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An ISO 9001, ISO 14001 & OHSAS 18001 Certified Company

SARDA ENERGY & MINERALS LTD.

20th November, 2020

BSE Ltd
The Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street - Mumbai 400 001

Security Code No. : 504614

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai - 400051
Fax. No: 022-26598237/38, 022-26598347/48

Symbol: **SARDAEN** Series : **EQ**

Dear Sir,

Sub: Transcript of the earnings call conducted on 10th November, 2020

Please find enclosed herewith the transcript of the Q2FY21 Earnings Conference Call conducted on 10th November, 2020. This is for your information and records.

This information will also be 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 Q2 FY21 Earnings Conference Call"

November 10, 2020

MANAGEMENT: SHRI. PANKAJ SARDA, JOINT MANAGING DIRECTOR, SARDA ENERGY & MINERALS LIMITED
SHRI. MANISH SARDA, WHOLE TIME DIRECTOR, SARDA METALS & ALLOYS LIMITED
SHRI. PADAM KUMAR JAIN, WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER, SARDA ENERGY & MINERALS LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Sarda Energy & Minerals Limited Q2FY21 Conference Call. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pankaj Sarda – Joint Managing Director. Thank you and over to you, Sir.

Pankaj Sarda: Thanks a lot. Good Morning everyone. I extend a very warm welcome to all of you to the Q2FY21 earnings conference call of Sarda Energy & Minerals Limited. Our press release and investor presentation containing details of performance has been uploaded. Today's discussion may include some forward-looking statement which must be considered in conjunction with the risks that industry in general and our business in particular face and actual results may vary materially.

The COVID-19 impact: With gradual unlocking, economic activities have geared up, but resurfacing of the virus has intensified regionally, forcing the administration to impose localized restrictions; despite that, the economic recovery is faster than expected and the impact of COVID-19 is diluted to a great extent. RBI has projected the current year's GDP to contract by 9.5% with growth to be achieved in last quarter of FY21. During the quarter, all our manufacturing facilities operated at near-normal utilization level. The company has got sufficient liquidity to meet its obligation and to face the challenges evolving from resurge of COVID-19. Our external credit rating is reaffirmed by CRISIL at A+, which reflects that the company is well positioned to face the challenges posed by COVID-19. Our subsidiary, Chhattisgarh Hydro LLP, which had availed the COVID-19 moratorium has prepaid the moratorium amount in current quarter. Its rating was also upgraded from ICRA BBB to BBB+.

I now request Shri. Manish Sarda to brief about global and domestic scenario of steel and ferro alloys.

Manish Sarda: Thank you, Pankaj. Global steel production was marginally up y-o-y and 7.8% q-o-q on base effect. China recorded growth of 10% y-o-y and 4.42% q-o-q constituting more than 60% of the global steel production as China production saw a degrowth of 10.1% y-o-y and growth of 13.31% q-o-q. India's domestic steel production during Q2FY21 was 26 MT as against 27.12 MT in Q2FY20 and 16.29 MMT in Q1FY21, registering a degrowth of 4.12% y-o-y and a growth of 60% q-o-q. Finished steel consumption fell from 26.22 MMT to 23.63 MMT year-on-year. Export of steel during H1FY21 has more than doubled from 5.23 MMT to 10.98 MMT and imports of 2.5 MMT to 2.11 MMT over the corresponding period of the previous year. The Government has announced various steps to boost the liquidity demand and credit flow in the economy, which will have a positive impact on demand of steel in the medium term. Sustained export growth will also help improved capacity utilization and stability of prices. Supply constraints of iron ore due to COVID-19 at global level and auction of mines at domestic level have resulted in demand supply mismatch and kept prices of iron ore and pellet at higher levels. The miners have been increasing iron ore prices regularly since May 2020.

During the quarter, production at our plants was near-normal. The pellet plant was under scheduled maintenance shutdown for 17 days during the quarter. At Raipur, one ferro alloys furnace was under shutdown for refurbishing and operationalized in the last week of September 2020 and another furnace has been shut for refurbishing. As such, effectively, 4 out of 5 furnaces will be available during the current year. Our power unit was also under shutdown for repairs from July 6, 2020, which has been restored on October 22, 2020. The shortfall of power was met by importing power from our subsidiary in Vizag, which has got surplus power capacity. This caused extra transmission cost but helped in maintaining production levels at near normal, although this had some bearing on production of steel, details of production, sales and realization of products have been provided in our press release and presentation shared in public domain. The permission for increase in production capacity of pellet plant from 600,000 tons to 800,000 tons is expected by January 2021.

