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An ISO 9001, ISO 14001 & OHSAS 18001
Certified Company



27th May 2022

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The Department of Corporate Services
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Dalal Street - Mumbai 400 001

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai - 400051
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Security Code No.: 504614

Symbol: SARDAEN

Series: EQ

Dear Sir,

Sub: Transcript of the earnings call conducted on 23rd May 2022

Please find enclosed herewith the transcript of the Q4 and FY22 Earnings Conference Call conducted on 23rd May 2022. This is for your information and records.

This information is being hosted on the Company's website - www.seml.co.in.

Thanking you,

Yours faithfully,
For Sarda Energy & Minerals Ltd.


Authorised Signatory

Encl: As above



**“Sarda Energy & Minerals Limited Q4 and FY22 Earnings
Conference Call.”**

May 23, 2022



**MANAGEMENT: MR. NEERAJ SARDA - DMD, SARDA METALS &
ALLOYS LIMITED
MR. PK JAIN - DIRECTOR (FINANCE), SARDA ENERGY
& MINERALS LIMITED**

Moderator: Good day ladies and gentleman, and a very warm welcome to the Sarda Energy & Minerals Limited Q4 and FY22 Earnings Conference Call. 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

We have with us today on the call Mr. Neeraj Sarda – DMD Sarda Metals & Alloys Limited and Mr. PK Jain – Director Finance Sarda Energy & Minerals Limited.

I now hand the conference over to Mr. PK Jain to start the proceedings. Thank you and over to you sir.

PK Jain: Thanks, dear. Good afternoon, everyone. I extend a warm welcome to all of you to the Quarter 4 FY22 Earnings Call of Sarda Energy & Minerals Limited. Our press release and the investor presentation containing details of the performance has already been uploaded. Today's discussions may include forward-looking statements which must be considered in conjunction with the risks that the industry in general and our business in particular face and actual results may vary materially.

The year gone by has been a year of consolidation for metal industry. We have achieved highest ever production of all main products except sponge iron. In the beginning of the quarter, the Gare Palma Coal Mine started production. Coal washery started production in mid of February 2022. This will provide hedge against volatility in prices of the coal. We have installed coal gasifier in pellet plant which is environmental friendly and cost effective to meet our energy requirement for pellet plant. The war between Russia and Ukraine severely disturbed the supply chain of commodities and energy. This resulted in rise in prices, the average price realization of all products except iron ore pellets improved quarter-on-quarter.

The 113-megawatt Sikkim Hydropower Project had commenced commercial operation on June 30th, 2021. In view of the lean season, we had taken shutdown of the hydropower plant from January 20, 2022, for improvement of deficiencies observed during operation so that the plant is ready to operate at full capacity consistently before onset of the monsoon. Plant has been restarted with effect from April 5, 2022 and operating smoothly. We have exported about 26,000 metric tons of Ferro alloys during the quarter against 15,000 metric tons in quarter 4 of previous year.

With regard to ongoing projects, the process of approvals is going on for Shahpur West coal mine in Madhya Pradesh. The company has moved an application for increase in the mining permission of the Gare Palma IV/7 coal mine from 1.2 million metric tons to 1.68 million metric tons under the fast-track routes. Work on the ferro alloys expansion project at Vizag is progressing well and the third furnace is expected to be operational ahead of the schedule commissioning timeline of March 2023. We expect to get some benefit of that project during the

current fiscal year. The construction work at 25 megawatt Rehar hydropower project is progressing as per schedule. We expect to complete the project before end of FY24-25.

The Company has achieved quarterly consolidated revenue of Rs. 1058 crores during Q4 FY22 against Rs. 1000 crores in Q3 FY22 and Rs., 700 crores in quarter 4 FY21 which grew 6% quarter-on-quarter and 51% year-on-year. The company has reported EBITDA of Rs. 386 crores during the quarter against 308 crores in the previous quarters and Rs. 226 crores in Q 4 FY21. The Company's profit after tax stood at Rs. 207 crores as against Rs. 169 crores in the previous quarter, and Rs. 139 crores in Q 4 FY21. The Company has reported highest ever revenue of Rs. 3914 crores for FY22 against Rs. 2199 crores in FY21 registering a growth of 78%. Profit after tax at Rs. 807 crores registered growth of 115%. The Company has reported earnings per share of Rs. 59 per share for the quarter and Rs. 223 for the financial year (FY22). The Board of Directors recommended interim dividend of Rs. 7.5 per share, which has been paid on May 12, 2022.

