



INVESTOR PRESENTATION

May 2018





DISCUSSION SUMMARY



01 Company Overview

02 Business Overview

03 Strategic Priorities &
Growth Outlook

04 Financial Results

05 Annexure





**COMPANY
OVERVIEW**



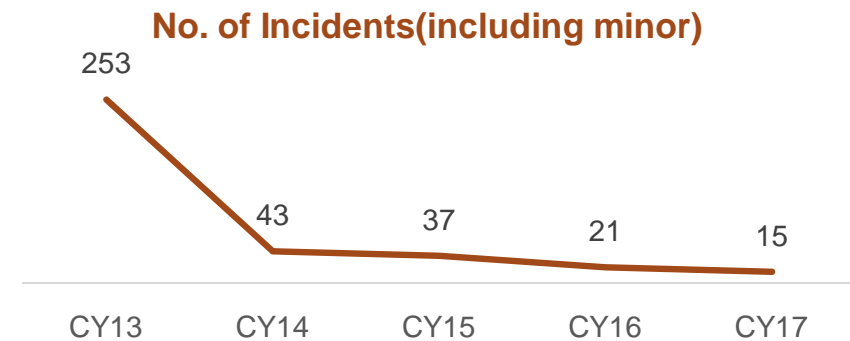


Assets & Operational Detail

- At SEML, safety is taken as top priority. The workers are equipped with necessary safety gears on their operational role
- Regular medical check-up and in house medical facilities ensures that workers keep in good health
- The incident rate (including minor injuries) has seen a declining trend over past few years
- All employees at plant has to go through training on safety every year

Corporate Social Responsibility

- The Company has adopted 90 single-teacher schools in the tribal areas of Chhattisgarh for providing basic education
- The Company actively sponsors medical facilities, assisting in primary healthcare across villages.
- It runs a well-equipped ambulance with doctors and set up first-aid facilities in the villages surrounding its mines
- Extended financial assistance to Bhartiya Vidya Bhawan and R K Sarda Vidhya Ashram for school buildings/operations





Key Milestone



1979-89

Installed 25 TPD Electric Arc Furnance in 1990

Acquired 3 Power units in 1993-94

Installed Two Sponge Iron Kilns of 30K MT each in 1993 and 1995

Sold two power units and installed one as captive power plant

1999-08

Coal mines and 4.8 MW Hydro power plant started operations in 2008-09

Pellet plant commenced operations in 2009-10

66 MVA Ferro Alloys plant and 80 MW Thermal power plant started at Vizag in 2012-13

24 MW Hydro Power project started in July 2017

Post 2018

Steel plant capacity to be increased by 50% in FY 2019

Commissioning of 96 MW Hydro Power plant located in Sikkim in FY 2020 and 24 MW plant located in Chhattisgarh in FY 2022

Company acquired Raipur Wires and Steel as a sick unit in 1979

Installed 10 MT electric arc furnace in 1981 to produce ingot

Installed Continuous casting machine in 1984 for Billet production

1989-99

Company started 24 MW captive power plant and Ferro Alloy plant in 2001

Commenced a fly ash brick plant to utilize hazardous fly ash from captive power plant

Acquired Iron ore mine with reserves of 20 Mn MT. I, commenced iron ore extraction from the mines n 2004

2008-18



Company at a Glance



Vertically integrated producer of steel with captive raw materials



Steel

Leading Manufacturer and exporter of niche grade manganese based ferro alloys.

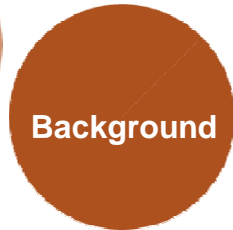


Ferro Alloys

Ventured into hydro power in Uttarakhand, Chhattisgarh and Sikkim as Government push towards clean energy



Hydro Power



Background

Sarda Energy & Minerals Limited (SEML), incorporated in 1973, is the flagship company of Sarda Group.



Financials



Financial Performance

Revenue grown at 21% CAGR in last two years. EBITDA has Grown 45% in the same period



Low Gearing

Debt to Equity stands at 0.79 in FY18, lower than 0.88 in FY17, is one of the lowest in the sector