Ferro alloys prices remain stable during the quarter. Ferro alloys exports have seen a falling trend in the quarter after peaking in June 2020. Prices of manganese ore remained volatile during H1FY21 and with the fall of prices in manganese ore, the prices of ferro alloys also have seen softening in recent times. Prices of steel products remain elevated on the back of global shortage of iron ore. In India also production from mines in Orissa was adversely affected due to the rainy season and delay in transition of mines to new allottees. Supply is expected to improve from Q3FY21 onwards. Prices of iron ore pellets also remained firm due to export demand and higher price of iron ore. Coal mine owners were granted one more month up to October,2020 for removing their stocks from the mines. They have requested for one more extension. SAIL has also auctioned a substantial quantity of iron ore fines. This has eased pressure on supply of iron ore. Newly auctioned mines in Orissa have also started production and ramping up their production.

Mr. P. K. Jain will now brief the financial performance and position of the company.

Padam Kumar Jain: The company has reported consolidated operating income of Rs 548 crores during quarter as against Rs. 347 crores in Q1FY21, and Rs.550 crores in the corresponding quarter of the previous year. The company has reported EBITDA of Rs. 158 crores during the quarter against Rs. 99 crores in Q2FY20, profit after tax at consolidated level stood at Rs. 85 crores as against Rs. 70 crores in the corresponding period of the previous year and Rs. 36 crores in Q1FY21 resulting into EPS of Rs. 23.41 per share.

Hydropower Business: Better monsoon helped in achieving better capacity utilization in hydropower generation during the quarter. During the quarter, we generated and sold 65.23 million units as against 49.65 Mn units in Q2FY20, recording a growth of 31.37% y-o-y.

Debt Position: At the standalone level, the company is net debt free. In operating companies, the long-term borrowing stood at approximate Rs. 650 crores and total borrowing at about Rs. 760 crores. As of September 30th, 2020, the bank balance and liquid investment stood at approximate Rs. 300 crores; Term debt, net of cash and current investment stood at about Rs. 1,350 crores. Loan repayable within next 1 year is at Rs. 78 crores; The debt equity ratio is well below 1. All obligations have been met on time. The bank interest rates are falling on the back of ample liquidity, effect of this will be reflected on reset. The company has refinanced one of its term loans with saving of more than 2% per annum. The Environment is conducive for renegotiation of terms or refinancing of the existing loans.

Shri. Pankaj Sarda will brief about Sikkim Hydropower project, ongoing coal mine option and industry outlook.

Pankaj Sarda: **Sikkim Hydropower Project:** As explained in the last conference call, the project is in the final leg of the completion. Heavy rains washed away Siliguri-Rangpo highway and also affected work at site of contractor. Heavy landslide has also affected the work at site. Although we are putting our best efforts to start generation by end of this quarter, this may cause delay of 15-20 days. Regarding the Coal Mine Auctions, the Central Government has auctioned 19 coal mines for commercial mining. We also participated in the auction process, we are the highest bidder for Shahpur West underground coal mine in Madhya Pradesh and Gare Palma 4/7 coal mine in Chhattisgarh. Gare Palma 4/7 was previously owned and operated by us prior to cancellation of all mines by the Supreme Court. The company is entitled to 20% rebate on coal to be consumed in gasification. Both the mines are at a distance of less than 300 kilometers from our manufacturing facility in Raipur. This will provide long term security and consistent quality of one important raw material – coal, to the company at reasonable price and provide hedge against price fluctuation.

Outlook: India is expected to record positive GDP growth in Q4 FY21 with overall contraction of 10% for the full FY21. Increased export demand has balanced demand supply in the steel sector enabling stable capacity utilization and improved pricing. Good monsoon, better condition in rural and semi-urban India, and Government stimulus backed by focus on self-reliance, and infrastructure creation should push the demand further. On global supply concern, price of iron ore is expected to remain firm. Since the company is sourcing part of its requirement from captive mine, high price of iron ore is positive for the company. Various State Governments and Central Governments are also taking policy initiative to incentivize fresh capital investment by the industry; because of low leveraging, the company is well placed to take advantage of emerging opportunities. Commissioning of Sikkim Hydropower project will further improve the financial performance of the company. We expect credit rating upgrade and further interest rate reduction on completion of the Sikkim Hydropower project.