Buyback of shares: In view of the improved performance and liquidity, the board of directors of the company in its meeting held on April 23rd, 2022, had approved buyback of 8,11,108 equity shares at the rate of Rs. 1500 per share through tender route. This will entail total outgo of Rs. 150 crores including income tax on the buyback which will be paid by the company. Draft letter of offer has been approved by SEBI last Friday. The letter of offer will be dispatched this week and offer will open next week and will remain open for tendering for 10 working days. Funds are expected to be remitted in second half of June 2022.

Debt position: At the standalone level the Company is net debt free company. As on March 31st, 2022, the gross debt stood at around Rs. 1581 crores, total debt net of the cash and current investments stood at below Rs. 1000 crores and net of the loans given as a part of treasury operation it is around Rs. 600 crores. Loan repayable within next one year is Rs. 126 crores. Ongoing CAPEX including the for the coal mines have been financed from internal accruals.

Madhya Bharat Power Corporation's long term external rating was upgraded from BB+ given by CARE to A minus from three rating agencies including CARE. The term loan availed by Madhya Bharat Power Corporation has been refinanced by one of the existing term lenders with substantial reduction in the rate of interest.

Industry performance: In financial year 2022 India produced 120 million metric tonnes of steel registering a growth of 18% over previous year production of 102 million tonnes. China's production fell by 9% -to-1000-million-ton, global steel production recorded growth of 1.6% to 1909 million tonnes. India exported 13.5 million tonnes of steel against 10.8 million ton constituting 11% of the production.

The domestic consumption went up from 94 million tonnes to 106 million tones. China's share in the global production has fallen from 58% in FY 21 to 53% in FY22 whereas India's share

has gone up from 5.6% to 6.4% in FY22. With regard to ferroalloys, India exported 11,84,000 tons of ferroalloys during calendar year 2021 against 684,000 in calendar year 2020.

Changes in custom duty structure on the steel and steel inputs: In order to improve domestic availability and to contain the increasing price of steel, the Central Government has imposed export duty on export of iron ore, iron ore pellets and select steel products and reduce import duty on coal and coke. Excise duty on the petrol and diesel has also been reduced. Heavy export duty on iron ore and pellet will bring down the prices of main input of steel making, that is iron ore and iron ore pellet. This is expected to bring down the cost of production and selling prices of steel. To what extent it will impact exports or increase the domestic supply has to be seen in the days to come.

Revival of economic activity in China post recent COVID wave will also have a bearing on the emerging demand supply scenario and price trend. Energy and logistic prices which constitute a substantial portion of the cost of production and distribution of steel at global level is at elevated level. As such prices of finished steel may not go down substantially. Having our own coal mine we are insulated to a large extent from the increase in the energy cost. The forecast of early monsoon is positive for hydropower projects of the company.

This is all about the performance and the outlook. Now we leave the forum open for questions from the participants. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Sir couple of questions firstly the announcement that has come as a global surprise for the entire industry. So, what was the impact of it seen today in the local market in terms of prices, if you could share for example, what was the price of pellet or sponge and billets getting quoted in the market.

P K Jain: Since the announcement had come day before yesterday night only. Markets have opened today. Everyone is in wait and watch mode. So, it will take some time to get the clarity on the implications because everyone is in the wait and watch situation, what will happen, how the things will move, what will be the effect etc, So it will be very difficult to give any indication on today's market conditions.

Yogansh Jeswani: Okay. So, sir overall what is in your sense pricing that can be seen in terms of, You know for the entire value chain from pellet to sponge to billet? Is it fair to assume that pellet price fall of 20%-25% and 10-15% in sponge and billet is a possibility in near term?

P K Jain: Since on the iron ore and pellet the imposition of duty is 50% and 45% respectively. So, that will definitely hamper drastically the export market, although exports in the recent past had also

gone down. But exports were there and that will affect the prices of the iron ore and pellet. This is what we feel. But so far as steel is concerned to what extent- one is Raw material input price that will have a bearing on the steel prices. And then to what extent export will be affected. Because the export duties imposed on certain steel products to exports move in this direction and how the international market reacts on this news, all depends on how demand supply within the country is affected because the domestic demand is also robust. The government's focus on the infrastructure spending will further boost the domestic demand also. So, all will depend to what extent the demand supply metrics of the domestic market is affected.

Nilay Joshi: Just to add to what Mr. Jain said. So, even in this quarter, you will see in our presentation the realization for pellets have been little subdued and it has been going down only across the quarter if you see because the export markets were not very conducive. Despite of that the other intermediate and end product prices or the spread has been increasing. So, as of now, I mean, whether it is going to have an impact on those is still to be seen, but that impact was not seen in the last quarter when the pellet export was subdued.

