"Lloyds Metal and Energy Limited

Q3 FY '24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Lloyds Metals and Energy Limited Q3 FY '24 Earnings Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the end of presentation. Should you need assistance during the conference call, please signal an operator by pressing star 100 on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Lohia from ICICI Securities. Thank you and over to you, sir.

Mohit Lohia: Yes, hi, good afternoon, everyone. Thank you for joining Lloyds Metals and Energy Limited Q3 FY '24 earnings conference call. I would like to thank the Management for providing us this opportunity to host the call.

From the Management side, we have Mr. Rajesh Gupta, Managing Director, Mr. Riyaz Shaikh, Chief Financial Officer, and Mr. Chintan Mehta, Chief Investment Officer. Now without further delay, I now hand over the call to Mr. Rajesh Gupta. Thanks and over to you, sir.

Rajesh Gupta: Good evening, ladies and gentlemen. Thank you for joining us today for our Q3 and nine-month FY '24 results conference call. I trust this message finds you well.

I hope each one of you had the opportunity to thoroughly review the detailed earnings that we released on the exchanges and our official website. The results we are presenting today mark a significant milestone in our company's journey. I am pleased to announce that we have surpassed the INR5,000 crores mark in revenue for the nine months ended FY '24.

This achievement underscores the robust performance and growth we have experienced across all our segments – sponge, iron ore, power and pellet trading. In terms of operation, our sponge iron segment has recorded its best quarterly performance.

At Ghughus plant, which is our first plant, has achieved the best quarterly production. Further, as a result of timely commissioning of the new Konsari plant, the production is at approximately more than 20% higher than the previous nine months. Our iron ore segment continues its strong performance and remains on track to dispatch 10 million tons in FY '24.

Additionally, our power segment has witnessed satisfactory traction with very good PLF as well as a timely pricing strategy. During our Board meeting in December and further in the last Board meeting, we outlined a comprehensive roadmap for the future. Our path forward is clear and our execution team is fully committed to achieving our goals.

We have established timelines for each project and are diligently working towards them. To provide you with a glimpse of our future plans, we are moving towards forward integration of operations to become a value-added steelmaker with a 4.2 million ton steel capacity. This includes 3 million tons of flat products and 1.2 million tons of long products, which is a balanced portfolio. It is in two locations, ensuring proper distribution of resources. Central to our plans are the expansion of our iron ore production from 10 million to 55 million tons, with verification playing a very crucial role. First time in the country, we will be mining and beneficiating low-quality BHQ of up to 45 million tons over a period.

Furthermore, addressing logistics in steelmaking is vital, and we plan to do so through two slurry pipelines. This not only reduces freight costs but also aligns with our commitment to environmental sustainability. Importantly, all our outline plans are rooted in one key principle – internal accruals.

We believe that establishing such capacities without debt will be a differentiating factor in our industry. Now I will hand over to Riyaz, our CFO, who will provide more details on our headline numbers and elaborate on any other questions you have asked. Thank you. Over to you, Riyaz.

Riyaz Shaikh: Thank you. Good evening, ladies and gentlemen. I would like to express my gratitude to all the investors for joining us today. Without further discussion, let us dive into our performance for the nine-month financial year '24, in case anyone has not had the chance to review our release. Our revenue for the period nine months FY '24 stood at INR5,012 crores, reflecting a remarkable 92% year-on-year growth.

EBITDA also experienced significant growth during nine months of financial year '24, reaching 1,135 crores, up 88% year-on-year. The profit after tax reached INR967 crores during the same period. On a per-ton basis, our iron ore EBITDA stood at INR1,550 per ton, while sponge iron stood at INR14,000 per ton.

Moving on to our capital expenditure plan, as our MD, Mr Rajesh Gupta mentioned earlier, we are forward integrating our operations to become a value-added steelmaker. Our proposed capacities include pellet plants of 12 million tons, DRI of further 0.36 million tons, wire rod of 1.2 million tons, blast furnace and HR coil for 3 million tons, two slurry pipelines of 85 kilometres and 190 kilometres respectively, a beneficiation plant and a coke oven of 1.8 million tons.