Sustainable Growth

Production has grown profitably in the last few years across segment

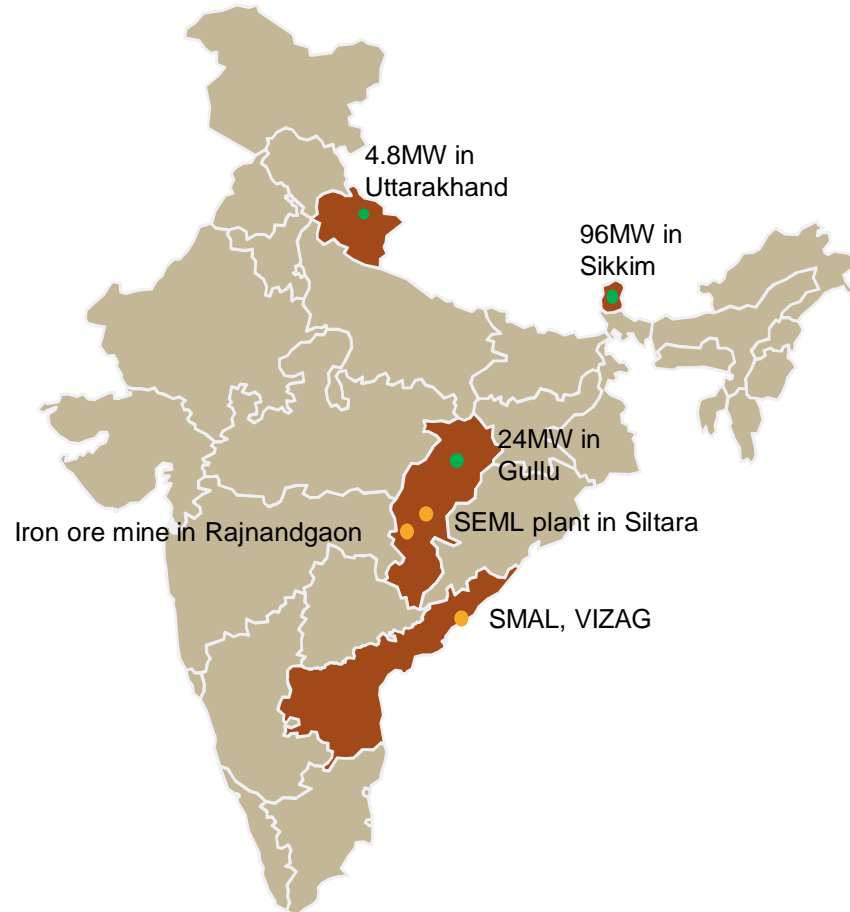


FY2018 - A landmark Year in Sarda History

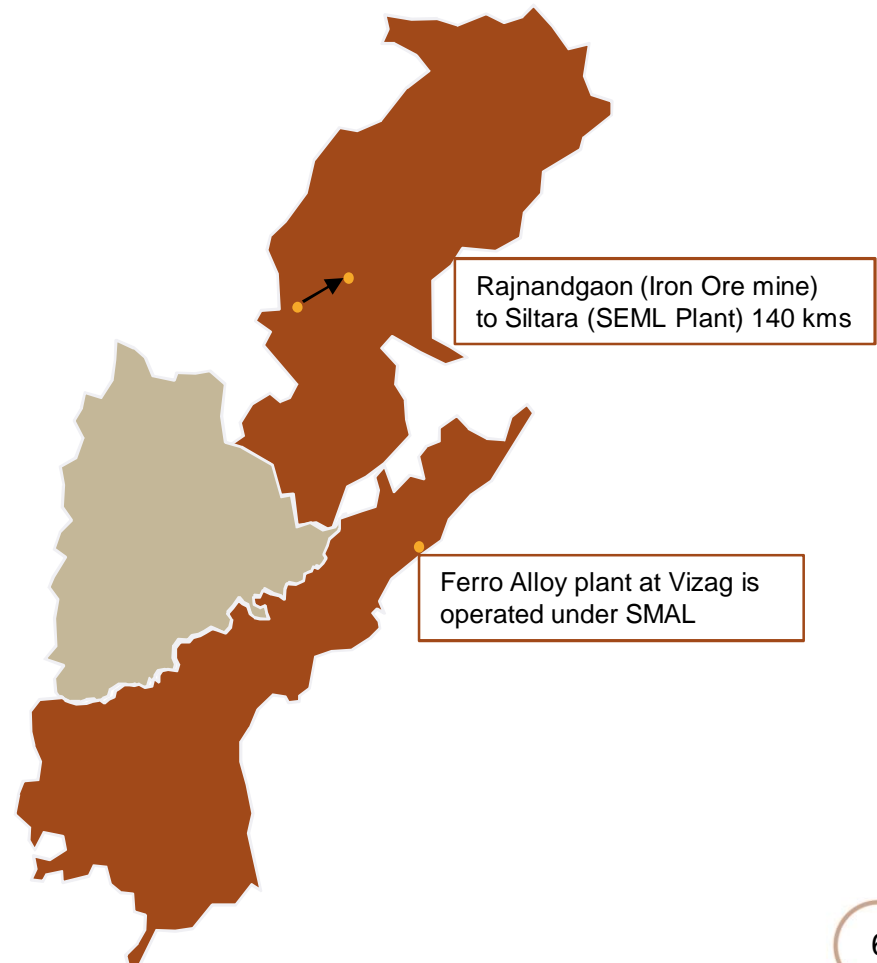




Operations : Geographical Footprint



Lower transportation cost due to close proximity to raw material and end users





Product Offering



Business	Offerings	Demand Driver
Steel	<p data-bbox="415 508 443 618">Iron Ore</p>  <p data-bbox="415 667 443 740">Billet</p>  <p data-bbox="919 516 1020 626">Pellet & Sponge Iron</p>  <p data-bbox="919 659 1020 781">Wire Rod & HB Wire</p> 	<p data-bbox="1556 545 1843 605">Infrastructure & Urban development</p> <p data-bbox="1556 651 1745 675">Housing for All</p> <p data-bbox="1556 719 1724 743">Construction</p>
Ferro – Alloys	<p data-bbox="520 829 583 1000">Silico Manganese</p>  <p data-bbox="993 829 1058 1000">Ferro Manganese</p> 	<p data-bbox="1556 821 1923 919">All types of Steel, demand aligned to increased in steel demand</p> <p data-bbox="1556 959 1892 1024">Requirement is higher in manufacturing Alloy Steel</p>
Hydro Power		<p data-bbox="1556 1052 1906 1117">Government Push towards clean energy</p> <p data-bbox="1556 1157 1892 1222">To meet peak demand for power</p> <p data-bbox="1556 1263 1934 1360">Hydro more viable option in difficult terrain with limited sun light and wind for logistic</p>



Board of Directors



Kamal Kishore Sarma, CMD

Mechanical Engineer with 40 years experience in Iron and Steel Industry. He is responsible for steering SEML towards the path of growth

Pankaj Sarma, Jt Managing Director

MS in Industrial Administration from Purdue University, USA, With industry experience of more than 12 years.

Padam Kumar Jain, Director and CFO

CA, CS with a rich experience of 31 years in the field of accounting, finance, taxation, costing and corporate laws.

Uma Sarma, Director

Arts graduate with specialization in Home Science. Active member of NGO that works for primary education and healthcare of tribal people

Jitender Balakrishnan

PGDM in Industrial Management. Ex DY. MD, IDBI Bank, having wide experience in the field of Oil & Gas, Refineries, Power, Steel etc.

Asit Kumar Basu

BME graduate with 40 years of experience in the field of finance. Ex chief general manager of IDBI Bank.

Prabhakar Tripathi

Former CMD of NMDC with a rich experience of 45 years in the field of mining and related activities.

Gajinder Singh Sahni

Post Graduate from Cardiff University. IAS officer from Madhya Pradesh Cadre and Former MD, MSIDC & MP, Cabinet Secretariat, Govt of India

C K Lakshminarayanan

An Engineer with experience spanning across various institutions like ST CMS Electric, IDBI etc.

Rakesh Mehra,

FCWA with over 35 yrs of experience in finance & accounting. Ex GM, Madhya Pradesh Audhyogik Vikas Nigam.

Independent Non Executive Director



Strong Corporate Governance



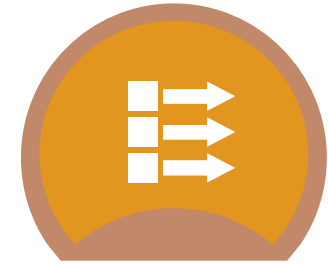
Experienced Board

Majority consisting of independent directors from diverse field with rich experience who drive the Board and policy decisions and strategy making



Employee Engagement

Clarity on thought process related to business is clearly communicated to all the employees which helps them to align their goals with the vision of the management



Values

Management has a culture of ethical values to be followed while working with the company.