That is all about the performance and outlook. Now, we leave the house open for questions from the participants.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shubham Agrawal from Aequitas. Please go ahead.

Shubham Agrawal: Good Afternoon gentlemen, my first question is regarding iron ore prices, actually the voice was not very clear when you were updating about iron ore, so I understand that you said that prices will remain firm in the next quarter also, so can you just elaborate on that?

Pankaj Sarda: The prices of iron ore is expected to be firm because so many Orissa mines which were auctioned have not yet started and prior allottees have still one more month. They were taking out the mines and material till end of October 2020, so assuming that the new owners will start taking over the mines and will start operations in the mines, there will be a shortage of lumps and fines iron ore in the coming 3 - 4 months or maybe 6 months.

Manish Sarda: Apart from this, the international prices of iron ore is also pretty strong because the demand from China is also very huge.

Shubham Agrawal: Sir, in the existing iron ore mine, there is some inventory which is still pending which is expected to be off taken, so what is the total amount of inventory and will this reduce iron ore prices in India at least?

Pankaj Sarda: I am sorry can you repeat again?

Shubham Agrawal: In the existing iron ore, there are few inventories left which is expected to be off taken, so once this is allowed, do you expect the iron ore price to go down and what is the total inventory that is lying there in the mines, if you have any idea?

Pankaj Sarda: You are talking about Orissa mine?

Shubham Agrawal: Yes.

Pankaj Sarda: In the Orissa mine, the Government is not giving extra permission to the past owners of the mine to take out the material, so they are not allowing it as far as I know about it and the new owners will come into picture now and they resume operations and they have to buy their heavy machinery equipment etc. and they will be starting their mines very soon.

Padam Kumar Jain: Since the premium quoted is very high that will not allow the iron ore prices to go down.

Shubham Agrawal: Sir, secondly my question is regarding Sikkim, so in the presentation it is mentioned that it is likely to start in December 2020, but in the call just now you said that 15-20 days it may be delayed further, so this can be expected in mid of Q4FY21, am I right?

Padam Kumar Jain: No, well before that, somewhere in January 2021 latest, we are trying to complete by December 2020, but there may be some delay, I think in January 2021 we should be able to start. We are still trying to complete by December 2020 end, but there may be delay for few days.

Shubham Agrawal: With regard to the refinancing, you said that the interest cost has lowered by 2%, so what was the total amount on which this has been lower?

Padam Kumar Jain: I think it was somewhere about Rs 50 crores- Rs 60 crores, that is only a small loan amount we have refinanced.

Shubham Agrawal: Okay, so rest of it will go lower once the Sikkim starts?

Padam Kumar Jain: Yes, major reduction will come only after commissioning of the Sikkim power project. There is certain reset also due, which will also have bearing on our interest.

Shubham Agrawal: Got it, Sir regarding the ferro alloys business, the margin in this quarter was substantially lower compared to the last quarter, what was the reason you would attribute this to, if I see EBIT margin was 8.6% compared to 18.3% in last quarter?

Padam Kumar Jain: The prices ferro alloys has gone down so there was inventory loss because of the reduction in the prices that also affected margins to some extent; it was a contribution of the inventory loss and to some extent it was basically fall in the prices.

Shubham Agrawal: Sorry, can you come again?

Padam Kumar Jain: There are two contributing factors in ferro alloys EBITDA going down, one is the inventory loss because of the fall in the prices, and another is on account of the falling prices, margins constraint to some extent and as I told one of our furnaces is also under shutdown.

Shubham Agrawal: So going ahead what can we expect the margins to be because given some of the competitors, their margin was still healthy this quarter also?

Padam Kumar Jain: It also depends on how is the cost structure, what is the power cost, there are multiple scenarios which works. As I said, one of the reasons has been inventory loss which may not be there, so that will definitely improve our ferro alloy performance from here.

Shubham Agrawal: Got it, pellet shutdown was there and power plant also was shutdown till 22nd October,2020, do we expect any more shutdown in the current year or all is done expect the ferro alloys?

Padam Kumar Jain: Except ferro alloys all is done.

Shubham Agrawal: Regarding this Chhattisgarh 25 megawatt hydropower project for which land has been acquired, so what is the current status of further investment there?

Padam Kumar Jain: We have not yet started work on the project, but I think soon we will start work on that project, maybe within next 6 months work on the project will be started.

