INVasset Corporate Insights

HIRA

GODAWARI POWER & ISPAT

29th June, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Godawari Power & Ispat Ltd.: A Comprehensive Overview

Captive Iron Ore Mines: Godawari Power & Ispat Ltd. (GPIL) benefits significantly from its captive iron ore mines. The company operates two mines: the Ari Dongri Mine with a capacity of 2.35 million metric tons per annum (MTPA) and the Boria Tibu Mine with a capacity of 0.7 million MTPA. These mines hold reserves of 165 million tons, ensuring a mine life of over 35 years. GPIL sources 85% of its iron ore needs from these mines, resulting in substantial raw material cost savings

Subsidiaries, Associates, and Joint Ventures: GPIL has a diversified corporate structure, including three subsidiaries, one associate, and three joint ventures. However, in June 2024, the company decided to withdraw plans to amalgamate Godawari Energy. Among its subsidiaries, Ardent Steel Ltd. (ASL) relies on merchant mines for its raw material needs, highlighting a strategic distinction in GPIL's resource management approach.

Manufacturing Plants: GPIL operates several manufacturing plants located in Chhattisgarh (Siltara Integrated Plant), Urla Industrial Area, and Odisha (Pelletisation Plant-Ardent Steel). Additionally, the company runs power plants, including a biomass independent power producer (IPP) in Mahasamund, Chhattisgarh, a wind mill in Karnataka, and various plants in Chhattisgarh. These facilities support the production of a wide range of steel products and alloys, enhancing GPIL's manufacturing capabilities.

Fire Incident and Recovery: In August 2023, a fire broke out at GPIL's 8MW biomass power plant in Mahasamund, Chhattisgarh. This incident temporarily halted operations, but the plant resumed functioning in March 2024. The recovery from this incident underscores the company's resilience and commitment to maintaining its production capabilities despite unforeseen challenges.

Production Capacity and Utilization: GPIL has reported robust capacity utilization for FY24. The iron ore mining capacity stood at 3.05 million tons (76% utilization), expected to increase to 6.7 million tons by FY25. The company achieved high utilization rates across various segments, including iron ore pellets (90%), sponge iron (99.99%), steel billets (91.4%), and power generation (83%).

Regulatory Approvals and Capacity Enhancements: In January 2024, the Chhattisgarh Environment Conservation Board (CECB) granted consent for GPIL to operate with enhanced capacities. The sponge iron division's capacity increased from 495,000 MTPA to 594,000 MTPA, and the Steel Melting Shop (SMS) capacity rose from 400,000 MTPA to 525,000 MTPA.

Ongoing Capital Expenditure Projects: GPIL is engaged in multiple capital expenditure projects to enhance its production capabilities. Notable projects include a 20MW power plant at Urla Industrial Area, Raipur, expected to complete by June 2024, and a 60MW power plant at Bemetara, with 52MW already commissioned. Additionally, modernization efforts at existing steel and power plants, including the commissioning of a high-efficiency 48MW power turbine generator, are underway to improve operational efficiency and capacity.

Stock Data	
CMP (28-06-2024)	1,064
52 Week High/Low	1180/505
Face Value	5.0
Market Cap (In Crs)	14,466
Enterprise Value (In Crs)	13,647
NSE	GPIL
BSE	532734
Bloomberg	GODPI:IN
Sector	STEEL

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	63.26	63.26
FII	5.54	5.41
DII	2.08	2.09
Public	29.12	29.23

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	5.75	10.49	25.13
GPIL	16.70	41.09	102.03

Key Ratios	
P/E	15.6
P/S	2.68
P/B	3.25
Debt To Equity	0.01
ROE	22.3%
ROCE	29.7%
Dividend Yield	0.35%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	1,530	1,309	1,317	16.88%	16.17%
Expenses	1,201	978	1,041	22.80%	15.37%
EBITDA	370	348	290	6.32%	27.59%
Other Income	41	17	14	141.18%	192.86%
Net Profit	219	229	170	-4.37%	28.82%
EPS	16.15	16.86	12.03	-4.21%	34.25%

Result Highlights

Godawari Power & Ispat Ltd.: Q4 FY24 Financial Performance Analysis

Sales Growth: Godawari Power & Ispat Ltd. (GPIL) reported a significant increase in sales for Q4 FY24, reaching Rs 1,530 crore. This represents a quarter-over-quarter (QoQ) growth of 16.88% from Rs 1,309 crore in Q3 FY24 and a year-over-year (YoY) increase of 16.17% from Rs 1,317 crore in Q4 FY23. This robust sales growth highlights the company's successful market strategies.