Transparency

The management team also believes in transparency on all the company matters which helps them to build a surrounding of rich moral values within the organization



Corporate Policy

All the crucial decisions related to company's operations are taken without deviating from the company's policy



Shareholder Wealth

The company also believes in rewarding shareholders, Dividend is being paid consistently since FY 2003-04



**BUSINESS
OVERVIEW**



Steel Business India's Steel Industry Overview



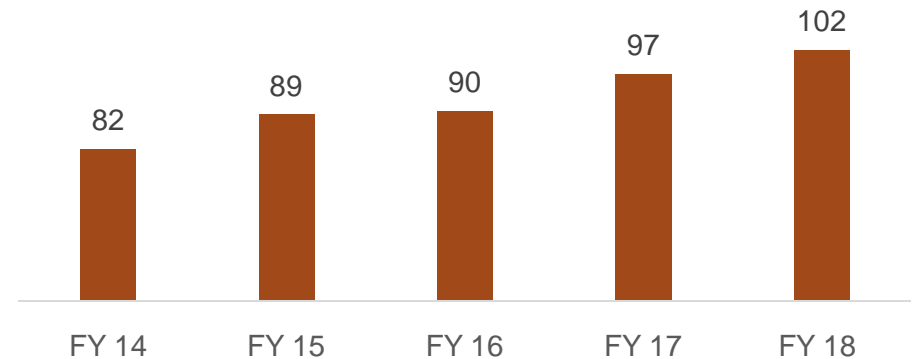
Sector overview

- India became the 2nd largest crude steel producer in 2018, as large public and private sector players strengthen steel production capacity in view of rising demand.
- India is the largest producer of Direct Reduced Iron (DRI) or Sponge Iron.
- The steel sector contributes over 2 per cent to the GDP of the nation
- India's per capita consumption of steel grew from 59.6 kgs in FY 14 to 68 kgs in FY18

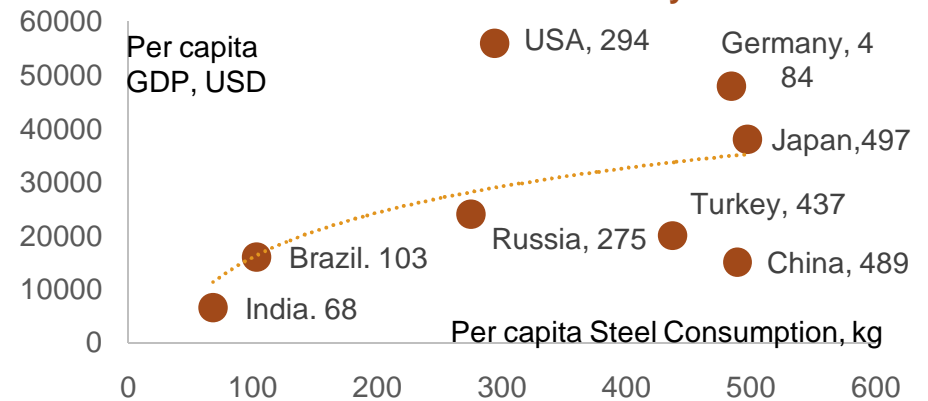
Future Growth

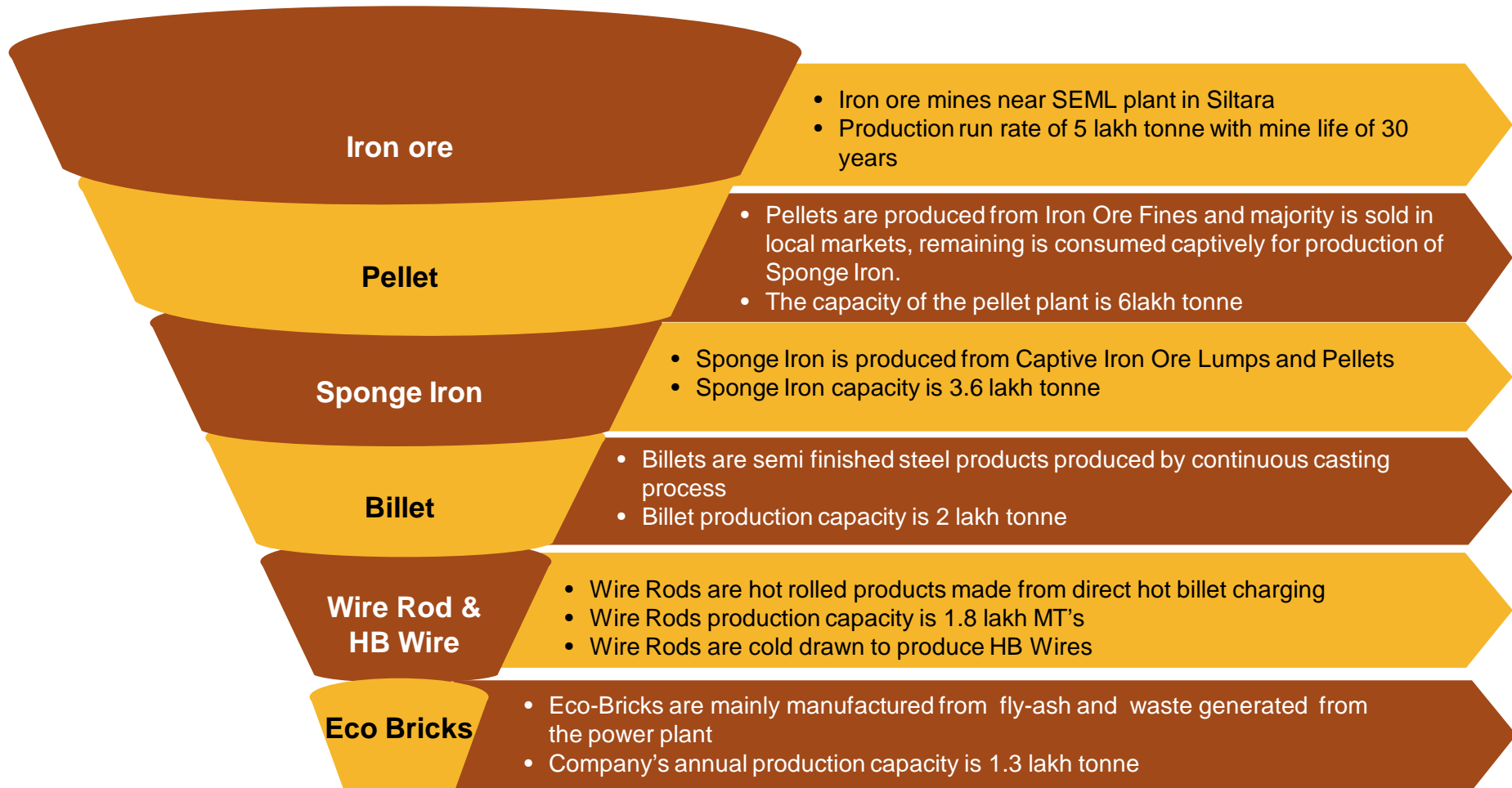
- Renewed push towards infrastructure development will increase steel demand going forward
- Government has set target for 300 million tonne production by 2030, c.3x from current production run-rate

India Crude Steel Production (Mn Tonne)