These projects are expected to roll out in phases over the next 6-7 years. As emphasised by Mr. Gupta, all our capital expenditure will be financed through internal accruals adhering to our fundamental principle.

To provide a snapshot of our nine-month FY '24 capex number, we have spent around INR880 crores till now. It is worth noting that due to our integrated operations, our cost of production is anticipated to be among the lowest in the Indian scenario.

With that, I would like to open the floor for any questions or clarifications you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Siddharth Gadekar from Equirus Securities. Please go ahead.

Siddharth Gadekar: Hi, sir. Good evening. So, the first question is related to our capital expenditure plan. Can you just share how, in terms of the timeline, when we expect these projects to come online and how much the capex will be each year? What will be the cash outflow in FY '25, '26 and '27?

Rajesh Gupta: So, like I mentioned earlier, we are doing these projects in various phases. First phase in the Chandrapur Ghugus plant is for the DRI expansion and the power plant worth around INR350 crores. This is in Chandrapur.

Simultaneously, the first pellet plant in Konsari will be around INR1,700 crores, along with the pipeline of INR550 crores. This is the first phase. These two projects will be commissioned by 2026. By that period, these two projects will be commissioned. Each year, there will be an outflow of various amounts with a peak of around INR 9,000 crores.

Siddharth Gadekar: So, is it fair to assume that we would have roughly around INR 2,500 crores, INR 3,000 crores capex every year over the next three years?

Rajesh Gupta: Roughly, yes.

Siddharth Gadekar: Okay. Secondly, in terms of our iron ore volumes for the fourth quarter, given that we have capacity constraints, we would be only restricted to 2 million tons. Is that assumption right?

Rajesh Gupta: A little more than that. The capacity constraint is limited to 10 million tons total.

Siddharth Gadekar: Correct.

Rajesh Gupta: 1.8 million tons.

Siddharth Gadekar: 1.8 million tons. And for FY '25 and FY '26, how should we look at the volumes?

Rajesh Gupta: For FY '25-'26, we are in various stages of applying for the mine expansion. So, by the end of the year, if we get the permissions, we will be at a volume of around 12-14 million tons.

Siddharth Gadekar: Okay, sir. Got it. Thank you.

Rajesh Gupta: The output of the next year would be 12million tons.

Siddharth Gadekar: Okay. Thank you.

Moderator: Thank you. We have our next question from the line of Jatin Damania from Svan Investment Managers. Please go ahead.

Jatin Damania: Thank you for the opportunity and congrats on a good set of numbers. So, as you pointed out the Q4 numbers will be restricted because of our restriction in terms of the overall volume. But since you have given the aggressive plans of 55 million tons of the iron ore capacity, so can you lay out which stage are we in and what exactly are the approvals we are waiting for to reach from 10 to 55 million?

Rajesh Gupta: Various stages of the mining approval expansion. First, we have to apply for a mining plan which is under process right now. Next would be the EC clearance, which will also entail a public hearing. And finally, we will get the EC itself. And then, of course, expanding the mine to achieve that much quantity. And the logistics part.

Logistically, we are well aligned with increasing our output in the short and long term. In the short term, there is a link of roads which have been expanded to make sure that the surge of output up to a -- dispatchable output of 25 million tons would happen. That is the logistics.

On the EC approval, etcetera, the process is well set by the MoEF. The mining plan has already been made internally. It is awaiting approval from IBM, for which various site visits, etc, will be required. So we hope that the whole process will be over by December of this current calendar year.

Jatin Damania: By December, we will get an approval for the 25 million or probably we are taking approval for the entire 55 million tons of the capacity that we are ramping up?

Rajesh Gupta: So the 55 million tons is the total mining that we will be doing. Out of which, in the long run, it will be 10 million tons of what we call DSO, direct shipped ore. And 45 million tons of BHQ. The BHQ would be beneficiated in the long run to 15 million tons. So, it will be 10 million plus 15 million tons, and total 25 million in output. That is in the long run.