Yogansh Jeswani: Sir what is the typical run rate of exports for say pellets and similar other say for pig iron or something, if you could shed some light there?

PK Jain: No, we are not exporting pellets so far as we are concerned.

Yogansh Jeswani: I mean, for overall the industry level, so what is the kind of volumes that were getting exported?

PK Jain: Immediately, I don't have that figure.

Yogansh Jeswani: But will it be a 15-20% of the overall production?

PK Jain: It will be guessing because I do not have the figures as such.

Yogansh Jeswani: No worries sir. Okay. One last question from my end, given the announcement that has come in at a time when it is not that the industry was not reducing the prices, like you mentioned in your comments, also. I think, pellet was at 15,000 to 16,000 and down to I think 10,000 to 11,000 off late, so the prices were coming down, but still such drastic measures are taken. So, you have been together with the industry, are you planning to reach out to the ministry and challenge this and maybe take up and ask them to review it again? something on those lines that as an industry body you guys are looking into?

PK Jain: That will be definitely looked upon at the industry level. Naturally, industry will put forth its views and how it will impact the overall market conditions, employment condition and growth and all those factors. So, industry at its level will definitely make a representation in this respect.

Moderator: Thank you. The next question is from the line of Chetan Shah from Abakkus AMC. Please go ahead.

Chetan Shah: Sir just two quick questions. One wanted to understand the ferro alloy business and correct me if I am wrong. This particular quarter, the ferroalloy EBIT per ton based on the segmental reporting has reduced on a sequential basis it is roughly about Rs. 33,000 to 33,200 versus Rs. 41,500. So, how do you see this standing out in next year also how the pricing is behaving right now? If you can throw some light on that please.

PK Jain: One of the reasons for fall in the margin is basically our Visakhapatnam subsidiary which is equally contributing to the quantum. They are dependent on the imported coal. Because the fuel prices of the imported coal have gone up, that had affected their margins. So, that was the reason for fall in the EBITDA levels what you are talking about, in the ferro alloys. And so far is the current year margins are concerned as of now although there have been some reduction in the prices, but the margins are at reasonable level as one of the cost in the ferroalloys production is again energy. Cost of Coal or power whatever you call, partly we are insulated against, which should help us out to maintain our margins, but definitely demand supply and other factors have a bearing in the future but we are better off.

Chetan Shah: Sir one big picture question in terms of this revised duty structure and all and if we see some rationalization in the pricing of steel and all, last three or four months we kept hearing about slowdown in the pickup in construction within infra-activity by the user industry because of the two reasons. One is the volatility in the prices and some product prices have gone through the roof and there was some confusion among the user industry. Do you see once this rationality comes into the play, we will see demand coming back to normal end and also better than what say it was in last four or five quarters purely because there is a clarity in pricing and more rational outlook going forward.

PK Jain: One is the infrastructure funding from the government that should also work now with the increased revenue collection on the government side and then election. Next year, government will also come in the election mode so that should also push up the infrastructure related demand of the steel and so far as private sector is also concerned, there had been some resistance when the prices have moved up substantially and I think from there they have already corrected 15 to 20% in the finished steel. If you talk about. Still there was demand. But yes, in the real estate sector, they were feeling pinch of it because there are commitments, they have made at a particular price on the real estate side. So, with the fall in the prices, demand will definitely go up again from that sector too.

Chetan Shah: Sir one last question from my side. Once China slowly opens up and they also wish to do and which is a talk in the international market in terms of some serious stimulus to bring their economy on track due to the COVID related issue, what India saw four-five quarters back, do you think that can bring the international price at more rational level and we do not see a sharp fall in the steel prices in time to come? Is that the right understanding or one should wait and watch for some time to see how things evolve?

PK Jain: There are multiple dimensions to the global trade scenario. But I think with the opening up of China and the demand picking up in China, the prices at the global level should remain at this level or should move up from here. The reduced exports from, India may also have a bearing on the international market conditions and the opening up of China. What we see, in the global scenario there are multiple dimensions, difficult to predict, but yes given the situation, I think international prices should move up from here.

Moderator: Thank you. The next question is from the line of Atul Shah from ICICI Prudential Life. Please go ahead.

Atul Shah: I just wanted to understand in terms of coal production, what would have been the Q4 coal production number and what are we targeting for FY23?

PK Jain: In Q4, we had a production of I think 7.8 lakh tons and current year targeted, given the present permission is 1.2 million tonnes for the whole year.

Atul Shah: Okay, for the FY23 you are targeting.