Rising Expenses: In Q4 FY24, GPIL's expenses rose to Rs 1,201 crore, marking a 22.80% QoQ increase from Rs 978 crore in Q3 FY24 and a 15.37% YoY increase from Rs 1,041 crore in Q4 FY23. The rise in expenses is attributed to higher raw material costs and increased production activities, reflecting the company's expanded operational scale and investments in capacity enhancements.

EBITDA Performance: GPIL's EBITDA for Q4 FY24 stood at Rs 370 crore, a 6.32% QoQ increase from Rs 348 crore in Q3 FY24 and a substantial 27.59% YoY increase from Rs 290 crore in Q4 FY23. This growth in EBITDA indicates the company's improved operational efficiency and effective cost management, contributing to better profitability despite rising expenses.

Other Income: The company's other income surged significantly to Rs 41 crore in Q4 FY24, reflecting a 141.18% QoQ increase from Rs 17 crore in Q3 FY24 and an impressive 192.86% YoY increase from Rs 14 crore in Q4 FY23. This substantial rise in other income can be attributed to gains from non-core activities, which have positively impacted the overall financial performance.

Net Profit: GPIL's net profit for Q4 FY24 was Rs 219 crore, a slight decrease of 4.37% QoQ from Rs 229 crore in Q3 FY24 but a notable 28.82% YoY increase from Rs 170 crore in Q4 FY23. The marginal QoQ decline in net profit despite strong sales and EBITDA growth is likely due to the increase in expenses and strategic investments in future growth initiatives.

Earnings Per Share (EPS): The company's EPS for Q4 FY24 was Rs 16.15, reflecting a 4.21% QoQ decrease from Rs 16.86 in Q3 FY24. However, on a YoY basis, EPS increased by 34.25% from Rs 12.03 in Q4 FY23. The YoY growth in EPS demonstrates GPIL's improved profitability and effective capital utilization, benefiting shareholders with higher earnings per share.

Capacity Utilization and Expansion Plans: GPIL's ongoing capacity utilization and expansion plans have significantly contributed to its financial performance. The company has effectively increased its production capacities across various segments, leading to higher sales and operational efficiencies. Future expansion projects, including new power plants and enhanced steel production capabilities, are expected to further bolster the company's growth trajectory.

Strategic Investments and Future Outlook: GPIL's strategic investments in capacity enhancements, modernization projects, and diversification of income sources have positioned the company for sustained growth. The company's focus on expanding its production capabilities is likely to drive continued financial performance improvements in the coming quarters.

Concall Highlights

Investment Thesis of Godawari Power & Ispat Ltd.: Godawari Power & Ispat Ltd. boasts a robust investment thesis centered on its captive iron ore mines with 165 million tons of reserves and a unique presence across the steel value chain. The company manufactures high-grade pellets, earning a premium over market prices. With a strong growth plan to double capacities in iron ore mining and steel production, GPIL stands out in the industry. Its net cash balance sheet, simplified group structure, and focus on Environmental, Social, and Governance (ESG) factors further enhance its appeal to investors. Additionally, GPIL's commitment to reducing its carbon footprint through renewable energy sources such as biomass, waste heat recovery boilers (WHRB), solar, and wind power solidifies its position as a sustainable and forward-looking enterprise.