In the first year, around 20 million-25 million tons & in the first two-three years till the beneficiation plant comes up, will be mined directly. Given the overall reserves that we have, we can achieve that. And we are working towards that.

Jatin Damania: Sir, when we talk about the BHQ, we will be setting up the beneficiation process. So correct me if I am not wrong, because as an Indian player, players are restricted to simply set up the beneficiation plant and we were planning to improve the content of the ore from 40% to 60%. So, what is the process, and are we approved players in terms of expanding the only beneficiation?

Rajesh Gupta: So I don't understand exactly your question. The beneficiation of BHQ would be the first time in India. It is a well-practised process in European countries as well as in China. China mines around 300 million tons of BHQ and beneficiates Fe from around 28% to 65%. Our BHQ is around 35% and we will be beneficiating up to 65%-66%. All the technical studies of that are underway and have taken place already. We have signed contracts with technology suppliers in China for this purpose. And we are ready to apply for the necessary approvals to the government of India, again, MoEF for that.

Jatin Damania: So a standalone beneficiation plant would be possible, right, for us?

Rajesh Gupta: Yes.

Jatin Damania: And, sir, what would be the cost that you will be doing it, because you said that you will be importing or you will be using a Chinese technology.

Rajesh Gupta: Around INR5,000 crores is the total cost envisaged over three phases.

Jatin Damania: Okay, sir. Thank you, sir. That's all from my side.

Moderator: Thank you. We have our next question from the line of Rucheeta Kadge from Iwealth. Please go ahead.

Rucheeta Kadge: Hello, sir. Very good evening and congratulations on a good set of numbers. Sir, my question was more on the side of this 45 million BHQ capacity. So just wanted to understand by when do you expect this to come on board? And when you say that initially you will be mining around 20 million-25 million tons, and suppose the beneficiation plant comes, you will do 15 million tons. So when is that beneficiation plant expected to come on board?

Rajesh Gupta: We expect that the first plant would come up by the latter half of 2025-'26 at the earliest. And 2026-'27 definitely for the first plant. And then every year, one plant subsequently.

Rucheeta Kadge: Sorry, sir. Actually, your voice is a bit muffled. If you could speak again.

Rajesh Gupta: On the earliest side, we expect that the first beneficiation plant would be commissioned by 2025-'26, second half. On a worst case scenario, 2026-'27 would be the first phase of that plant. And then every subsequent year, one plant each, or 15 million tons each input and 5 million tons output.

Rucheeta Kadge: Okay. Understood. And, sir, what is the realization and the profitability difference between, you know, 65% content versus the 35%? If you could give a broad understanding of that.

Rajesh Gupta: 35% content is not considered as iron ore but is considered a waste product in Indian parlance.

Rajesh Gupta: So, 45% is the breakeven level for considering the iron ore in India. 35%, like I said, would be the first time it is being beneficiated.

Rucheeta Kadge: Okay.

Rajesh Gupta: And 65% would be the outputgiven the chemistry, it would be at premium than the 63%-64% that we are currently mining.

Rucheeta Kadge: Understood. So, till the time the beneficiation plant doesn't come up, you cannot sell this?

Rajesh Gupta: It is not a sellable product, no.

Rucheeta Kadge: Understood.

Rajesh Gupta: We will be selling 62% to 64% iron ore till the beneficiation plant comes up.

Rucheeta Kadge: Okay. And, sir, this DRI and pellet plant that you spoke about, around INR1,700 crores, which is going to come in FY'25-'26, what is the capacity for it?

Rajesh Gupta: The pellet plant capacity, INR1,700 crores is the pellet plant and INR550 crores is the pipeline connected with that. The pipeline capacity is for 9 million tons and the first pellet plant is for 4 million tons.

Rucheeta Kadge: 4 million tons. Okay. And the rest would come when, sir, the remaining 8 million tons?

Rajesh Gupta: A year after.

Rucheeta Kadge: So, '26-'27?

