to successfully demonstrate and execute our plans, this is a number that we could achieve.

Operator: What are the triggers through which we could achieve 3,500 crore EBITDA by FY30?

Dinesh Gandhi – Executive Director: There are three points.

Number one, in terms of the top line in the steel business, my pelletization plant has already been commissioned. In terms of margin, margin improvement will hopefully happen only after we receive approval for clearance of the dumping ground. Once dumping space is available, mining will no longer be a restriction. That will drive the steel business.

The steel business could contribute a maximum turnover of about 7,500 crore, with margins in the range of 2,000 crore, plus or minus, depending on the market.

Then there is the CRM complex—sorry, BESS. BESS, if operated at 100% capacity, has the potential to generate sales turnover of close to 18,000 crores at full capacity. It may take 3-4 years to reach that capacity, but the potential is there for 18,000 crore, with a margin in the range of 6-8%, depending on the market. That would give me around 1,200-1,400 crores of EBITDA.

At 60,000 rupees per ton, although current prices are higher for CRM, that project can also generate about 4,000 crore of turnover at full capacity, with a margin of about 7-8%, or about 300-400 crores of margin in the CRM complex.

Together, these businesses will enable us to reach the number that we have mentioned in our presentation.

Operator: Could you please provide some insight into the economics of the BESS business?

Dinesh Gandhi – Executive Director: I have already said that the margin is about 8%, or in the range of 6-8%. We will have to see how the market evolves.

Operator: The next question is from Yash Gandhi: What is the timeline for CRM mill commissioning?

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Dinesh Gandhi – Executive Director: I have already answered this question.

Operator: The raw material for the plant will be procured from the market, correct?

Dinesh Gandhi – Executive Director: For BESS?

Operator: No, for the CRM mill.

Dinesh Gandhi – Executive Director: For CRM, HRC will be procured from the market.

Operator: Who will be the customers for the plant?

Dinesh Gandhi – Executive Director: The customers could include retail distribution as well as OEMs in the auto, FMCG, white goods, and other sectors.

Operator: With a capex of 1,100 crore, what kind of revenue and EBITDA do we expect to generate?

Dinesh Gandhi – Executive Director: I have already answered this question. You are asking about the CRM project, and I have just answered it.

Operator: The next question is from Monish Navani: What is the order book guidance for the base business?

Dinesh Gandhi – Executive Director: We have just started marketing the product. As of now, we have not taken any orders. Over the next 1–2 quarters, we will start securing orders.

Operator: Could you please share the Vision 2030 targets for consolidated revenue and EBITDA?

Dinesh Gandhi – Executive Director: I have already discussed this. Please refer to my presentation and the numbers we discussed just now.

Operator: Could you help us understand how customer contracts in the base business are generally placed, and what comfort we have regarding realization?

Dinesh Gandhi – Executive Director: All these questions will be answered as we proceed. As of now, we do not have any orders. Rather, we have not started taking orders. Marketing has just started.

Operator: What is the revenue potential for the base business?

Dinesh Gandhi – Executive Director: I have also answered this.

Operator: The next question is from Aditya Mane: What is the split between captive and commercial waste heat recovery?

Dinesh Gandhi – Executive Director: There is no commercial component; it is 100% captive. {? 42 megawatt ?}. It is 48 megawatts now.

Operator: We have a few questions from participants who were not able to participate. The permitted capacity of {? Agri Dongri's ?} mine rose from 2.35 million tons to 6 million tons, and enhanced-capacity mining began on February 10, correct?

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Dinesh Gandhi – Executive Director: We received the approval in February for enhancement of the environmental approval. However, clearance for the dumping ground has not yet been received. Once the dumping ground approval is received, the actual mining capacity will increase.

Operator: Its full-year operationalization will be in FY28?

Dinesh Gandhi – Executive Director: Yes, we are expecting that.

Operator: What specific mining equipment, workforce, or regulatory milestones must be met to reach that target? What quarterly ramp-up do we expect?

Dinesh Gandhi – Executive Director: I have already discussed the regulatory aspect. The remaining infrastructure, equipment, and other requirements will be arranged. We have already lined them up through the mining contractor.