Strategic Updates for FY24 at Godawari Power & Ispat Ltd.: Godawari Power & Ispat Ltd. has made significant strategic updates in FY24. The company appointed two industry experts, Mr. Sunil Duggal and Mrs. Roma Balwani, as independent directors, enhancing corporate governance. The commissioning of a 145 MW solar power project, with 45 MW added in FY24, underscores GPIL's commitment to renewable energy. The new 48MW high-efficiency power turbine generator has been synchronized with the grid. Additionally, capacities for sponge iron and steel billets increased to 0.594 MnT and 0.525 MnT, respectively. Improved operating margins were achieved despite a decrease in iron ore mining production. GPIL reported strong financial performance with EBITDA of Rs. 1,328 crore, reflecting a 14% increase, and PAT of Rs. 937 crore, an 18% rise. These updates highlight GPIL's strategic focus on growth, sustainability, and enhanced corporate governance, positioning it strongly for future advancements.

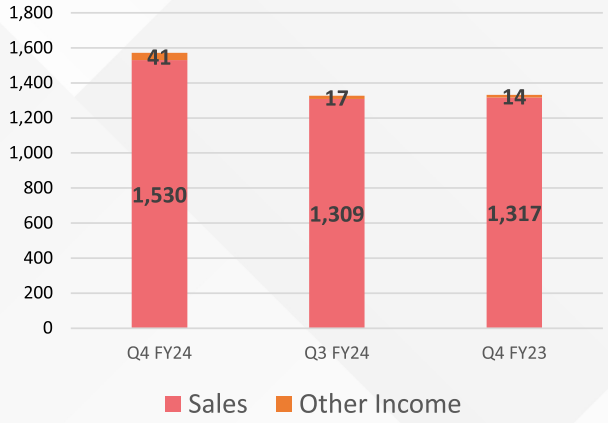
FY24 Performance: Promises vs. Delivery at Godawari Power & Ispat Ltd.: Godawari Power & Ispat Ltd. delivered impressive results in FY24, meeting or exceeding most of its targets. The company achieved 100% of its iron ore mining target at 2.3 million tons and 101% of its sponge iron and steel billets targets, each slightly surpassing the revised quantities. Although iron ore pellets fell slightly short at 94% due to a Q1FY24 maintenance shutdown, rolled products exceeded expectations by 120%. Despite a lower volume of ferro alloys at 91%, impacted by plant debottlenecking, the overall performance highlights GPIL's operational efficiency and ability to meet ambitious production goals. These results underscore GPIL's robust strategic planning and execution capabilities.

Godawari Power & Ispat Ltd.: Next Leg of Growth – Capex Plan: Godawari Power & Ispat Ltd. outlines an ambitious Capex plan to drive its next phase of growth. The company aims to increase its mining capacity from 2.35 MnT to 6.00 MnT, pending environmental clearance expected by June/July 2024. Additionally, the crushing and beneficiation project, with a budget of Rs. 200 crore, will expand capacity to 6.00 MnT within 15 months of environmental approval. The pellet capacity is set to rise from 2.70 MnT to 4.70 MnT by Q1 FY26, with Rs. 32 crore already incurred of the Rs. 600 crore project cost. An integrated steel plant project will boost capacity from 0.50 MnT to 2.50 MnT, requiring Rs. 6,000 crore and 36 months post-approval. These expansions are crucial for sustaining GPIL's growth trajectory and positioning the company as a leader in the industry. The investments reflect GPIL's strategic focus on enhancing production capabilities, meeting increasing market demand, and driving long-term sustainable growth. With these ambitious projects, GPIL aims to solidify its market position and deliver substantial value to its stakeholders, ensuring robust performance and competitive advantage in the years to come.