Rajesh Gupta: '26-'27, both the plants will be commissioned.

Rucheeta Kadge: Okay. Understood. And similarly, sir, for your blast furnace and your wire, if you could just tell when exactly you are expecting this to come up?

Rajesh Gupta: So we expect it to come up between '26-'27, '27-'28.

Rucheeta Kadge: So, it is going to come in phases, is it?

Rajesh Gupta: Yes.. There are four-five plants in that chain.. So, various commissioning would happen from the end of this year, '26-'27, to the beginning of the next year, '27-'28.

Rucheeta Kadge: Understood, sir. Thank you so much, sir.

Rajesh Gupta: Thank you.

Moderator: Thank you. We have our next question from the line of Rakesh Roy from Omkara Capital. Please go ahead.

Rakesh Roy: Hi, sir. Sir, my first question is regarding realization. Sir, how much realization in Q3 for sponge iron and iron ore?

Riyaz Shaikh: In the nine months?

Rakesh Roy: No, sir. For Q3, sir.

Riyaz Shaikh: Yes, for Q3, the realization for sponge iron was close to 38,000. And iron ore was, close to 5,500.

Rakesh Roy: And Q2, sir, how much both?

Riyaz Shaikh: Q2, it was, iron ore was 4,600 and sponge iron was 31,700.

Rakesh Roy: Okay. So, we have taken a price hike in this one, Q3?

Riyaz Shaikh: Q3, there was a price hike, yes.

Rakesh Roy: Okay. So, my next question is regarding volume. So, currently, we have a total capacity of 10 million tons. So, you say that this year, for FY'25, how much volume you are targeting, sir? You are saying nearby 20 million tons?

Riyaz Shaikh: FY'23-'24 will be 10 million and FY'24-'25 should be close to 14 million tons.

Rakesh Roy: 14 million?

Riyaz Shaikh: Yes.

Rakesh Roy: Okay. Right, sir. Thank you, sir.

Moderator: Thank you, sir. We have our next question from the line of Nikunj Lahoti an Individual Investor. Please go ahead.

Nikunj Lahoti: Sir, I have a question. Like, you would be mining 45 million tons of BHQ and the output would be 15 million tons. So, what would be the approx cost of mining? Would it be, like, cost of mining for 45 million tons but output is 15million tons? And what would be the cost of beneficiation, if you could give some?

Rajesh Gupta: We anticipate the total cost of beneficiated ore, ex royalty, would be around INR1,200.

Nikunj Lahoti: Okay. So, it's like the same of iron ore cost only? Like, currently you are producing?

Rajesh Gupta: Yes, you can say that. Because we are handling 3x the material. So, the mining cost is actually lesser. But because it is 3x and there is a lot of waste product. So, yes, you are right.

Nikunj Lahoti: Okay. So, sir, approximately 1,200 per ton for, like, for BHQ. Okay. Thank you, sir.

Moderator: Thank you. We have a next question from the line of Kanishka Sorcar, an individual investor. Please go ahead.

Kanishka Sorcar: Hello. Hi. Very good evening to all of you. My question is that this BHQ beneficiation which is being done for the first time in India, there are no established players. I would wish to understand how does this economics play? Since you are putting a large amount of investment into this particular one and getting the technology from China.

So, if you could please walk us through this particular, how does it add value to the business? And the economics of this against the current, the grade which you are selling and the process which you are going to put in and the kind of margins that we can make?

Rajesh Gupta: Okay. Firstly, let me clarify. I like that it is the first time in India, but not the first time in the world. It is a well-established practice to beneficiate BHQ or BHJ, , in other parts of the world. It is a series of magnetic separation and flotation that is being done. And we have sent our samples of the BHQ, to three, four parts of the world where this is already being done.

In three, four countries where it is being done, including more than one lab in each country. As well as in two, three labs within India who know the process. We are also simultaneously creating a pilot plant study in our mind for this process of 5-6T which will be ready in the next two, three months. So, by the time the process is being engineered, by that time the pilot plant study will prove the proof of concept, number one.