Shubham Agrawal: Next 6 months, and what is the total investment expected?

Padam Kumar Jain: Total investment is about Rs 250 crores over a period of 4 years.

Moderator: Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Thanks for taking my question, Sir on steel what are the trends you are seeing on pricing because what I see on Q-o-Q our prices have not been very robust, so I am just wondering is there small price increase to come from here?

Manish Sarda: The overall pricing of steel I think will remain more or less stable because we are seeing the reopening also of the economy now in terms of COVID-19 and lot of Government projects which were stuck because of labor issues and because of COVID-19 will kick start in a big way. There will be a lot of pent-up demand as well which has been there and we have seen imports being very negligible if you look at the previous year and this year the Government has imposed a lot of curbs in terms of steel imports and is focusing more on Made in India, so effectively I think the steel prices will be stable and firm for the coming six months.

Rahul Jain: Currently, by how much they would be higher compared to Q2 average, are they similar or they would be like Rs. 1,000 to Rs 2,000 higher.

Manish Sarda: No, they have definitely increased in some of the products, they have increased up to Rs. 1,700-Rs 1,800.

Rahul Jain: Sir, could you also elaborate on your coal mines for which we have emerged as the highest bidders, so essentially where do you intend to use it for merchant sale or for your steel plant and how long will it take to get started?

Pankaj Sarda: Regarding the coal mine, that is the best part about it, it is a complete merchant mine, so whenever if we see that the low grade of material is coming out of the seam, we can sell it locally, only high grade we could get to our plant, so that is the beauty about it. Regarding the Chhattisgarh coal mine, we intend to start that mine within 1.5 years, because all the permissions and clearances, everything is there and it was earlier with us, so we have complete idea about it, so we feel that we should be able to start it within one year

Rahul Jain: You will be able to utilize the rated capacity within 1.5 year, is that right?

Pankaj Sarda: No, within 1 year, we will be able to start the mine and after 1 year, we will try to reach to the rated capacity. The best part about this mine, is that it was operated and owned by us only so we have the land in place, we have our labor in place, we know the mines in and out and apart from that, our whole perspective of restarting this mine would be to get the best quality coal to our plants, for applications of this coal into sponge, pellet, ferro alloys, and whatever best we can do in terms of the logistics as per the GCV basis, we will be trying to do that because now since it is a commercial mine, we are also be allowed to sell the coal at the pit head to other power plants and there are a number of power plants which are there near our coal mines, so we can sell that coal easily.

Rahul Jain: How does the system work, so you have a revenue share of say I think one is 26 and other is 66.8, so whatever is the relevant Coal India price of that particular grade, you have to share that percentage with the …

Pankaj Sarda: If you see the earlier bidder, Monnet had bidded this at Rs. 2,600 per ton.

Rahul Jain: That is over and above the royalty rate?

Pankaj Sarda: Over and above the royalty, that is how high they went up to whereas the 66.75% will be much below Rs. 1,000.

Rahul Jain: So the equivalent rate is what Rs. 1000, this is which grade?

Pankaj Sarda: This is the open cast mining has an overall grade of around G11.

Rahul Jain: Right, so typically around Rs. 600 is roughly you will have to share with that?

Pankaj Sarda: Rs. 800 to Rs. 900.

Rahul Jain: What is the cost of mining you expect, around Rs.500 or more than that?

Pankaj Sarda: It should not go beyond that.

Moderator: Thank you. The next question is from the line of Abhishek Maheshwari, an Individual Investor. Please go ahead.

Abhishek Maheshwari: Sir, thank you for taking my question, just two basic questions, are we exporting our steel also or only ferro alloys?

Manish Sarda: We are not exporting our steel, we only export our ferro alloys, steel is sold locally and domestically we sell it in India

Abhishek Maheshwari: Sir, secondly like certain places in Maharashtra like Mumbai and all, we are seeing realizations crossing Rs 40,000, so in Raipur also that is the case or are we still seeing Rs 35,000 – Rs 37,000 of realization?

Manish Sarda: No, the case in Bombay is totally separate because you have to understand that in Bombay, mostly the steel is sold by the traders and the traders have their credit margins and all, so there is a long products because it is mostly for the real estate sector and infrastructure sector in Bombay the long products and there is a big payment delay in terms of 30 days and 60 days depending upon the customer, so the pricing is more or less 37days -38 days, but they have their own margins for financing ,warehousing and the storage cost is very high.

