

Price: 205

Recommendation: Buy

Industry: Iron & Steel Products

Sector: Industrials

Report Date: 03-Apr-2025

Godawari Power & Ispat Limited (GPIL) is strategically expanding its operations, focusing on increasing mining capacity at Ari Dongri and enhancing pellet plant output. The company is investing in renewable energy with a 70MW solar plant and diversifying through a stake in Jammu Pigments Limited. GPIL's strong financial position supports its growth plans, despite challenges like market competition. The shift to natural gas aims to improve margins, while new product lines are being explored.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4788 Cr	Operating Profit(Year)	1142 Cr	Operating Profit Margin	23.8 %
Previous Year	5278 Cr	Operating Profit(Quarter)	201 Cr	EBITDA Margin	29.11 %
Current Quarter	1095 Cr	PAT (Year)	902 Cr	Net Profit Margin	17.9 %
Previous Quarter	1096 Cr	PAT (Quarter)	136 Cr	EPS	11.5
Revenue (QYoY)	1214 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	17.8	Sales Growth	-1.52 %	Sales Growth	-0.09 %
PEG Ratio	0.53	PAT Growth	13.17 %	Sales Growth QYoY	-9.8 %
EV/EBITDA	10.4	EPS Growth	-14.81 %	PAT Growth	-12.26 %
P/B	3.23	Dividend Yield	0.48	PAT Growth QYoY	-40.61 %
Capital Allocation		Holdings		Leverage	
RoE	22.3 %	Promoter	63.5 %	Debt/Equity	0.00
RoA	18.4 %	FII	7.11 %	Debt	0.23 Cr
RoCE	30.8 %	DII	1.90 %	Market Cap	13731 Cr
RoIC	27.5 %	Public	27.5 %	Enterprise value	12969 Cr
		No of Shares	66.9 Cr	Cash Equivalents	762 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

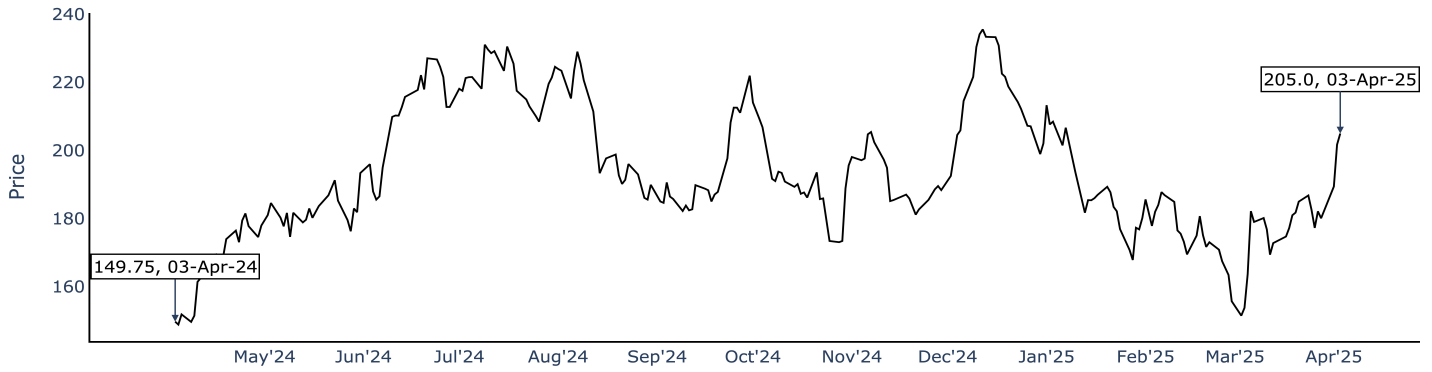
In the recent conference call, Godawari Power & Ispat Limited (GPIL) outlined several strategic initiatives and business strategies. The company has decided to expand its mining capacity at Ari Dongri from 2.35 million to 6 million tons, expected by Q1 FY '26. Additionally, they have restarted operations at the Boria Tibu iron ore mines and initiated a 0.6 million ton iron ore benefaction plan at Ari Dongri. The pellet plant capacity is set to increase from 2.7 million to 4.7 million tons by Q2 FY '26. Notably, the plan for a 2 million ton greenfield integrated steel plant has been dropped in favor of alternative projects with lower capacity and capex. The company is also setting up a 70MW solar power plant for the pellet plant and an additional 25MW for the new verification plant at Ari Dongri.

GPIL's diversification strategy includes acquiring a 49% stake in Jammu Pigments Limited and entering into a 7-year agreement with GAIL for the supply of electrified natural gas for the upcoming pellet plant. The company is also eligible to supply steel blades for Power Grid Corporation of India's transmission projects. Despite challenges, GPIL has maintained a stable performance, achieving significant production volumes across various segments. The company has a healthy balance sheet with a net cash balance of INR725 crores, which supports its ongoing and future projects.