PK Jain: 1.2 million tons, that is the upper limit permissible although we have moved an application for increase in our output capacity to 1.68 million tons depending by when we get that permission. Otherwise, based on the present approval, we will extract 1.2 million tons during FY23

Atul Shah: And just one more on ferro pricing, if you can just help me understand the realization given the recent move any way to think about ferro prices. Ferro alloy realization how should one think given the recent announcement, any streamline in terms of thought you can provide how one should look at realization from here.

PK Jain: This will not have any impact on the ferroalloys pricing. Present announcement is not affecting the ferroalloys and a substantial portion of our production is exported. As I addressed in my initial remarks also, we have also exported about 1000 crores of ferroalloys during FY22. We are a major exporter from the country and the recent announcements does not at all have any bearing on the ferro alloys prices or ferro alloys production or sales.

Moderator: Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania: Sir just wanted to check that you said that the coming year we will see an improvement in the EBITDA margin of ferroalloys. So what will drive that because coal prices continue to remain at the highest levels. So, what are the factors that we are probably seeing that will drive the EBITDA performance for ferroalloys in FY23?

PK Jain: No, I did not say that it will move up in the current financial year. why I think what the question was as compared to the previous quarter there was a fall in the ferroalloys margins. There, I

stated it was on account of the cost of imported coal in our Vishakhapatnam plant. Now, because energy is one of the substantial component in the cost of production of ferroalloys. so far as Raipur is concerned we have our own coal even for Vizag we have started supplying part of their requirement. So, we are insulated to a large extent against the coal prices.

Jatin Damania: Yes. So, how much quantity did we supply of our own coal to Vizag and what are we targeting for FY23?

PK Jain: It was not material in the previous year. It was almost negligible because their boilers are designed on some different coal parameters. So, it will take some time to increase that volume, but yes part of the quantity will be given. But it is very difficult to do give any specific figure as of now.

Jatin Damania: Okay. Sir, basically coming back to the second thing now, as has been asked by the previous participants also. Now, once the China things improve with this export tax levy. Do we think there could be a supply of that 13.5 million ton diverting back to the domestic market or Country will still target the export market and do not disturb the domestic market? So, what as an industry and as a company, what are we thinking on the export structure?

PK Jain: As far as our company is concerned, we are not in the export market for any steel product. So, far as industry is concerned, I think, there may be part of that will be offset by, maybe, some other products, it is not that all the products have been covered under the export duty. There is a possibility that there may be some change in the product mix of the export and to some extent domestic market should absorb with the increased demand, this is what we feel.

Jatin Damania: Sir last question on my side is on the pellet front. In last one and half years, we had seen a good rally in the pellet prices, however, of late, it was subdued in last two to three quarters, but now, as a country, we had exported nearly about 11 odd million tons of the pellet in FY22. Now, with this quantum of the pellet coming back to the domestic market, can we expect near about 3500 to 4000 per ton reduction in the pellet prices in the coming quarters or it could be lower than that.

PK Jain: I do not think that much correction should happen, but it is very difficult because ultimately things will get adjusted. Pellet is the substitute of the iron ore. What is the extraction cost of the iron ore, what are the premiums payable to the government on the iron ore and all those factors will also come into play in determining the price of iron ore pellets. Right?

Jatin Damania: So, as a company what are we pricing what is the average price of the iron ore and the pellet, which will be a sustainable given the current scenario?

PK Jain: No it is not, you cannot give any specific no. because what happens with that change in the demand supply there will be change in the input cost of the pellet also, the pellet price depends on the price of the iron ore fines and iron ore fines price again depends on the pellet price. So,

there is an interplay of the different factors which determine the price. It is not that any fall in the price will be a total reduction the margin or any increase in the price is a total increase in your margin because margin gets distributed in the iron ore miners and pellet producer and maybe other related input costs.

Nilay Joshi: Okay. Just to clarify a little bit more on this. For us, the pellet sales is a very small component of our total sales and also the total EBITDA, large part we are consuming internally maybe 50% internally for value addition. So, that is one aspect and second since we are buying certain iron ore from the market. So, effectively pellet margins should get compensated to that extent.

Jatin Damania: So, Nilay it will be great if you can help us understand the contribution of pellet absolute numbers in terms of EBITDA because I understand we are not the big exporter of the pellet and we only export large percent of ferroalloys.

Nilay Joshi: If you see our presentation market sales, we are not doing much for pellet for maybe 4 lakh tons. Exact number is there in the presentation, it is around 4 to 4.5 lakh tonnes.

Moderator: Thank you. The next question from the line of Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: Sir I just wanted to understand that you said there would be some repairs in the hydropower project since? What is the nature of that and is there any capital costs involved in it? So, if you could just elaborate on that?