Abhishek Maheshwari: Okay, fair enough, so your realizations are somewhere around Rs.38,000 only?

Padam Kumar Jain: It will depend on the product.

Abhishek Maheshwari: I mean wire rod and HB wire, somewhere around Rs 35,000 – Rs 38,000 only.

Padam Kumar Jain: Yes, Rs 37,000.

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

Vikas Singh: Good Afternoon Sir, my first question pertains to your hydropower project of Sikkim, so any update on the rates which would be fixed or what kind of utilization or the PLF we can take for this plant in one year's time?

Padam Kumar Jain: Presently is the lean season, so in the rainy season we get the full generation, in the first year itself we will reach the normal capacity utilization level.

Vikas Singh: That is roughly around?

Padam Kumar Jain: 50% around, in the first year itself

Vikas Singh: Annualized basis?

Padam Kumar Jain: In the first full year of operation, in the next season we will be at rated capacity, but since we will be starting in the lean season, initially we will be starting only with the one unit because presently power will be on the low flow.

Vikas Singh: Any word on the provisional rates as of now?

Padam Kumar Jain: Provisional?

Vikas Singh: Provisional rates at which we would be able to sell?

Padam Kumar Jain: We have not yet got the order, but as I said the provisional rates for smaller hydropower project of up to 25 megawatt is Rs. 6 plus and I think we should be getting the same provisional rate, we have not yet got the provisional rate approved.

Vikas Singh: Understood, Sir my second question pertains to assuming that your hydropower project starts, but we have couple more smaller hydropower projects, one you have mentioned Rs 250 crores plus upgradation in the ferroalloy unit as well, so how do you see that the CAPEX and the cash flows in next couple of years and overall the debt correction because of that?

Padam Kumar Jain: As far as Sikkim hydropower project, their capital outflow will stop, so far as this Chhattisgarh hydropower project whatever expansion we are doing, whatever internal promoter contribution is required, existing project will support that. The Chhattisgarh hydropower existing project is generating sufficient surplus cash after meeting its debt obligation, so that will be handled independently, that will not require any equity contribution or support from the promoter company.

Vikas Singh: Sir, let me rephrase it in a different manner, so what I wanted to understand that we have almost Rs 250 crores in Chhattisgarh, if I get it directly then around Rs 100 crores in the ferro alloys kind of CAPEX and we have these normal maintenance CAPEX also going on for the next 2 or 3 years, so just wanted to understand that the total CAPEX which we are going to put in versus the cash inflows which we could get from the Sikkim power project, so how the overall debt position would be as per your calculation, would they are in let us say next couple of years down the line?

Padam Kumar Jain: The debt position should remain more or less at the existing level, there may be some plus or minus, but there will not be material impact because there will be some additional CAPEX and there will be some repayments, so it should remain within these range based on the existing planned CAPEX.

Vikas Singh: Okay, it is better to assume that whatever the incremental cash flows are coming, we are putting it in further growth project, so that could remain more or less at Rs 1,350 crores for next couple of years?

Padam Kumar Jain: Yes. Our existing gross loan is about Rs 1,650 crores, maybe Rs 1,600 crores gross loan. Entire Rs 300 crores we are holding in cash, so if we are going with the coal mines also, we are going all those things maybe in the range of this Rs 1,500 crores- Rs1,600 crores loans will remain, there will not be material addition, there will not be material reduction.

Vikas Singh: Sir, my second question pertains to our coal mine, so this 1.8 MT of total annualized production which we have got in both the mines combined, so would that be able to suffice the entire coal requirement or what portion could be available for us to sell in the merchant market?

Manish Sarda: It will depend upon the pricing what we get in the merchant markets, however, efforts will be to first see and effectively close our own coal and cut down on our imports in a big way so that we are self-sufficient and we are away from fluctuations of the international market and the Dollar movements.

Pankaj Sarda: Apart from this, we have a requirement of almost 1 MT in our Siltara plant, Raipur, so over and above that, we can always sell outside to third party and over and above, the MOU gives us the clearance to increase our capacity by around 50%, so 1.8 MT we can achieve if we want to increase our capacity without any MOU clearance, we can go above 1.8 MT - 0.9 MT more.

Vikas Singh: Sir, if I get it correctly that there is some 65% kind of a production performance guarantees that most of these coal mines which are getting auctioned within one year, but you are saying that the next 1.5 year only you would be able to start, so if you could just elaborate that what happens to that performance guarantee part of it?