Looking ahead, GPIL is focused on scaling its operations and enhancing its product offerings. The company plans to produce 3 million to 3.25 million tons of pellets in FY '26, with full capacity expected by FY '27. The shift to natural gas for the new pellet plant is anticipated to improve margins, although the cost benefits are yet to be fully realized. GPIL is also exploring new product lines in the flat segment, such as heavy structures and beams, while maintaining its presence in the long market. The company is prepared to adapt to market conditions, with options for domestic sales and exports.

On the positive side, GPIL's strategic initiatives and strong financial position provide a solid foundation for future growth. The expansion of mining and pellet plant capacities, along with the shift to renewable energy, positions the company well for long-term success. However, the company faces challenges such as market competition and fluctuating demand, which could impact pricing and margins. To mitigate these risks, GPIL is focusing on operational efficiency and cost management. The company's ability to adapt to changing market dynamics and leverage its strengths will be crucial in achieving its growth objectives.

GPIL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Jindal Steel	92486.32	22.61	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	52261.70	63.74	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	49034.90	20.35	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	48967.32	16.82	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	43539.48	68.62	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company's revenue shows a decline from the previous year, indicating potential challenges in sales or market conditions. However, the quarterly revenue remains relatively stable, suggesting short-term resilience. The year-over-year decline may require strategic adjustments to regain growth momentum.
Profit & Loss	Operating profit and PAT indicate a strong financial performance, with a notable annual PAT growth. However, quarterly figures show a decline, suggesting potential short-term challenges. The company must focus on sustaining profitability while addressing quarterly fluctuations to ensure long-term stability.
Profitability Matrix	The company maintains healthy profitability margins, with a strong operating profit margin and EBITDA margin. The net profit margin is robust, reflecting efficient cost management. EPS indicates shareholder value, though it has seen a decline, necessitating strategies to enhance earnings.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued, with a moderate P/E ratio and a favorable PEG ratio indicating growth potential. The EV/EBITDA and P/B ratios reflect a balanced valuation, supporting investment attractiveness. Continued growth and profitability are key to maintaining valuation.
Growth (YoY)	Year-over-year growth metrics show mixed results, with a slight decline in sales but significant PAT growth. The EPS decline highlights challenges in earnings growth. The dividend yield remains modest, indicating a focus on reinvestment. Strategic initiatives are needed to enhance growth prospects.
Growth (QoQ)	Quarter-over-quarter growth metrics reveal a slight decline in sales and a significant drop in PAT, indicating short-term challenges. The company must address these issues to stabilize quarterly performance. Strategic adjustments may be necessary to improve quarterly growth and profitability.
Capital Allocation	The company demonstrates strong capital allocation efficiency, with high RoE, RoA, RoCE, and RoIC. These metrics indicate effective use of capital to generate returns. Maintaining this efficiency is crucial for sustaining growth and shareholder value. Continued focus on capital management is essential.
Holdings	The company's ownership structure shows a strong promoter holding, indicating confidence in the business. FII and DII holdings are modest, suggesting potential for increased institutional interest. Public holding is significant, reflecting broad market participation. Enhancing investor relations could attract more institutional investors.
Leverage	The company maintains a low leverage position, with a negligible debt-to-equity ratio, indicating financial stability. This conservative approach to leverage supports a strong balance sheet and provides flexibility for future investments. Maintaining low leverage is crucial for financial health and growth opportunities.

Analyst viewpoint: Godawari Power & Ispat Limited (GPIL) presents a compelling investment opportunity, supported by its strategic initiatives and strong financial performance. The company's focus on expanding its mining capacity at Ari Dongri and increasing the pellet plant output reveals a commitment to scaling its operations. Such growth strategies are supplemented by their investment in a 70MW solar plant, reflecting a shift towards renewable energy which aligns with modern environmental standards. GPIL's solid financial health is evident in its high return on capital metrics such as RoE, RoA, and RoCE, coupled with effective capital allocation. The valuation metrics paint a promising picture with moderate P/E and PEG ratios, suggesting robust growth potential. Furthermore, their low debt-to-equity ratio ensures fiscal stability, offering flexibility for future endeavors and investments.

Despite the bullish outlook, minor challenges are present. The quarterly reports noted a slight decline in sales and a more pronounced drop in PAT, indicating areas needing strategic adjustments. Additionally, while the company holds a strong market position, it must remain vigilant in managing market competition and fluctuating demand which could impact pricing and margins. Efficient operational strategies and cost management are crucial for GPIL to sustain and capitalize on its growth trajectory in the short to mid-term. Through maintaining its focus on operational efficiency and innovation, GPIL is well-positioned to leverage its strengths and achieve its ambitious growth objectives.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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