World Steel Demand Intensity







Assets & Operational Detail

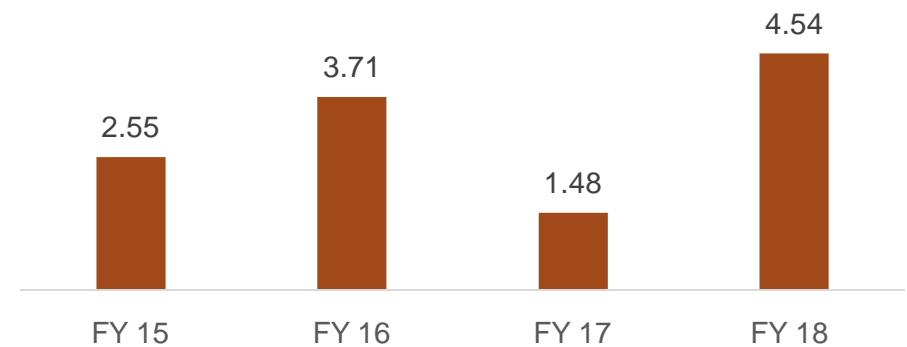
- Company's operational Iron Ore mine has potential reserves of 180 Lakh MT and annual production output of 4 Lakh MT*
- Semi-mechanised mine commenced operation in 2004
- Iron ore business act as a feeder to Pellet & Sponge Iron Plants

Future Strategy

- Iron ore production will be increased up to 5 Lakh MT in FY2019 based on requirement from Sponge and Pellet plant
- Further mines allotted in Chhattisgarh with estimated 2,400 lakh tonne of reserves, further clearances in process



Iron Ore Production (Lakh MT)



* Production run-rate at the end of FY18 at 5 lakh mt



Steel Business Pellet Plant & Sponge Iron Pellet



Pellet

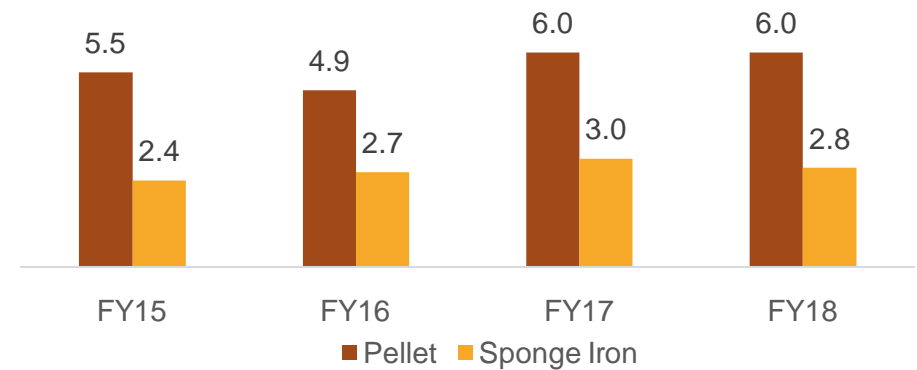
- Current production capacity of 6.0 lakh tonnes
- 65% of the production is sold externally and remaining processed internally for further downstream production
- Applied for environmental clearance for 8.0 lakh tonne, expected to be received during the year
- Pellet consumed as raw materials by local sponge iron plants
- Started exports during the year



Sponge Iron

- Current production capacity of 3.6 lakh tonnes
- Since India has ample supply of thermal coal, sponge iron is the preferred route of steel making in the country
- 40% - 45% is used internally and remaining is sold in local markets
- Thermal coal is sourced locally, primarily from subsidiaries of Coal India

Pellet and Sponge Iron Production (Lakh MT)





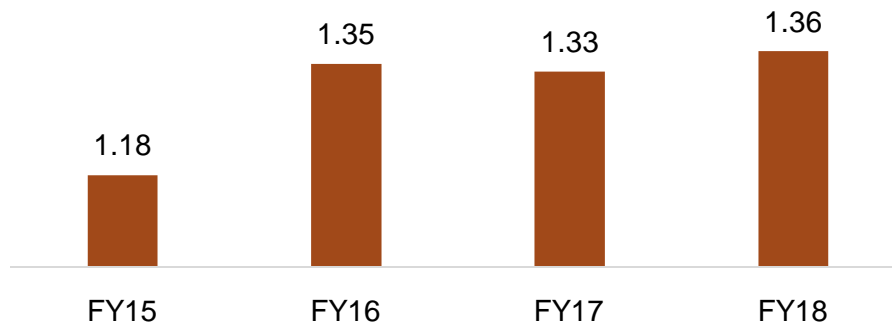
Steel Business Billet

Billet

- Current production capacity of 2 lakh tonnes
- 15% of the production is sold externally, remaining processed internally for further downstream production
- The company plans to expand steel billet capacity to 3 lakh tonnes in FY 2019
- Well positioned with complete back end integration to enhance capacity



Billet Production (Lakh MT)





Steel Business Wire Rod and HB Wire

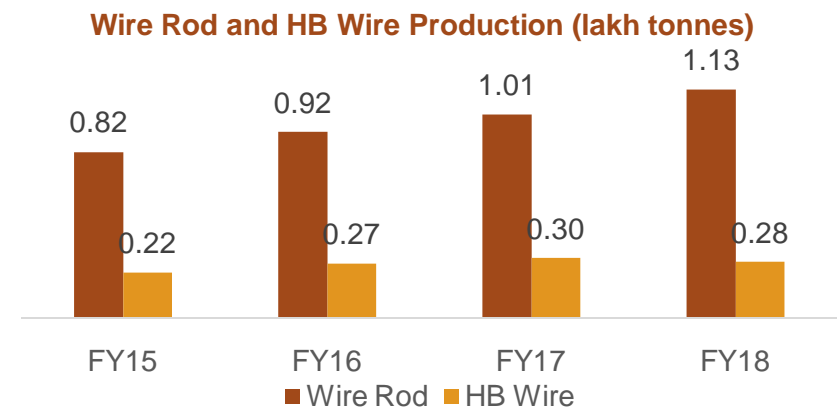


Wire Rod

- Current production capacity of 1.8 lakh tonne, with current capacity utilization of over 60%
- Wire Rod is a hot rolled product made from hot charged Billets
- High strength products offered at reasonable price in the local markets
- Wire Rod is sold to local markets, hence minimum expense on logistics
- The company has exported Wire Rod for the first time in FY 17-18
- Increase in Billet production capacity will lead to rise in production of Wire Rods without any incremental capex

HB Wire

- Current production capacity of 30,000 tonnes
- HB Wire are Cold drawn from Wire Rod and sold on different specification, sold to local markets in Chhattisgarh