Manish Sarda: No, it is basically that once the Government gives you all the clearances in place within the stipulated period of time, you have to start your production and have to achieve 65% of your production, it is not within the one year from the date of allocation.

Pankaj Sarda: Once the Government gives us the vesting order, we have 51 months to start the mine.

Vikas Singh: Understood Sir, just one last question, what is the current rate of same grade of coal which you are getting at your plant, so what is the blended cost that has been?

Pankaj Sarda: There are multiple grades, we are using different grades for power, there are multiple grades, it is not a single grade

Vikas Singh: Power grade you can say whatever we are using for our power plants, so what is the rate at which we are getting at the plant right now?

Pankaj Sarda: We are getting around Rs. ~1.15 per GCV.

Moderator: Thank you. The next question is from the line of Parthiv Shah, an Individual Investor. Please go ahead.

Parthiv Shah: Thank you Sir for taking my question and firstly congratulations for a very decent set of numbers; my first question is regarding your interest cost, so probably I am assuming that you would be capitalizing a lot of your interest cost at this juncture that is why your interest cost comes to at around 5%-5.2%, I just want to understand once we are servicing the normalized rate of interest for our loans, which is we discussed about Rs 1,500 crores – Rs 1,600 crores and after the interest reduction and everything, what sort of annualized interest cost are we looking at for the company at consolidated level?

Padam Kumar Jain: If you consider that way, even if you consider 10% on average then effectively Rs 150 crores is the total interest component and definitely they are interest incomes also because as I said we are holding Rs 300 crores of the cash and bank balance and in addition to that we have certain loans etc., so ultimately our effective borrowing cost will be on somewhere around maybe Rs 1100 crores or Rs 1200 crores that we are incurring even after commissioning of the Sikkim hydropower project. In net cost if you consider, it will not exceed maybe Rs 110 crores or Rs 120 crores.

Parthiv Shah: Which is against Rs 82 crores which we are having right now, right?

Padam Kumar Jain: Yes.

Parthiv Shah: Sir, I just want to understand somehow there seems to be some sort of delay in the additional capacity commissioning of our pellet plant, what is the reason for such a long delay because I think this plant was to add 2 lakh MT since long, but we are not being able to take advantage of the current pellet price rally?

Padam Kumar Jain: There has been changes in the Government policies, in between NGT had come out with a different guideline, so there are multiple changes in the Government policies. Further, Raipur as you may be aware, is one of the critically polluted cities, and so there are multiple agencies involved and time to time there have been changes in the policies, which has affected this.

Pankaj Sarda: The delay is also because of this COVID-19 pandemic which has been ongoing for the last seven to eight months and the Government offices have also not been working in that way which is a normal way of working and NGT also came into play, so all of this has added to that delay. From our side, there is no delay, it is basically the Government policies that have to be cleared with respect to Chhattisgarh and Raipur specifically as a zone.

Parthiv Shah: Sir, I also see that this quarter our pellet realization was somewhere around Rs 6,110 per MT, so I mean is it less as compared to some of the peers or how it has panned out and also I would like to know now that our plant operation maintenance is over, now we will be running at full rated capacity, so in this quarter at what rates are we booking the pellet, I am assuming that will be a huge turnaround from this quarter, right?

Padam Kumar Jain: Last quarter because of shutdown during the price increase, we could not take advantage of that increase because prices had moved from Rs 5,800 to Rs 8,000 per MT, so there were pipeline orders also and there was they shut down, that definitely affected our average realization of the pellet plant, which is less than market average realization because of the shutdown and pipeline orders, and this quarter definitely it will be plus Rs 8,000 per MT.

Parthiv Shah: So what volume we are targeting in Q3FY21 and Rs 8,000 per MT you are expecting the ballpark number, right?

Padam Kumar Jain: Yes, ballpark number is on average what we are selling is more than 1 lakh ton of the pellet we sell in the market every quarter, sometimes in some quarter it might be less, some quarter it may be more, on average what we sale of in the year.

Parthiv Shah: Sir, last question regarding the iron ore scenario and also for our company where we have our own mine, but we are also buying from the market, so what is the percentage of our source that we are buying from the market and what is the current landed cost of that, so I just want to understand two things, one is the blended cost of our ore fines for our pellet plant and also at what rate is the current landed cost and also talking about the iron ore scenario, Mr. Sarda very nicely explained that it could be a phenomenon of a huge supply shortage for the next 3 - 6 months, what is the possibility that it can last for six months because if it lasts for 6 months and also hearing commentary from very big steel manufacturers like JSW Steel you know the scenario looks very bad in terms of the supply, so this will really hurt production going ahead, what is your sense overall commentary on this?