Operator: What quarterly ramp-up profile do we expect from this?

Dinesh Gandhi – Executive Director: We are expecting an exit run rate of 5-6 million tons as we exit FY27.

Operator: Will FY27 revenue be at par with FY26, or could there be growth?

Dinesh Gandhi – Executive Director: There could be growth because the additional pellet capacity that we are operating, namely the new pellet plant, will definitely add to turnover. Therefore, revenue will not be lower than last year. It will definitely be better than last year.

Operator: By when will the coal gasifier come online in the new pellet plant?

Dinesh Gandhi – Executive Director: It will take about 6-9 months.

Operator: Captive power includes solar, waste heat recovery, biomass, and wind. How much power is consumed internally versus sold externally?

Dinesh Gandhi – Executive Director: It is 100% consumed internally.

Operator: What cost savings and reliability benefits have the recent additions delivered?

Dinesh Gandhi – Executive Director: Our captive generation cost is 3.5 rupees per unit, compared with a grid cost of 6 rupees.

Operator: The company's operations span captive ore, beneficiation, pellets, sponge iron, billets, and finished products. What are the current bottlenecks in that chain?

Dinesh Gandhi – Executive Director: I think we have already discussed all these points. Why are you repeating them? We discussed this earlier. I have already told you what the bottleneck is and why production is lower.

Operator: We have the next question from Ayush Mittal. Yes, Ayush.

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Ayush Mittal: Thank you for the opportunity, Dinesh. Thank you for patiently answering all the questions and explaining everything.

Dinesh Gandhi – Executive Director: It is my pleasure, Ayush.

Ayush Mittal: I wanted to get your broad thoughts on one matter. Over the past several years, we have seen that the next major expansion being contemplated has always been deferred, or something or the other has come up. What is the actual challenge? Are we unwilling to commit to a large capex, or are things so dynamic that we make a decision, something goes wrong, and then we have to defer or roll it back? What exactly is happening, and at the board level, given your experience, what do you see?

Dinesh Gandhi – Executive Director: Ayush, I understand your point. Frankly, as you are aware and have rightly mentioned, we have been contemplating a greenfield steel plant for the last several years, I think ever since 2022-23, when our MD mentioned it in one of the conference calls.

Since then, we have been facing one issue or another. As you are aware, the land for which an offer letter was given to us by the state government in 2023 finally received an allotment letter in 2025, and the mining lease was executed in 2026.

Throughout these 3 years, we were not able to proceed. Of course, we were exploring various opportunities regarding what kind of steel should be produced. Initially, we started with HRC, then we moved into structural steel, and so on.

However, after the land clearance was completed, the final environmental approval was granted, I think in January or February 26, by the Ministry of Environment. In that approval, they imposed a condition that the offer letter for our water requirement had been issued by the state government, and our presentation before the environment ministry had been based on that offer letter.

The environmental clearance was granted, but if you go through the minutes of the meeting, it was granted with one condition: we should have a firm allotment of water from the state government. The offer letter has to be converted into a firm allotment.

For one reason or another, this firm allotment of water is being delayed. Any greenfield steel project in India takes a great deal of time for one reason or another. Since this is a greenfield expansion, we have not been able to proceed. Despite committing to it on two occasions, we had to withdraw.

The issue is not about the money. We have full visibility. When there was a funding issue, we ourselves guided the market by saying that unless we received approval for the expansion of mining, we would not commit the capex because cash flow visibility had to be established.

Now that the environmental approval for the expansion of mining has been received, the small issue of tree-cutting permission in the dumping-ground area is creating a hindrance. This will be resolved in the next 1-2 months, or whatever time it takes. Investment is not an issue because we have visibility on cash flow generation. It is the clearance that is holding us back.

If I place orders for the equipment and the clearance does not come through, the equipment vendor will pursue us to take delivery. We do not want to commit the actual money unless we have full

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visibility on the regulatory approval side. That is the entire challenge.

Ayush Mittal: That is really helpful, sir. Both you and Abhishek have always been very forthcoming in sharing such instances. This commentary is very helpful.