Number two, the economics, like the previous speaker asked, the cost of mining is very similar to what we are doing right now. The cost of output of the ore. But having said that, we feel that the royalty will be very less. That's one part of the economics. But most importantly, this reserve of 800 million tons will yield us output of 250 million tons over the life of the mine.

Now, this 250 million tons would, otherwise in the country, as is the current practice, would have been a waste product. Yes, and we would have spent money to dump it and level it back into the mine. Also, because of this, beneficiating this BHQ, the ore which lies under this, the barite ore which lies under this also can be utilized. So, we are able to utilize around 300 million tons extra ore because of the beneficiation process.

Kanishka Sorcar: Right.

Rajesh Gupta: That is the most economical and key part to our whole lifecycle.

Kanishka Sorcar: So, sir, does it mean that, if I see the total -- yours is going to be an integrated steel plant over the next six years, right? So, if I take all of this into account, so your unit economics, if I take every part of the steel business, from mining till the finished product and pelletization, beneficiation, so on the unit cost side, does it bring down the cost further down because of addition of this beneficiation?

Rajesh Gupta: Further down from where?

Kanishka Sorcar: In terms of unit price. Like you said, you are a very efficient steel producer.

Rajesh Gupta: From what level? If we were to use iron ore mine or if we are going to use outside ore?

Kanishka Sorcar: No, I am saying from the iron ore mine. If you are using the iron ore mine and if you are using the beneficiation part of it.

Rajesh Gupta: It would be similar to that. But again, let me repeat that with this we can sell more pellets, we can make more steel over the life of the mine. And we can sell more iron ore.

Kanishka Sorcar: Yes, I understood. So, sir, just one thing…

Rajesh Gupta: More or less the same. But if the quantity increases, the viability is 300 million tons into INR4,000-INR3,500 over 50 years.

Kanishka Sorcar: Yes, right, right. Absolutely. So, sir, one thing I just want to add here, since you are going to be the first company in India, putting this up and you are also doing the proof of concept. And I am sure you would have already done a lot of your study, otherwise you won't be entering this particular site. Would that also open up an opportunity that if you stabilize this over the next, let's say, six-seven years, and you are in a place where there are lot of mines around.

And others are not using that and possibly that is a waste product. So, would that become a big business going forward?

Rajesh Gupta: That is a very interesting question and if I had not known better, I would have had some information from my company. We are at the highest level, are discussing various aspects of how to monetize that post our success in this plant.

Kanishka Sorcar: Right, sir. Right, right. Thank you so much. Thank you for the inputs.

Moderator: Thank you. We have our next question from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Yes. Good afternoon, sir. I think we have taken a price hike in iron ore in Q3. But if I look at the EBIT per ton on a sequential basis from 2Q to 3Q, there has not been a corresponding increase in that. So, have our costs gone up in that segment in the third quarter?

Riyaz Shaikh: Yes. There is an increase in the cost in the third quarter on account of the road constructions and also the fines generation has been more than what was anticipated and what was there in the last quarter.

Pallav Agarwal: Okay. So, the blended realization would include fines as well, right?

Riyaz Shaikh: Yes.

Pallav Agarwal: Okay. So, could you just also clarify what is the current royalty structure that we are paying on iron ore mines?

Rajesh Gupta: Royalty is a factor of the sales price. It's 15% royalty and 30% of the royalty as DMT, DMF and NMT. So, it is around 19.5% of the sales price. The current royalty is, I mean, the end royalty that is debitable to the company is based on that. Current is on the ASP and then the government corrects it over a period and it has to be paid. So, that is royalty is constant for everybody. We continue to pay no premium on our products since it is not an auction mine.

Pallav Agarwal: Right. And the life of the, I mean, the mining lease is valid for a pretty long time.

Rajesh Gupta: 2057, yes.

Pallav Agarwal: Sure. Okay. Thank you. So, that's it from my side.

Moderator: Thank you. We have a next question from the line of Nikunj Lahoti, an Individual Investor. Please go ahead.