Pankaj Sarda: As far as shortage is concerned I would say that we also expect that the shortage will be there for the coming four months or maybe it will extend to 6 months or 7 months, but at the end of the day, there will be some kind of solace in terms of imports because if the shortage goes on for a very long period of time, we will see a robust pricing of iron ore, because the pricing may go up and that will make it viable for imports at least for the coastal based plants, the plants which are based on the coast line, they will be able to import iron ore. And I think all the guys who have invested in mines would be also wanting to restart and wanting to consume the iron ore, no company would be interested to import iron ore in the country.

Parthiv Shah: Sir, for us the landed cost of mines for our pellet manufacturing and what percentage are we using and what is the blended cost?

Manish Sarda: We are using around 50% - 60%, we are blending and our captive iron ore we are using around 40% - 45%. The landed cost of, there are various grades of iron ore mines that is available from around 62.5 plus grade material from Orissa is coming around Rs. 5,500 per MT to Rs.5,800 per MT at the moment.

Parthiv Shah: Okay, but you are getting the supply for manufacturing use in your pellet?

Manish Sarda: We are getting the supply, but availability is going down and down in coming months, the prices are going high, you have seen that NMDC also increased their prices by almost Rs. 150 per MT to Rs. 200 per MT a couple of days back, so the rates are going up.

Padam Kumar Jain: But we have sufficient backup so as to maintain the base of our production

Parthiv Shah: In terms of the production, right?

Pankaj Sarda: Yes.

Moderator: Thank you. The next question is from the line of Amit Jain, an Individual Investor. Please go ahead.

Amit Jain: Good Afternoon Sir and Congratulations for navigating this tough environment and coming up with good set of operational performance, my question is related to last question which was about the pellet prices, if I heard it rightly so the price realization for the last quarter was approximately Rs. 6,100 per MT and though ongoing prices I understand is more than Rs 9,000 per MT, but I understand considering the various constraints their expected realization for the ongoing quarter can be upwards of Rs.8,000 per MT, which is approximately 33% increase, is that a right assumption?

Padam Kumar Jain: Yes, you have correctly understood, it would be Rs 8,000 per MT plus what we have said because there are pipeline orders all those things, so we have to take average and how long this price continues at Rs 9,000 per MT plus all depends, considering that on average it will be more than that only, to what extent it goes up it is very difficult to predict.

Amit Jain: Yes, as well as the iron ore prices when we check on the China stock exchange which is Dilan stock exchange that is also touching multi-year high, so with greater probability and more certainty your commentary is based on that we will be able to definitely realize more than Rs. 8,000 per MT?

Padam Kumar Jain: Definitely, we will realize more than that.

Moderator: Thank you. The next question is from the line of Shubham Agrawal from Aequitas. Please go ahead.

Shubham Agrawal: Thank you again Sir, my last question is regarding this coal mine again, so what is the total upfront payment required for both these coal mine?

Padam Kumar Jain: For the coal mine in Madhya Pradesh, it is somewhere about Rs 34 crores and for the Chhattisgarh coal mine, it is Rs 86 crores, but it is payable in four installments depending upon the progress. For the Madhya Pradesh coal mine, we will get almost from today you can consider 4.5 years in the installment and for Chhattisgarh also it will depend, it is payable in 4 installments, one on the agreement and another on the mining lease then mine opening and then after production and that is also immediately refundable against the revenue share, 50% of the revenue share will be adjusted against the upfront payment, so if the mine starts immediately we will start to get back the amount.

Shubham Agrawal: Okay got it, and Sir regarding this Madhya Pradesh coal mine, what would be the total investment required over this next four years to get the mine started?

Padam Kumar Jain: I think in the initial two years, there will be hardly negligible amount, it will not be, major CAPEX will be only in the last two-and-a-half or three years, whatever it takes, so initial two years there will be very low, but total investment will be 200 crores plus/minus.

Shubham Agrawal: Any investment for Gare Palma coal mine over the next one year?