I have one more question at a broader level regarding your and the board's thinking. The projects we have selected for future growth, BESS and CRM, are both low-single-digit EBITDA margin businesses. I understand that they are high-volume businesses and that the absolute numbers would be large. However, GPIL has historically been a high-ROE, high-margin business because of our pellet and iron ore integration.

Going forward, do you not think that this will dilute all those metrics for us in a significant way? Given the cash flows we have, we could perhaps have pursued better forward integration or something else. I am sure you have more clarity on this and that you have debated it, but I would like your broad thoughts on why we chose these low-EBITDA-margin businesses and diluted our return ratios.

Dinesh Gandhi – Executive Director: There are two separate questions. First, these businesses will dilute the margin. They will definitely dilute the operating margin. However, if you look at ROE and ROCE, those numbers will not be diluted, primarily because the absolute numbers are higher. Therefore, ROE and ROCE will not be lower. The EBITDA operating margin will definitely be lower.

As to why we are entering these businesses, whether CRM or BESS, our focus has always been on iron ore pelletization and mining for more than 1.5 decades. We are trying to grow in iron and steel, but because of the locational constraint, we need a location in Chhattisgarh because that is where our raw material is.

We do not want to set up a steel plant outside Chhattisgarh and be exposed to the market in terms of raw material. If that opportunity is not available, and considering the size of our balance sheet and our cash flow, we have two choices. Either we set up a 1-million-ton or 1.5-million-ton integrated steel plant, or, if we are not getting that opportunity to grow our business, as has been the case for the last 3-4 years, we choose to enter other segments where execution visibility is much better, where we can deploy our cash generation, and where we can grow the business of the company.

In any case, we will not be a very large steel manufacturer in India. Over the next decade, we may reach a maximum of 2-3 million tons if I stretch myself. We will not be a very large manufacturer with 10-15-20 million tons of steel capacity.

Therefore, we have to find ways to deploy our resources and generate alpha by diversifying into other businesses.

Ayush Mittal: Understood, sir. I am not trying to question you; this is just out of curiosity.

Dinesh Gandhi – Executive Director: I think I have explained this strategy in many investor calls.

Ayush Mittal: This is another question, sir. Why not consider forward integration into, for example, a welded pipe unit? I see a lot of expansion coming up in the Chhattisgarh area, and a couple of listed

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players are also—

Dinesh Gandhi – Executive Director: Forward integration requires space. To the extent that we had space, we have already utilized it. As you are aware, our steel plant has already been approved by Power Grid Corporation for supplying steel for transmission tower projects.

We have already started manufacturing. Our rolling mill is approved, our galvanizing plant is approved, and we have already started selling that product. However, the capacity is limited to about 100,000 tons.

We want to expand that capacity, but again, we will need a separate location. Our existing steel plant location is full, and we do not have any space. Once this capacity is fully utilized, we do have plans to increase our downstream infrastructure steel business for Power Grid and other customers. This represents a large opportunity, considering the kind of investments being made in transmission projects.

Ayush Mittal: Understood, sir. That was really helpful. Thank you, and all the best.

Dinesh Gandhi – Executive Director: Thank you.

Operator: We have one question in the chat box from Aditya Mane: In the steel business, what is the value-added and pellet revenue split, and what are the plans to increase the value-added revenue split?

Dinesh Gandhi – Executive Director: I have just answered this question.

Operator: If it increases, by how much will margins increase going forward?

Dinesh Gandhi – Executive Director: I have just explained that we have certain bottlenecks and why we are not able to increase it.

Operator: As there are no further questions, we may close the call. I would like to thank the management on behalf of Arihant Capital for sparing time and sharing insights about the company. If participants have any further questions, they can get in touch with the team at Arihant Capital. Thank you, sir.

Dinesh Gandhi – Executive Director: Thank you very much. Thank you, Arihant team, and thank you to all the participants for giving us this opportunity. If you have any other questions, you can either reach out to Arihant Capital or contact our IR team, and we will be happy to respond. Thank you very much.

Operator: Thank you.

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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