PK Jain: No, it was basically more of an improvement related, some civil work-related improvements, no material cost was involved, whatever some deficiencies we observed during operation so, we took a shut down and carried out those civil changes, so as to get the better efficiency of the project.

Vikas Singh: So, would that mean that the power generation capability can be enhanced further? Since you are talking about efficiency?

PK Jain: Yes, as compared to the previous year, definitely there will be some improvement in the power generation.

Vikas Singh: Okay and sir, I just want to understand now our capital allocation policy, since now we have a punitive trade thing in the steel side. So, going forward, how would we, whatever we are earning how do we think of our capital allocation going forward in terms of whatever the money they are getting, and will that debt reduction would now start because, in the past, we have been pretty vocal about debt not been getting reduced and incremental cash is getting into new projects. So, now, what is our thinking?

PK Jain: Now, if you see in the last quarter also, there has been a reduction of about Rs. 200 crores in the debt including some prepayments in Madhya Bharat and some prepayments in other companies

also, wherever it was possible and as already conveyed we have been funding our expansion projects from internal accruals whether it is coal mine at Shahpur or coal mine at Gare Palma and ferroalloys project and one hydropower project.

PK Jain:

So, as far as capital allocation is concerned, we have been distributing the capital allocation in all the three segments. In hydro also, we have invested and in mining also we have invested, in ferroalloys also we have invested. In steel, some small CAPEX, have been going on as a part of the normal CAPEX just we had taken the gasification plant. And ultimately coal mining is also directly contributing to the improved profitability in the steel segment. So, this is how there is no one sector where we are investing in. There have been small-small investments. If you see the annual published accounts, you will find that because of 154 crores of one loan, which is reflected in the short-term borrowings, short term borrowings have been shown as increased. Actually, the one loan refinanced on March 31st was repaid on 2nd of April to that extend our borrowings as well as cash and bank balance in the Annual Report is showing at increased level. Otherwise, that has gone down by 150 crores on April 2nd itself that is one transaction. Accordingly, our debt repayment is going on. As I told recently, we have already reduced it by 200 crores. So, debt is getting reduced and with the repayment starting for Madhya Bharat Power Project because major part of our borrowing is only in hydropower projects. With the start of the repayment of hydro debt, you have seen the falling trend in the overall borrowing of the Company.

Vikas Singh:

Understood sir. Sir, how much of repayment is coming in FY23 and any idea about what kind of the net debt we are looking at in terms of ending FY23?

PK Jain:

In FY23, as stated in our opening remarks, repayment due is Rs. 126 crores and to what extent we repay or we invest in the future projects, depends on what are the opportunities we get, it will depend on that. So, this is what is the minimum due on the long-term side and to what extent the working capital loans further get reduced from, I think, whatever is there that may also get reduced and if we repay something that will be additional reduction.

Vikas Singh:

Okay sir what is our CAPEX plans for FY23?

PK Jain:

FY23 as already stated four projects are going on.

Vikas Singh:

Yes, but on FY23 how much of the entire total CAPEX what portion we are expecting, basically in FY23 because some part of the CAPEX will spill over in FY24 as such, right including hydropower project so FY23 I just wanted to understand.

PK Jain:

I think it will be somewhere about Rs. 250 crores.

Vikas Singh:

Sir just one last question in terms of coal, which we have already started receiving, what is the current savings which we are enjoying even in Q4 levels on the spot basis what kind of savings we are having from our own captive coal mine.

- PK Jain:** It is very difficult to quantify separately because ultimately it gets reflected into the overall performance of the other segments, because we have a total capacity of 1.2 million tons and majorly that will be consumed captive. So, considering the coal mine as a separate segment or separate profit center may be a difficult task unless we increase our production capacity to 1.7 million tonnes. As compared to the market prices, our cost is definitely much lower that indirectly helps in improving profitability of our working segments.
- Vikas Singh:** Sir just to reframe it, if you could give us a ballpark percentage, which is the landing cost from own captive mine, which is cheaper versus the market type?
- PK Jain:** Landed cost should be somewhere in the range of maybe 2500 depends because that also again depends on the market price and the index price because a substantial part of that goes to the government. So, that is linked with the market price that also varies from time to time.
- Vikas Singh:** So, that I understand that will go hand in hand and in sync with the coal index basically, but still if I just want to see since we get the coal index with a couple of months delay if I want to just take in Q, what is the percentage savings versus the market price of landed coal. Could you give us some idea?
- PK Jain:** Our landed cost should not exceed I think Rs. 2500 a ton.
- Vikas Singh:** Versus market price would have been?
- PK Jain:** Market it depends, it varies in a long range. There has been volatility then also depends on the grade, there are multiple factors so it is very difficult to directly compare it
- Moderator:** Thank you. The next question is from the line of Maan Vardhan Baid from Loyal Investment Advisors. Please go ahead.
- Maan Vardhan Baid:** Just wanted to understand that on hydel front best two quarters will be the one that are now going to come Q1 and Q2. Will they be the best two quarters for the year?
- PK Jain:** Q2 is the best. Q3 is the second best and Q1 is third. The lowest season is the Q4.
- Maan Vardhan Baid:** Okay and what is the capacity that we are operating on the hydel front right now.
- PK Jain:** Right now, as of today we must be operating as far as Sikkim Project is concerned must be about 70% as of today, but it depends on the rainfall then it is not for the whole month you will get the rainfall because presently it is not the full rain period. So, when there is rain, more capacity utilization and when there is no rain for a few days then capacity utilization may go down to some extent, but yes, presently we are operating at this level. For other two projects it is lower than that because North East the rains are a little early.