Padam Kumar Jain: There will not be material except this upfront payment will also go in the installment and there will be some on the mining lease execution etc. because land is already in position, it was operating mine so may be about I think we have to give may be Rs 25 crores to Rs 30 crores to the existing prior allottee and there will be some restarting CAPEX.

Shubham Agrawal: Lastly regarding the ferro alloy expansion, so when do we think we will start working on this, Rs 125 crores expansion?

Padam Kumar Jain: I think next financial year, we will start work on this.

Moderator: Thank you. The next question is from the line of Sachit Khera from Smart Equity. Please go ahead.

Sachit Khera: Good Afternoon Sir, I am new to your company, pardon me if the questions are a bit naive, regarding the Sikkim hydro project you mentioned that the first unit would get commissioned by January latest, right?

Padam Kumar Jain: Yes.

Sachit Khera: What about the remaining unit, Sir?

Padam Kumar Jain: It will depend on availability of water, the plant can run only at full load only during rainy season, it does not run throughout the year. This is run of the river project, the full capacity of both the units will be running only during the rainy season not throughout the year.

Sachit Khera: You do not envisage any problems in being able to sell as much as you produce, correct?

Padam Kumar Jain: We have already entered into PPA with the distribution utility, so there is no problem of sale.

Sachit Khera: Yes, it is just that the rate would be finalized a bit late?

Padam Kumar Jain: Yes, rate would be finalized later

Sachit Khera: The second question is regarding the mines, when you bid for the mines, this is again a broader question, how do you sort of calculate the kind of payback or IRR while bidding for the mines?

Padam Kumar Jain: This is directly linked with our landed cost and basically production cost, what is my landed cost and what is my production cost depending on that we arrive at the formula definitely, one is raw material security and another is saving based on the investment and risk taken.

Sachit Khera: So for example Gare Palma, the agreement to pay let us say 66% is based on the decision that the upfront payment is less and that it is a running mine for example?

Padam Kumar Jain: Upfront amount will be recovered within a year or two, it is only a temporary advance or deposit you can say, that is not basically quote, what I am paying upfront that I will get refund maybe in a year or two at the best.

Sachit Khera: The 66% is on base of Rs 2,600 you mentioned?

Padam Kumar Jain: Basically, 66% is of the value, average cost of National Coal Index is declared for every grade by the Government; depending upon the basket of the import, auction linkage, they will arrive at pricing for every grade of the coal based on the exact outflow of the coal from the mine, we have to pay price of that grade.

Sachit Khera: And this varies every month or how does it work?

Padam Kumar Jain: Yes, it will vary depending upon the quality of output from the mine.

Pankaj Sarda: The index also varies every month.

Sachit Khera: Makes sense, and this is on the gross, there is no floor plus concept, it is on whatever the index value is declared flat 66% will be shared with the Government?

Padam Kumar Jain: Yes.

Sachit Khera: Will the mining cost be deducted or that would be coming out of your 34% share?

Padam Kumar Jain: That will be coming out of our 33% share.

Sachit Khera: Okay, including the freight and transportation cost, everything is yours?

Padam Kumar Jain: Yes, everything is ours.

Moderator: Thank you. The next question is from the line of Amit Jain, an Individual Investor. Please go ahead.

Amit Jain: This is in continuation to my previous question, I realized that it is better if I get some clarification here, according to the press release last Q1FY21, the company produced approximately 144 MT of the pellets and the sales were approximately 77 MT of the pellets, so does it mean that there is an inventory of ~70 MT available with the company because the production in Q2FY21 is a similar number which is ~ 140 plus MT?

Padam Kumar Jain: No, it is not like that, basically rest of the stock is consumed captively for production of sponge iron, that is also mentioned in the notes in the press release if you see, part of the production is consumed at every stage, part of the sponge iron is also consumed in production of billet, part of the billet is consumed in wire rod then like that, so it is not the inventory buildup, our inventories are at low-level.

Amit Jain: Okay, and second question is that the 33% increased realization that we are expecting for this quarter in the pellet project that will directly add to the bottom line because most of the consumption of the raw material for the pellet production is our captive, correct?

Padam Kumar Jain: No, it is around 40% to 50% is our captive, remaining is market purchases.

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

Padam Kumar Jain: Thanks to all the participants for joining this conference call. We hope we have clarified the questions to the satisfaction of the concerned investors. If anyone has any doubt, they can always approach to our investor relations people which is also provided in our invitation as well as presentation. Thanks to all.

Moderator: Thank you. On behalf of Sarda Energy & Minerals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.