Ferro Alloys India's Ferro Alloys Industry Overview



Sector Overview

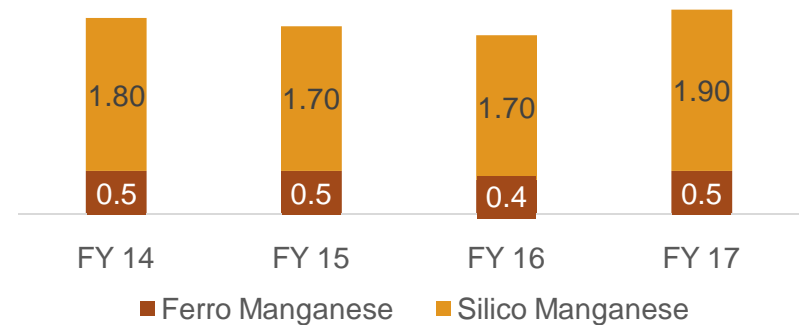
- Ferro Alloys are vital additives for Steel making.
- Ferro Alloys enhance the strength of the Steel and acts as a de-oxidant in Steel manufacturing
- Approximately 1.5% of Manganese Alloy is required to produce each tonne of Steel



Future Growth

- Globally, the industry is expected to grow at a CAGR of 5.9% between 2017 and 2025 and is expected to reach a valuation of US \$188.7 billion by 2025.
- The growth in the steel sector will drive the demand for Ferro Alloys

India's Ferro Alloys Production (Mn Tonne)



Source: CRU India and IFAPA

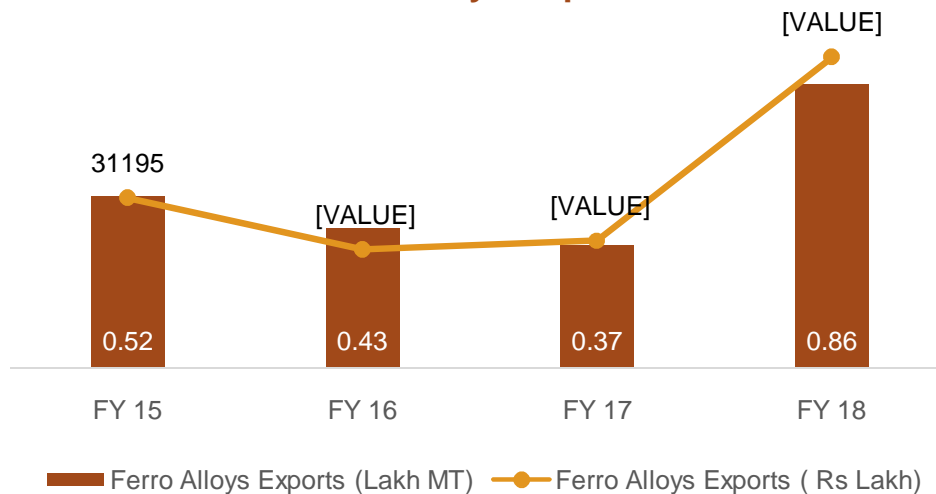


Ferro Alloy Business

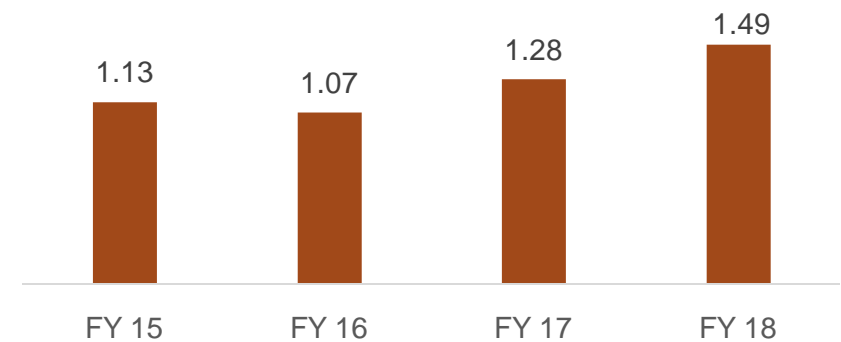


- Company has two operational plants of Ferro Alloys which are located at Raipur and Vizag with a total installed capacity of 111 MVA
- The company manufactures manganese based Ferro Alloys which is sold domestically as well exported to other countries
- Company received the prestigious export promotion council award in 2018

Ferro Alloys Exports



Ferro Alloys Production (Lakh MT)



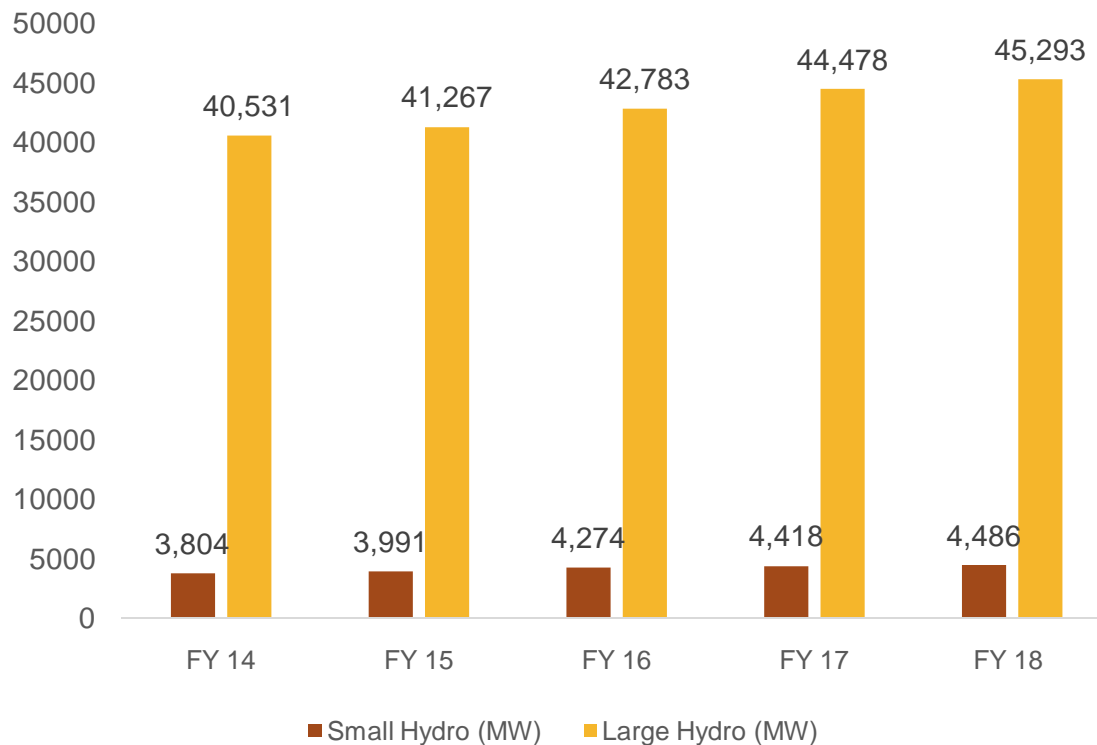
- SEML & its subsidiary both have been awarded Two-Star export house status from Government of India.
- The company exports majority of the Ferro Alloys exports to Japan
- Company's Ferro Alloys exports grew from 0.37 Lakh MT to 0.86 Lakh MT in FY 18.