Nikunj Lahoti: Sir, I have a question. Like, do you have any plans of acquiring new mines through auction?

Rajesh Gupta: At the moment, no, Nikunj.

Nikunj Lahoti: Okay. Thank you.

Moderator: We have a next question from the line of Siddharth Gadekar from Equirus securities. Please go ahead.

Siddharth Gadekar: Hi, sir. So, just one more question on our realization side. Given that NMDC has again recently taken a price hike today, a INR400 per ton. Is it fair to assume that even we could take a price hike in the fourth quarter now, given that NMDC realizations have moved up?

Rajesh Gupta: So, yes, it's a commodity and generally speaking, commodities move up and down for most vendors together. So, I won't say we have taken a price hike. I would say we have probably already gone a little ahead of that. We are a little ahead of the curve right now.

Siddharth Gadekar: But there is no possibility for another price hike, given that it is almost a 10% price hike for NMDC.

Rajesh Gupta: No. hike I said, we have already increased our prices to some. We don't have a price announcement scheme like NMDC has. It's more on a spot basis. And from time to time, we adjust our prices. And yes, we have taken price rises in the past. And we would definitely look at any opportunities to maximize our revenue either way.

Siddharth Gadekar: So, secondly, in terms of the pellet volume, what was the pellet volume this quarter that we have done from the Goa plant?

Rajesh Gupta: So, the Goa plant is basically a trading activity. We are selling them all the iron ore that they require. And we buy back pellet that we are able to export. We have purchased around 2,25,000 tons of pellets through four shipments in the world. All four are export. And this is export for first time in Kenya from India our material has gone.

Siddharth Gadekar: And for FY25, could you give some guidance in terms of our pellets that what could be our targeted pellet volume that we are looking at, given that we are seeding the market currently?

Rajesh Gupta: So, that plant can produce up to 1.8 million tons. We hope to supply them that much iron ore. In terms of pellet purchase, it can depend on various factors, including what is the profitability we get. So, the idea of the palletisation conversion, I mean palletisation sales is to get seed marketing. So, we have achieved that to some extent. And we continue to do that. I would say around 400,000-500,000 tons would be the volume in the coming year. But that's a very, very -- it can change very dramatically over months only.

Siddharth Gadekar: Okay, got it. Thank you.

Moderator: Thank you, sir. We have our next question from the line of Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

Mangesh Kulkarni: Yes, thank you for giving me this opportunity. I just wanted to understand this expansion timeline. If you could provide us in a tabular form with year-wise capex as well as the timeline for the commencement of the commercial production, that will be helpful in the presentation itself.

Riyaz Shaikh: See, it would be difficult on a phone call to explain you the timelines and the cost. But hopefully, yes, we will be trying to put it in the next investment presentation

Mangesh Kulkarni: Yes, that will be beneficial for us.

Riyaz Shaikh: Yes, we will take that point and we will be incorporating it.

Mangesh Kulkarni: Thank you very much.

Moderator: Thank you, sir. We have our next question from the line of Kanishka Sorcar an Individual Investor. Please go ahead.

Kanishka Sorcar: Yes, hi. Once again, I just -- I want to understand, so I was going through various reports and there is something very interesting which you guys are branding the pellet. And I wanted to understand, since you said that this is a commodity business, is there any particular reason to brand it and does it give us any specific benefits in terms of margins when we brand it?

Rajesh Gupta: So, Kanishka, I think you asked the most interesting question. LMELPEL is something that I personally try to push as a concept. Yes, it is a commodity. The problem in pellets is that people have tried to make higher grade pellets. Our pellets are 65% minimum. People have tried, are making higher grade pellets, but the consistency doesn't happen because of the availability of iron ore.

So, the higher grade iron ore that we are producing, we are sending to MRPPL and they are producing pellets out of that. And that's what we are buying back. So, with the higher grade focus and mind you, we will be producing 8 million tons of pellets in the next two years, three years, four years. So, we have to look at how to differentiate ourselves from the rest of the market.