- Maan Vardhan Baid:** Okay. Also just wanted to understand, since last year has been so strong is any of our CAPEX is getting preponed? Will we be able to complete anything earlier than what has been planned.
- PK Jain:** No, our CAPEX were not big sized CAPEX which could affect on account of the availability of funds so CAPEX are going as usual and more of the time, say if you take the coal mine, is linked with the approval and other projects are going on as per schedule so any availability of funds will not change materially. But yes, we are trying our best to complete the project as early as possible and as I stated in my opening remark our ferroalloys project at Vishakhapatnam which is scheduled to be completed in March 2023, we are trying to complete reasonably before and we could see some benefit of that project during the current financial year.
- Moderator:** Thank you. The next question is from the line of Shubham Agarwal from Aequitas India. Please go ahead.
- Shubham Agarwal:** Sir my question is in and around ferroalloy. So last few months, we have seen significant decline in prices and there is an understanding that in China because they are producing less steel, there is spare capacity of ferroalloy, which is kind of depressing prices. So, I just wanted to understand the current demand and supply scenario, what is the kind of order book that we get from export and whether this...
- PK Jain:** There has not been material correction I think presently also prices are in the range of Rs. 90,000 to Rs. 1,05,000 and it had gone up to 1,20,000 to 1,25,000 and so far as our export order position is concerned, we have very comfortable order position, I think as usual, we have between one to two months of the order position in pipeline.
- Shubham Agarwal:** Okay, so, you are saying that the prices have corrected almost by Rs. 25,000 right.
- PK Jain:** Not Rs. 25,000 maybe around Rs. 10 to 15,000.
- Shubham Agarwal:** Okay Rs. 10,000 to 15,000 so, how do you see the outlook going ahead in terms of both demand and supply and the China thing, if you can elaborate on that please.
- PK Jain:** Difficult to project in the volatile market scenario, but we do not find any challenge in the order book position and there is a reasonably robust demand. Pricing is matter of multiple factors, but it has been reasonably stable in last few months and custom duty change will not affect ferroalloys. Whatever changes have been announced those do not have any bearing on the ferroalloys side.
- Shubham Agarwal:** Yes, I understand. So, secondly, our ferroalloy plant in Vizag we said in one of the question earlier that we need to change certain part of boilers before we can start using our own coal. So, how much time will that take and are we projecting to sooner use our coal in that plant?

- PK Jain:** No, gradually we are increasing and minor changes here and there will be required. There is no material change and it is not that we can replace that 100%, yes but partly we will supply from captive coal mines, remaining they will meet from imported coal but gradually domestic coal consumption will increase with more of a stabilization and minor changes. Here it is not a total replacement of part of the boiler or something.
- Shubham Agarwal:** So, it will basically be dependent on the landed cost of coal plus our coal cost plus logistics, right?
- PK Jain:** Yes.
- Shubham Agarwal:** And out of the 7.8 lakhs and how much we sold outside, external sales of coal.
- PK Jain:** About 2 lakh tons?
- Shubham Agarwal:** 2 lakh tons and lastly on the volume side of ferroalloy, so we did 45k this quarter. So, this volume number is maintainable going right now?
- PK Jain:** Yes. Definitely.
- Shubham Agarwal:** Got it and any timeline that you can give to this 1.68 Mn metric ton in coal approval that is pending.
- PK Jain:** No, it is very difficult to give any timeline. We are trying to get within the current year but when we will get it is very difficult to give any timeline on the government approval.
- Moderator:** Thank you. The next question is from the line of Rajesh Bhandari, an Individual Investor. Please go ahead Sir.
- Rajesh Bhandari:** Sir our production that is pellet, sponge iron, Wire Rod, H.B. Wire, and ferroalloys in that our export is of ferroalloys. What other items do we export?
- PK Jain:** There is no other export other than ferroalloys.
- Rajesh Bhandari:** Sir like you told us that we are not at all affected by duties.
- PK Jain:** No, I did not say that we are not at all affected.
- Rajesh Bhandari:** Yes sir that will happen. That is indirect. It is direct on other steel that we do not have. Ours will be same as earlier. Price may fluctuate.
- PK Jain:** Yes, we do not have any direct impact.
- Rajesh Bhandari:** And is it not on our any product?