India Push For Hydro Energy



Hydro Power Installed Capacity



Hydro Power projects below 25 MW is considered as Small Hydro as per Government of India's guidelines and they are a part of Renewable Energy

Source: MNRE, CEA

- Government of India has set a target of adding 175 GW of renewable power in the country by 2022
- Government has earmarked US\$ 250 billion for renewable energy over next 5 years.
- Discom are mandated to procure 15% of energy units from renewable source by FY 20
- India's small Hydro power installed capacity has grown from 3804 MW in FY 14 to 4486 MW in FY 18
- India's large Hydro power installed capacity has grown from 40531 MW in FY 14 to 45293 MW in FY 18
- India has committed towards reducing its carbon footprint, hence reducing carbon emission by 33% – 35% from 2005 levels by 2030
- Under Union Budget 2018-19, US\$ 581 million has been allocated for grid-interactive renewable energy schemes and projects.



Hydro Power Business



Uttarakhand 4.8MW

Operational since
2008

Operated at 45.42% PLF during
FY 14-17

PPA signed at 3.85 per unit with
the state discoms for 35 years

Average units sold stands at
19.33 mn on a yearly basis

18.26 mn units were sold in FY
2017-18



Chhattisgarh 24MW

Operational since
July, 2017

Operation started in the mid of
year, expected PLF to be around
50% in FY2019

PPA signed at 5.04 per unit with
the grid and tenure of PPA is 35
years.

Chhattisgarh needs hydro power
to meet its renewable energy
obligation against thermal power
generation



Sikkim 96MW & Chhattisgarh 24MW

Under Execution

Sikkim power plant to be
commissioned in FY 2020

Sikkim offers ideal terrain for
hydro power

Chhattisgarh power plant to be
commissioned in FY 2022





**STRATEGIC
PRIORITIES
AND GROWTH
OUTLOOK**





Strategic Priorities



01



Financial Discipline

Maintain financial health of the company, with Debt Equity ratio not more than 2x

02



Profitable Growth

Gradually ramping up Iron Ore production capacity and increasing profitability of the company

03



Integrated Operations

Different business division complements each other, thereby increasing overall efficiency and profitability

04



Identifying next growth avenues

Strategically expanding ongoing operations and scouting for future growth from inorganic route



Sarda Energy Project Expansion Plan



	Capacity pre-expansion	Post-expansion Capacity	Incremental Capex	Spend till date	Remarks
Steel (Pellet plant)	6.0 Lakh MT	7.5 Lakh MT	Nil	Nil	Approvals are required and Pellets will also be sold externally along with captive consumption
Steel (Billet plant)	2 Lakh MT	3 Lakh MT	Rs 25 Crores	Rs 10 Crores	The upcoming Steel plant will be commissioned by FY19 which will lead to higher capacity utilisation
Ferro Alloys	111 MVA	144 MVA	125 Crores	Rs 1 Crore	Capacity utilisation by commissioning of Vizag plant will be increased by FY 2020
Hydro Power	29 MW	149 MW	1430 Crores	Rs 835 Crores	Sikkim Hydro Power plant (96 MW) will be commissioned by FY 2020 and Chhattisgarh power plant (24 MW) will be commissioned by FY 2022



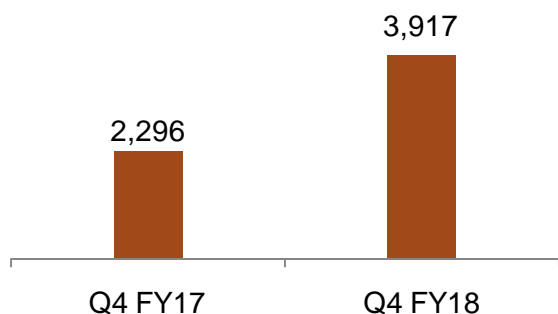
FINANCIAL
RESULTS



Results Highlights

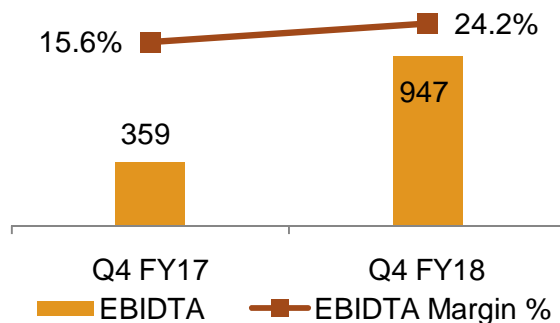


REVENUES *



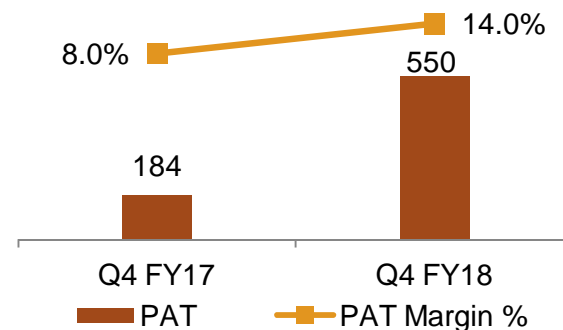
Q4 FY18 YoY ANALYSIS (Standalone)

EBITDA & EBITDA MARGIN%

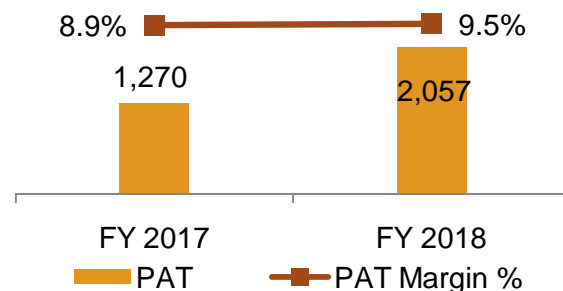
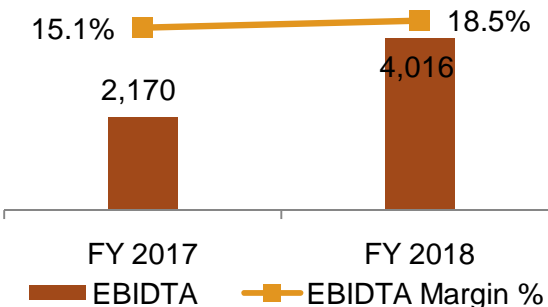


PAT, & PAT MARGIN %

In Rs Mn



FY18 YoY ANALYSIS (Consolidated)