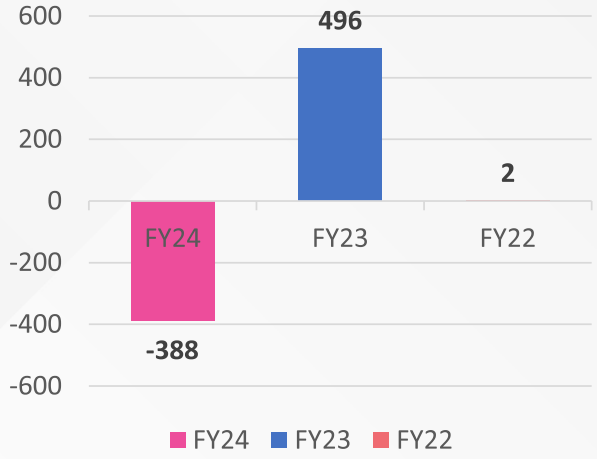
Godawari Power & Ispat Ltd.: Detailed Production Summary for Fy24: Godawari Power & Ispat Ltd. demonstrated significant production performance across its portfolio in Q4 FY24. Iron ore mining reached 648,662 M.T., up 15% QoQ and 14% YoY, totaling 2.3 million tons for FY24. Iron ore pellets slightly declined by 2% QoQ and 5% YoY, amounting to 2.44 million tons. Sponge iron production saw a 12% QoQ decrease but a substantial 116% YoY increase, totaling 593,991 M.T. Steel billets rose to 129,425 M.T., up 2% QoQ and 172% YoY, reaching 479,800 M.T. for the year. Notably, M.S. Rounds/TMT and H.B. Wires increased significantly by 132% and 110% YoY, respectively. Ferro alloys and galvanized fabricated products also showed robust growth. Power generation consolidated at 28 crore KWH, marking a 100% YoY increase.

Godawari Power & Ispat Ltd.: Strengthening the ESG Framework: Godawari Power & Ispat Ltd. is dedicated to sustainability, aligning with the United Nations' 10 principles for manufacturing responsibility and environmental sustainability. The company focuses on three key areas: Environmental Responsibility, Social Responsibility, and Governance Framework. It invests in environmentally friendly technologies and renewable energy sources, aiming for carbon-neutral growth through new solar PV projects. Socially, GPIL engages with communities, develops talent through skill training and mentoring, and fosters a stable ecosystem of vendors. Governance-wise, the company emphasizes strategic clarity by divesting non-core assets, strengthening its balance sheet, and ensuring disciplined capital allocation. Additionally, GPIL's robust risk management framework supports these initiatives, ensuring long-term resilience and adaptability. These comprehensive efforts highlight GPIL's unwavering commitment to sustainable and responsible growth, positioning it as a leader in the industry.

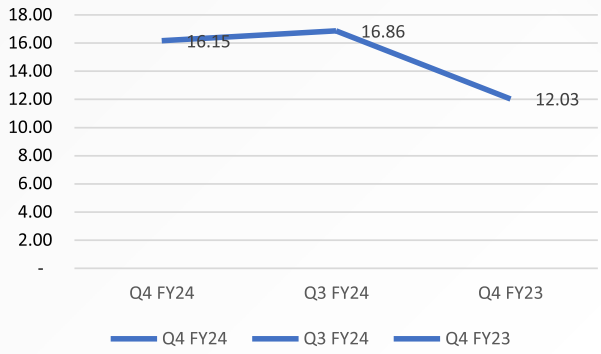
Sales & Other Income (In Cr)



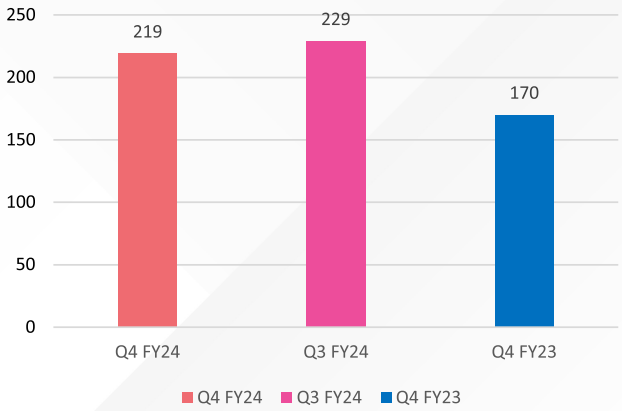
Cashflow (In Cr)