- PK Jain:** No, we did not have any export other than ferroalloys.
- Rajesh Bhandari:** And there is no impact of that on it. It is only due to internal market, if prices decrease there will be decrease in our prices.
- PK Jain:** And in that partly what happens if prices of finished goods decrease raw material price will also decrease.
- Rajesh Bhandari:** So, more or less margin remains the same.
- PK Jain:** Let us see how market behaves, it is very difficult to comment on that.
- Rajesh Bhandari:** That is why I said more or less, percentage will be more or less same. The next things as China's market is opening there are two views. Some people say as China's market is opening they will also start exporting and the information that I have they are very-very particular on the environment. So, if market will open their demand of ferroalloys also will increase.
- PK Jain:** Yes, if their production increase, ferroalloys demand will automatically increase,
- Rajesh Bhandari:** And as it did not export so as it is demand will increase, so prices should be in elevated level.
- PK Jain:** Yes, it should. But there are so many factors how much demand will increase how much production will increase.
- Rajesh Bhandari:** Yes sir that I agree. I do not want any commitment. I just wanted to have an idea. Jain sir what is the percentage of production cost in sale price.
- PK Jain:** If you see in segment, you will get it. It is reported segment wise. Ferroalloy segment is reported separately.
- Rajesh Bhandari:** I have seen one thing here sir, there is a lot of difference between margin which we have in standalone ferroalloys versus the margin which we have in consolidated.
- PK Jain:** Yes, I told you the reason for that in our Vizag plant we use imported coal, in consolidated we add the numbers of Vishakhapatnam subsidiary also. There, the ferroalloys production cost is high due to imported coal because right now the cost of coal is very high whereas in our standalone coal is partly ours and partly is of linkage, so that is why our coal cost is less.
- Rajesh Bhandari:** Sir can't we send our coal to Vizag, is the transportation costly?
- PK Jain:** We have started sending little now a days, there are some technical issues and limitations in that.
- Rajesh Bhandari:** Is coal a bit cheaper now?

- PK Jain:** There is no major difference in coal now, but the import duty which is reduced by 5%, there will be some slight impact because of that.
- Rajesh Bhandari:** There is no difference in the basic price.
- PK Jain:** No there is no major difference as there is huge demand increase now.
- Rajesh Bhandari:** And sir in summer there is decrease in power generation and the state government power company disrupts the supply like in Vizag, is there any disruption in production because of that.
- PK Jain:** No in both places we have captive power plant of our own.
- Rajesh Bhandari:** We are absolutely self-sufficient?
- PK Jain:** Yes, we are absolutely self-sufficient and we have some surplus power in Vishakhapatnam.
- Rajesh Bhandari:** And sir our profit this time is more than doubled, the consolidated profit, but dividend was finalized on interim. We were expecting even the bonus also.
- PK Jain:** We have given the money in buyback.
- Rajesh Bhandari:** Sir buyback was only 2.5%.
- PK Jain:** We have done Rs. 150 crores.
- Moderator:** Sorry to interrupt you. May we request you to come back in queue for follow up questions. Thank you. The next question is from line of Marshall, an individual investor. Please go ahead.
- Marshall:** Nowadays like we can see I am calling from West Bengal so I can see that like there is a good amount of rain coming here. So, I am sure in East Sikkim where we have the plant must also getting this good rain now.
- PK Jain:** Yes, we are, we started getting reasonable rains there.
- Marshall:** So, it is like the peak kind of rain or still lower than what is expected in the month of June or July.
- PK Jain:** Not peak it will be I think after 15 June only it will be peak.
- Marshall:** Okay and there is a like in the last year in the Q2 what was this capacity utilization of the hydropower plant how much you will be targeting because after this efficiency improvement.