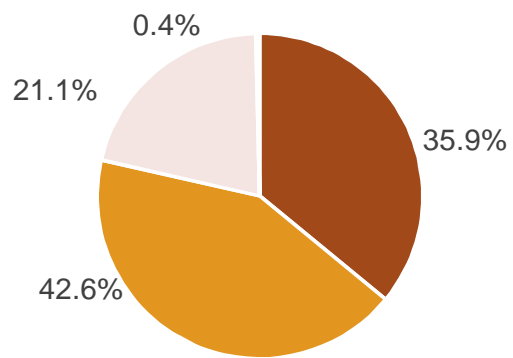
* Revenue excluding excise duty, previous numbers restated accordingly



FY2018 – Segment Analysis

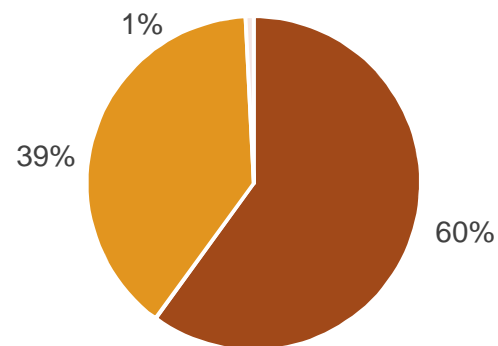


REVENUE



■ Steel ■ Ferro Alloys ■ Power ■ Others

EBIT



■ Steel ■ Ferro Alloys ■ Power

- ✓ The Ferro Alloys business segment contributed 42.6% to the overall revenue in FY 17-18 followed by Steel Business and Power
- ✓ The EBIT as on FY 17-18 clearly displays Steel business segment commanding a higher proportion of 60% than Ferro Alloys which has 39%
- ✓ Commissioning of hydro power at Sikkim will further move revenue and EBITDA split towards more stable and predictive business



Consolidated Profit & Loss



Particulars (INR Mn)	FY 18	FY 17	YoY change
Steel	9,114	6,437	42%
Ferro Alloys	10,809	6,941	56%
Power	5,348	4,563	17%
Unallocated	96	77	25%
Less Excise duty	429	1,368	NA
Less Inter Segment Revenue	3,201	2,308	39%
Total Income	21,737	14,342	51%
COGS	14,778	9,422	57%
Employee Benefit Expenses	771	754	2%
Other Operating Expenses	2,172	1,995	9%
Total Expenditure	17,721	12,172	46%
EBITDA	4,016	2,170	85%
EBITDA (%)	18.5%	15.1%	31%
Other Income	703	674	4%
Depreciation/ Amortization	732	687	7%
Finance Cost	967	938	3%
PBT	3,021	1,220	148%
Share of Profit/ (Loss) from Subsidiaries	9.1	0.7	NM
Exceptional Items	78	282	-72%
Tax	895	232	286%
Profit after Tax (Before MI)	2,057	1,270	62%

* Revenue excluding excise duty, previous numbers restated accordingly



Consolidated Balance Sheet



Liabilities (INR Mn)	FY 18	FY 17
Equity Share Capital	360	360
Other Equity	16,289	14,046
Total Equity	16,649	14,407
Borrowings	9,832	9,232
Other Financial Liabilities	152	129
Other Non Current Liabilities	78	95
Deferred Tax Liabilities	681	557
Total Non Current Liabilities	10,743	10,012
Borrowings	3,267	3,483
Trade Payables	1,308	1,111
Other Financial Liabilities	1,623	1,858
Provisions and Other Current Liabilities	536	280
Total Current Liabilities	6,734	6,732
Total Liabilities	34,126	31,151

Assets (INR Mn)	FY 18	FY 17
Fixed Assets	21,420	19,824
Investments	548	225
Other Financial Assets	165	150
Deferred Tax Assets		
Other Non-Current Assets	676	427
Total Non Current Assets	22,809	20,626
Inventories	4,113	3,426
Trade Receivables	1,312	1,065
Cash & Cash Equivalents	216	106
Other Financial Assets	4,423	4,597
Current Tax Assets (Net)	4	2
Other Current Assets (Net)	1,249	1,330
Assets Classified as held for sale		
Total Current Assets	11,317	10,525
Total Assets	34,126	31,151



ANNEXURE

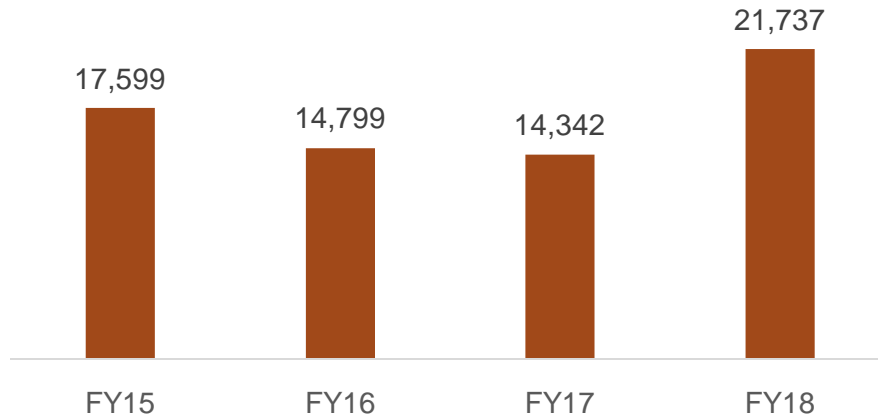




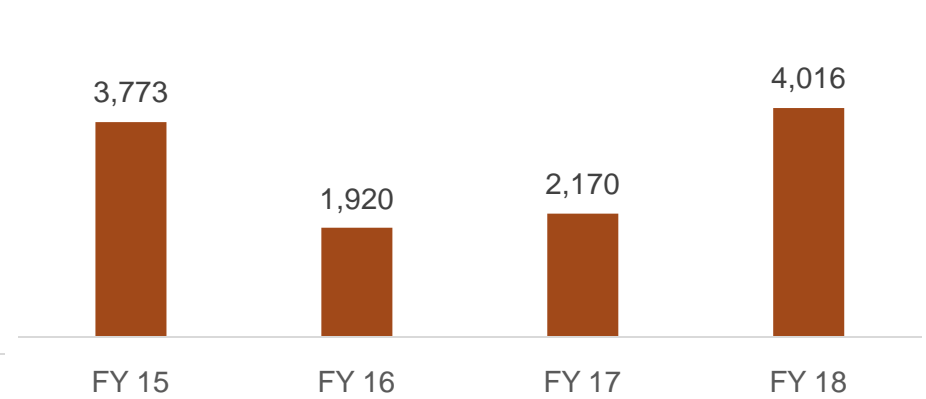
Sarda Energy : Financial Data



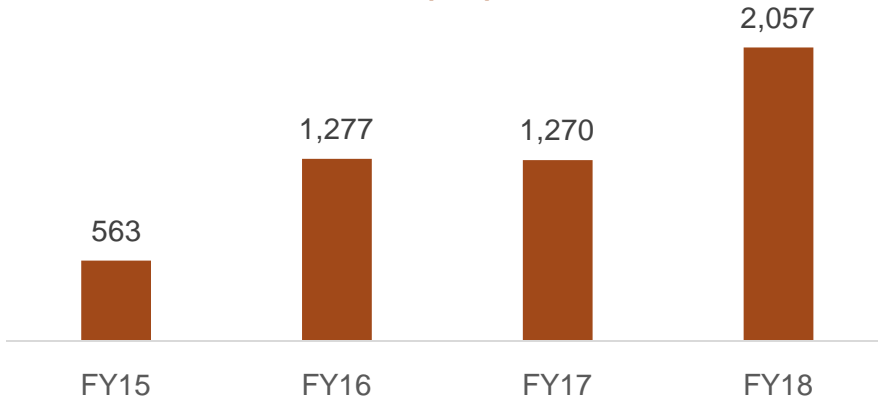
Revenue (Mn)