If the guru of the industries of branding was Tata, who started Tisco TMT, which was unheard of at that time, we thought we will start small by branding our pellets as well.

Kanishka Sorcar: Okay, okay. So, one more thing. You are kind of like a couple of things. You have the renewable power, basically that's one part. Second is, you are using the slurry to move the ore from one part to another part. So, typically, the transportation is almost taking kind of fossil fuel instead of car. Now, all this over a longer period of time, does it bring in any kind of green part of the business? And does it have any kind of opportunity to earn carbon credits?

Rajesh Gupta: No, none of these projects actually earn carbon credits. It's not qualifying for that. We cannot prove the individuality of the project that without green carbon credit, the project is not viable. So, we are not claiming any green in the pipeline. In the beneficiation, we are studying whether it is possible for us to claim that. That study is not yet over. In the power plant, in our Ghugus plant, we have been claiming carbon credit for the last four or five years now. Okay. Yes.

Kanishka Sorcar: Right, sir. And a very different question I want to put to Mr. Gupta.

Rajesh Gupta: So, answering the green question, though our process looks on the face of it the traditional blast furnace route, but the way we are producing the ore and the closeness to which we are producing the ore and with the transport mode, the net carbon input into the furnaces is much lesser because of the raw material itself.

Kanishka Sorcar: Right, right. So, and a very different question, and I think not related to this company. So, I am also a shareholder of your other company which is Lloyds Engineering. And it's a personal request. Would it be possible for you to, because this company is getting a lot of traction and a lot of things happening that side also, but if you could organize a con call for that?

Rajesh Gupta: I am a shareholder in that company like you. I am not in the management of the company.

Kanishka Sorcar: Okay, okay. But would it be possible to communicate to them to kind of hold a conference with the investors?

Rajesh Gupta: As a shareholder, I will definitely request them.

Kanishka Sorcar: Sure, sir. Thank you so much.

Moderator: Thank you. We have our next question from the line of Rakesh Roy from Omkara Capital. Please go ahead.

Rakesh Roy: Sir, yes, sir. Sir, just to mention, your pellet volume for this quarter is near by 2025 tons?

Rajesh Gupta: 2,25,000 tons.

Rakesh Roy: 225k

Rajesh Gupta: 2,25,000 tons.

Rakesh Roy: Okay, right, sir. Sir, next question is regarding BHQ, you are targeting nearby 55 million tons? So out of 55 million tons, if I am right, is the 40 million tons by BHQ and remaining from?

Rajesh Gupta: No, no. Let me clarify again. For the sake of making sure there is no misunderstanding. 55 million tons would be the total ore output. 15million tons would be direct sales ore, ranging from 58% to 62%, 64% in output. And 45 million tons would be BHQ, which would be beneficiated down to 15 million tons of usable ore. 15 million tons of concentrate, roughly.

Rakesh Roy: Okay, right, sir. Thank you, sir. Thank you.

Moderator: Thank you, sir. We have our last question of the day from the line of Rucheeta Kadge from Iwealth Management. Please go ahead.

Rucheeta Kadge: Thank you, sir, for taking my question. Just one question, what is the payback period, you know, that we have on these paybacks, if you could give a broad number on that?

Rajesh Gupta: So, if we don't calculate the EV of the input capital, it will be three to three and half years based on transfer price at market levels. Each of the projects, that's what internally we try to focus at 100% capacity. That is not always the case. It may be a little less, a little more. But that is the idea to get that output out.

Rucheeta Kadge: Okay.

Rajesh Gupta: We feel that, again, a very important question that you have asked us, and that's the reason why we are trying to have zero debt in the company. Because if we have any debt, this payback, what you call payback or IRR, multiplied by three to four times, which makes it a very much more difficult process. So, we are trying to avoid that.

Rucheeta Kadge: Understood. Thank you.

Rajesh Gupta: Thank you.

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

Rajesh Gupta: Thank you, everybody. Some of these questions have been very, very interesting and thought-provoking. And I thank everybody for participation in this conference.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.