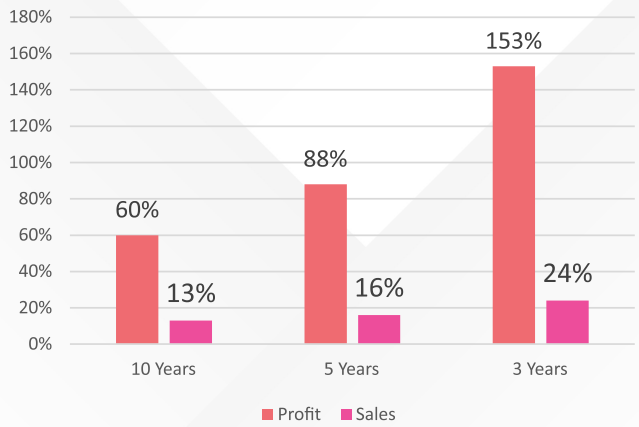
EPS



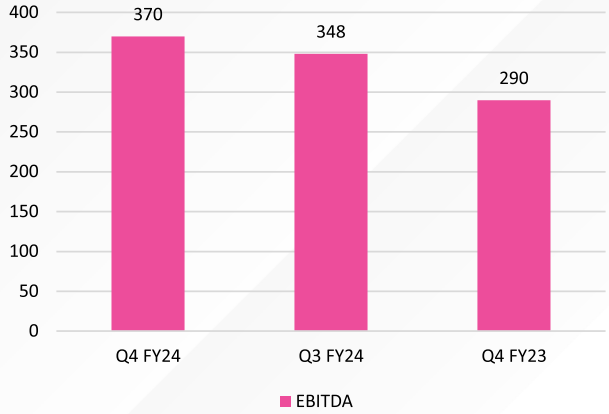
Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The weekly chart of Godawari Power & ISPAT Ltd. illustrates a significant bullish trend over the past few years. From mid-2020 to early 2021, the stock saw a steady upward movement, culminating in a strong rally that peaked around March 2022. During this period, the stock encountered a consolidation phase between the price ranges of approximately ₹470 and ₹530, as indicated by the highlighted rectangle zones on the chart. In the first half of 2022, the stock experienced some volatility, fluctuating within this consolidation range. Another notable consolidation phase occurred between ₹270 and ₹330, which provided a strong support base for the subsequent rally. The recent price action shows a peak of ₹1,158.80 with a slight pullback to ₹1,063.80, representing a 6.38% decline. Despite this pullback, the overall trend remains positive, with strong volume support suggesting sustained investor interest.
The moving averages for Godawari Power & ISPAT Ltd. reveal key technical levels. These averages suggest the stock is in a strong upward trend, with short-term averages indicating recent price momentum.

The Relative Strength Index (RSI) for Godawari Power & ISPAT Ltd. indicates the stock's momentum and potential overbought or oversold conditions. The daily RSI stands at 57.80, suggesting a neutral position where the stock is neither overbought nor oversold. The weekly RSI is 73.00, indicating that the stock is approaching overbought territory on a longer time frame. This suggests caution for investors as the stock might experience a price correction if the overbought conditions persist.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1098.6	1085.7
10	1099.6	1082.4
20	1046.8	1050.1
50	959.3	968.5
100	854.9	885.9
200	762.6	780

Pivot Levels : FIBONACCI		
R1 1084.6	Pivot 1067.2	S1 1047.4
R2 1105.1		S2 1030.8
R3 1121.7		S3 1010.3

	Daily	Weekly
Relative Strength Index (RSI)	57.80	73.00

Disclaimer: This report has been prepared by the research department of Invasset, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Invasset have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice.

The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice. Recipients of this material should rely on their own investigations and take their own professional advice. Invasset or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Invasset. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

Invasset and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to Invasset or any of its affiliates to any registration or licensing requirement within such jurisdiction. Invasset may or may not hold any securities discussed in the article in its portfolios. Invasset may or may not take decisions based on the information contained in the article while curating portfolios for its clients. Without limiting any of the foregoing, in no event shall Invasset, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com