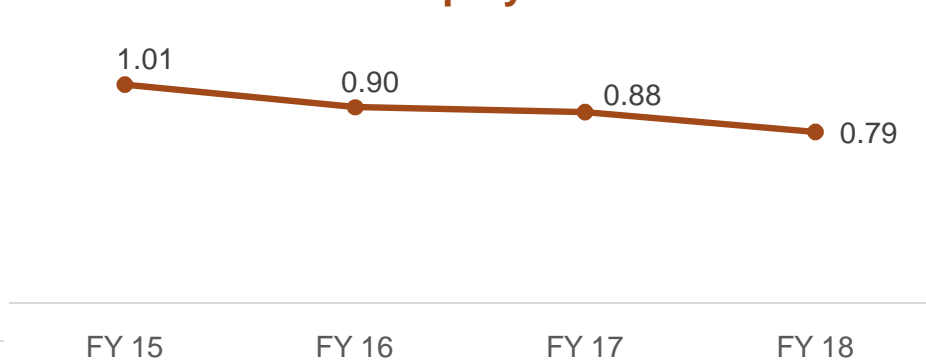
EBITDA (Mn)



PAT (Mn)



Debt Equity Ratio

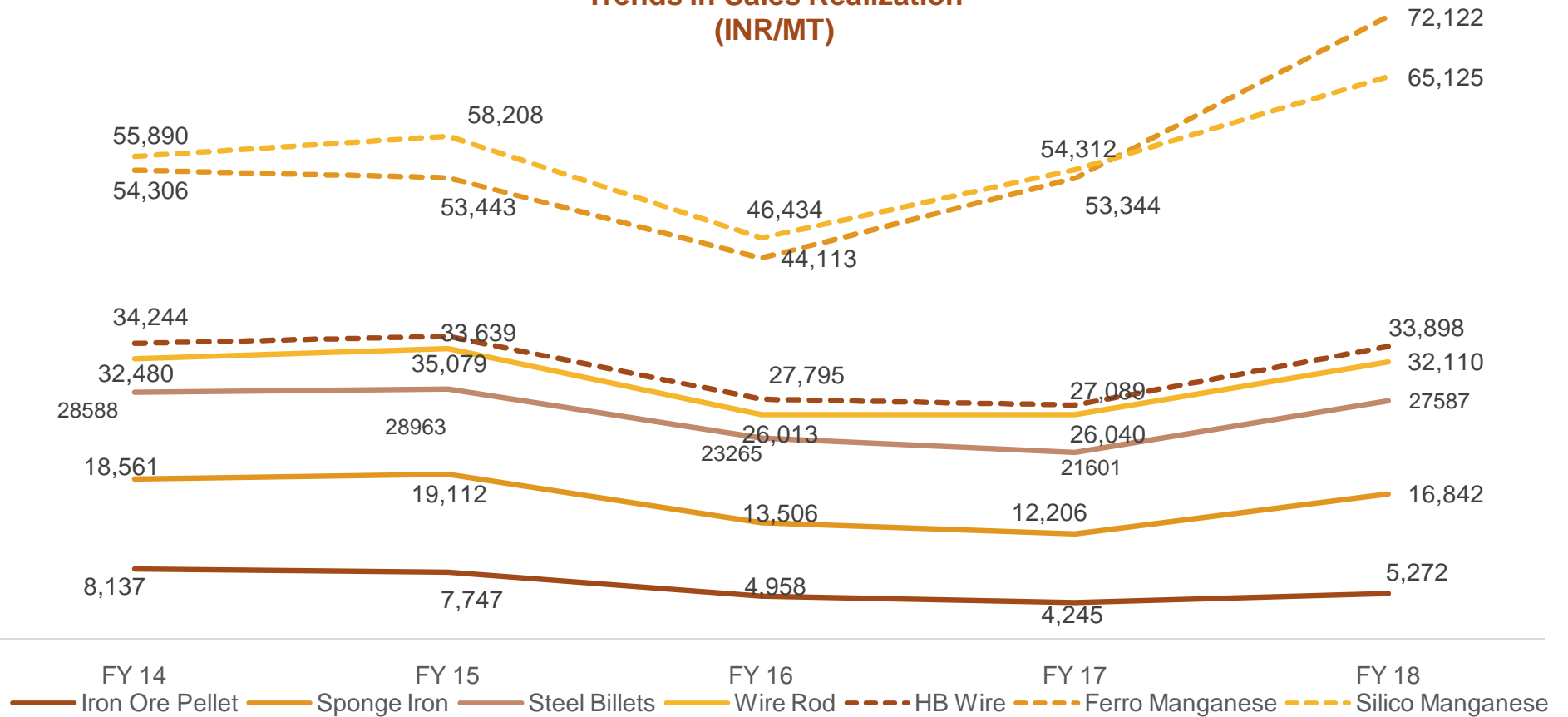




Annexure Realization



Trends in Sales Realization (INR/MT)





Annexure - Production & Sale Data



Production	FY16	FY17	FY18
Pellet (MT)	494,916	599,925	599950
Sponge Iron (MT)	265,508	304,193	278147
Steel Billets (MT)	134,566	133,442	136349
Wire Rod (MT)	92,437	101,176	113466
HB Wire (MT)	26,764	29,552	27763
Ferro - Alloys (MT)	106,928	127,602	149288
Power (mn KWH)	1,182	1013	1010

External Sales	FY16	FY17	FY18
Pellet (MT)	252,750	207,786	383,831
Sponge Iron (MT)	143,250	176,315	150,415
Steel Billets (MT)	37,852	29,456	19,633
Wire Rod (MT)	52,178	72,348	85,567
HB Wire (MT)	26,101	29,387	28,615
Ferro - Alloys (MT)	112,727	120,334	149,316
Power (mn KWH)	463	197	145

**THANK
YOU**



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