- PK Jain:** Generally, in the second quarter we operate at the 100% capacity utilization in general except nominal shutdowns, some maintenance related small-small, but generally it operates at the full capacity.
- Marshall:** But like this year, since you made the efficiency improvement like you already mentioned that efficiency improvement is already completed or yet to be completed.
- PK Jain:** No, that is completed.
- Marshall:** So, with that efficiency improvement how much for example, megawatt to increase.
- PK Jain:** Last year, we were operating a little lower than the installed capacity now it will be operating at full capacity and during the rainy season it goes up a little more than the installed capacity.
- Marshall:** So, whether this Sikkim Discom is making regular payments or do you have some BG for this.
- PK Jain:** No, we are getting a regular payment from the Discom.
- Marshall:** So, there is no problem on the payment part.
- Nilay Joshi:** And sorry this is not Sikkim Discom, it is Chhattisgarh just to clarify.
- Marshall:** So, this call applies to whom to West Bengal or where.
- PK Jain:** Chhattisgarh.
- Marshall:** No, no, I am talking about hydro plants in Sikkim.
- Nilay Joshi:** Yes.
- Marshall:** Okay, that was Chhattisgarh.
- Nilay Joshi:** Yes.
- Marshall:** Okay. Sir, regarding this coal mining since we have increased from 1.22 to 1.8 and then this Shahpur Mine also. So, with that, how much will be our captive consumption and how much will be available for the commercial sale.
- PK Jain:** Our present requirement is about 8 lakhs to 9 lakh tonnes of the coal in Raipur and Vishakhapatnam we are gradually increasing captive coal consumption. Shahpur will be additional and whatever we increase in the capacity that should go additional.
- Marshall:** So, it will be sold to the market.

- PK Jain:** Yes.
- Marshall:** Okay. Sir, my last question that like whatever EBITDA or like we have presented in this March quarter, will we be able to sustain this in June quarter considering whatever changes has come in the Steel sector or will it go down? In this March quarter we have presented you can say EBITDA of Rs. 294 crore. So, considering the changes in the steel sector, we will be able to maintain the same kind of margin in the June quarter or will it be down, will it be less.
- PK Jain:** You see, we have multiple divisions one is the steel another is ferroalloys, third is hydropower project and definitely fourth will be coal, so we have a diversified portfolio but there have been changes in the market scenario so how does it do it is very difficult and we do not give any forecast on our projection but we have given you the overall picture of the scenario how the things are there in the ferroalloys, how the things are there in the steel and how it affects us or not.
- Marshall:** Okay, fine. So, like this a project costs for hydro Sikkim plant what was the final project cost when we commissioned it like whether it got escalated than the budget cost or was it completed within budget cost.
- PK Jain:** No that has already been completed. The total cost was about Rs. 1600 crores.
- Marshall:** Okay. So, it was above the budget or it was within the budget.
- PK Jain:** No, in the hydropower project, it was over the budget.
- Marshall:** Okay. Sir you already mentioned that we started prepaying the loan. So, how much loan we have prepaid for this one and what was the total loan taken for this subsidiary.
- PK Jain:** The total was I think somewhere about Rs. 950 crores.
- Marshall:** How much you repaid till March 22.
- PK Jain:** I think except the regular payment we have prepaid about Rs. 85 crores of the loan in that company.
- Marshall:** Very good.
- Moderator:** We will take the last question from the line of Ayush Agarwal, an individual investor. Please go ahead.
- Ayush Agarwal:** Sir I want to know sponge iron volume drop. So, is it due to annual plant maintenance or any other issue?

- PK Jain:** No, basically earlier we were using the imported coal for better efficiency in the plant. Now, we are using our captive coal which is of little inferior quality. With the use of the captive coal the capacity utilization of the plant goes down and to the extent we use the captive coal but it makes economic sense to use the captive coal. In spite of the fall in the volume it gives a better profitability, therefore we are using more of the captive coal and it may have some bearing on the production volumes of sponge iron.
- Ayush Agarwal:** So, in Q1 will our volume also drop in Sponge iron.
- PK Jain:** May remain down as compared to the previous year Q1 because as I told that we are using captive coal and that may have some bearing on the production volume of the sponge iron.
- Ayush Agarwal:** Okay sir. Sir my last question is, are there any new plans to increase our sponge iron plant capacity because margins are slightly better.
- PK Jain:** As of now, we do not have any concrete or frozen plan with regard to the expansion on the steel side.
- Moderator:** Thank you very much. That was the last question. I now hand the conference over to Mr. PK Jain for closing comments.
- PK Jain:** On behalf of Sarda Energy & Minerals, I thank all the investors and participants who have joined and participated. I hope we have been able to address your queries. If any doubt remains, you can always reach out to our PR team or our team at Mumbai. The details are given in our presentation uploaded on the website of the stock exchanges. Thank you. Thank you all once again.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Sarda Energy & Minerals Limited that concludes this conference call for today. Thank you for joining us.